CORPORATE GOVERNANCE AND BANKING SECTOR PERFORMANCE IN NIGERIA

BY

ODEKUNLE Lateef Alani

Matric No.: 979008307

B.Sc. (Hons.) Accounting (UNIBEN)

M.Sc. Economics (UNILAG)

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DEDICATION

This work is dedicated to my wife, OLUREMI and daughters, LATIFAT and FALILAT for sticking with me, without a complaint, through thick and thin.

SCHOOL OF POSTGRADUATE STUDIES
UNIVERSITY OF LAGOS, NIGERIA

CERTIFICATION

This is to certify that the Thesis:

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submitted to the School of Postgraduate Studies,
University of Lagos,

for the Award of the Degree of

DOCTOR OF PHILOSOPHY (PH.D.) IN ECONOMICS
is a Record of Original Research, Carried out

By
ODEKUNLE, LATEEF ALANI

in the Department of Economics.

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ABSTRACT

The failure of many Nigerian banks in recent times may be said to stem from weaknesses in the corporate governance of the sector. In spite of various regulatory frameworks which have been instituted toward ensuring compliance with ordinances, there are indications of increasing crisis in the banking sector of the Nigeria economy. Literature has paid little attention as to how corporate governance may have contributed to the waves of crisis in the sector. The purpose of this thesis is to examine the relationship between corporate governance and banking sector performance in Nigeria. The thesis investigated the influence of block holdings or ownership concentration and bank performance; the influence of directors' or insiders' shareholdings on bank performance and the influence of corporate reporting on bank performance. Based on stakeholders' theory, the thesis used data from sixteen (16) of the registered banks in Nigeria, selected on basis of data availability for the period covering 2000-2012. The data were analysed using panel data estimators of ordinary least squares (OLS), fixed and random effects respectively, for multiple regression models and run on STATA. Choice of panel data estimation technique is justified by its ability to allow for cross-sectional time series analysis. Given that there could be disparity in practices across the banks, panel data allows for issues of heterogeneity and endogeneity. The performance measures (dependent variables) adopted are the Return on Assets (ROA), Return on Equity (ROE), the Net Interest Margin (NIM), and Tobin's Q. The estimated parameters used (independent variables) are ownership concentration, directors' shareholding, and corporate reporting. The thesis extended the empirical literature to cover corporate reporting having significant influence on performance. The thesis found that ownership concentration does not significantly affect banks' performance in terms of return on assets, return on equity and net interest margin. However, it is found to significantly influence banks' market valuation with Tobin's Q. Directors' shareholdings do not significantly impact on banks' performance as was observed in respect of return on assets, and return on equity, but they significantly impact on net interest margin and Tobin's Q. The results obtained from the study's analysis indicate that corporate reporting exerts significant influence on the performance of the banking sector. As a policy suggestion, the thesis recommends the enforcement of unified corporate reporting, entrenchment of best practice for market discipline, extensive disclosure and discouragement of insider-dominated boards as ways of curtailing bank liquidation.

Key words: Corporate Governance, Banking Sector, Performance. Word count: 396

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The recent past years have witnessed renewed interest on the subject of corporate governance (CG). This arises from increasing number of cases of corporate collapse around the globe. Prior to the 2009 global financial crises, the collapse of some blue chip companies such as Enron, Xerox, Tyco, Wal-Mart Stores Inc, WorldCom (in the United States), Polly Peck and Maxwell Communications (in the United Kingdom), Parmalat (in Italy), Cadbury Schweppes Confectionary (in India) had heightened the resurgence of research interest in corporate governance. Magbagbeola (2005) identifies two major antecedents to the growing interests in corporate governance. First, the proliferation of scandals and crises across the globe and second, the growing prominence of private, market-based investment process with its attendant complexities. These include increasing size of firms, increasing role of financial intermediaries, complication in mobilization and allocation of capital arising from both financial and real markets liberalization, and structural reforms including price deregulation and increased competition. Claessens (2004) submits that these developments have made the monitoring of the use of capital more complex in certain ways, therefore, enhancing the need for good corporate governance.

In Nigeria, there is a recorded spate of corporate governance crises engendering irrecoverable collapse of many of her manufacturing and financial service sectors. Examples in the financial services sector include Forum Finance, Abacus Merchant Bank Nigeria Limited, Royal Merchant Bank Nigeria Limited, Rim Merchant Bank, Progress Bank, Financial Merchant Bank, Republic Merchant Bank among others. Outside the banking sector are companies like African Petroleum (AP) Plc that concealed debts of over 20 billion naira; Lever Brothers Plc which overvalued its shares; Cadbury Nigeria Plc which fraudulently overstated its accounting figures and profits as well as engaging in fraudulent sale of shares. Studies have revealed the general belief that weak corporate governance may be responsible for some of the corporate failures in Nigeria. Securities and Exchange Commission (2003) attributes corporate failures in Nigeria to weak corporate governance.

Essentially, corporate governance challenges in most of the collapsed companies' cases may have emanated from financial reporting manipulations by the managers using creative accounting practices (Odekunle, 2015). These may be possible in cases where organizations are managed by connected or related persons. A situation referred to as economy of affection. (See Isola, 2005). The likely outcomes of these may be questionable benefits like share price effects, borrowing cost effects, bonus plan effects and political cost effects respectively in favour of the initiating company(ies) but at the expense of shareholders and other stakeholders alike.

Corporate Governance though a nebulous concept, has been perceived in different ways by various researchers and international organisations. The organisation for Economic Cooperation and Development (OECD 2004) considers corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance. Cadbury (2000) conceives corporate governance as being concerned with holding the balance between economic and social goals, and between individual and communal goals. The governance framework is meant to encourage efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individuals, corporations and society. The incentive to corporations is to achieve their corporate aims and to attract investment. Cadbury (2000) observes that the incentive for the state is to strengthen economies and discourage fraud and mismanagement. It is perhaps in this sense that Magbagbeola (2005) submits that corporate governance has become the mainstream issue in discussion of corporate boardrooms, academic meetings and policy circles around the globe.

Research revealed that banks and other financial intermediaries are at the heart of the world's financial crisis. This may be due to their centrality to every economy. In this regard, Kirkpatrick (2009) submits that the weak governance of banks is frequently identified as a major cause of the global financial crisis. Corroborating this position, Fries *et al*. (2002); Kashif (2008) and Sanusi (2010), opine that the deterioration of their asset portfolios, largely due to distorted credit management, is one of the main structural sources of the crisis.

Kirkpatrick affirms further that at the microeconomic (or microenvironment) level, managements of financial institutions and banks face challenging competitive conditions. With reduced margins coming from traditional banking, banks were forced to embrace other sources of revenue outside their core mandate. Moreover the Nigerian Deposit Insurance Corporation (NDIC, 2004) reveals that majority of the banks in the country are not actually engaging in their core banking business but rather in questionable deals involving sharp practices like round tripping and other illegal business acts. Supporting this, Emefiele (2014) observes that banks focus more on quick high-yield investments and offer little macro-economic benefits. The attendant consequence being the strategic neglect of the real sector. Arguably, this may arise as a result of poor corporate governance in countries' banking institutions.

The NDIC report further observes that Nigerian Banks have lost over N9.383billion and N11.754billion in 2003 and 2004 respectively, due to self-serving and fraudulent practices among members of the board, management and staff, overbearing influence of chairman or MD/CEO, especially in family-controlled businesses, weak internal control, passive shareholders, sit-tight directors, non-compliance with laid down internal controls and operation proceedings, abuses in lending and diverse corporate reporting methods. Macey and O'Hara (2003) argue when bank insiders use their discretionary benefits to exploit the bank for their own purposes, there could be likelihood of bank failures and impairment of corporate finance and economic growth following their inability to provide the liquidity required for the economy to stimulate growth, productivity and employment and enhance social life. Whereas, when banks efficiently mobilize and allocate funds, it lowers the cost of capital to firms, boosts capital formation, and stimulates productivity growth. Macey and O'Hara argue further that banking crises manifest the enormous consequences of poor governance of banks. These crises have crippled economies, destabilized governments and intensified poverty.

Elegbe (2013) puts it that the NDIC in 2009 reported weakness in Nigerian banks corporate governance as the main problem that led to the bank failure. NDIC emphasised poor risk management, weak board and management oversight, inaccurate financial reporting, abuse and fraudulent use of subsidiaries poor book keeping practices, non compliance with banking laws, rules and regulations and non performing insider – related credits as the channel of weak corporate governance. According to Sanusi (2010), the tenets and processes of banking were not strictly followed by the banks CEOs. After the consolidation process in 2006, the misconduct among specific banks CEOs were left unchecked by the CBN. The undue advantage of un-secured loan received by most banks' boards paves way for executive management manipulation. The Boards failed to curb the excessiveness of the banks management. The extent of insider abuse (trading) in several banks, CEOs set up special purpose vehicles to lend money to themselves for stock price manipulation or the purchase of estates all over the world. 30% share capital of a designated bank was purchased with customer deposits while another used 80% of its depositor's fund for its initial public offer (IPO). It is against this backdrop that this thesis aims to examine corporate Governance and Banking Sector Performance in Nigeria.

1.2 Statement of the Problem

In 2009, the Central Bank of Nigeria (CBN) announced the results of the stress test conducted on ten banks and determined that five of them namely, Oceanic Bank, Union Bank, Afribank, Finbank, and Intercontinental Bank were insolvent. According to Alford (2011), the aggregate percentage of non-performing loans of these five banks was 40.81 per cent. In addition, these banks were chronic borrowers at the Expanded Discount Window (EDW) of the Central Bank of Nigeria (CBN), indicating that they had little cash on hand. The senior executives of the insolvent banks were charged with crimes while the names of debtors of non-performing loans held by the Nigerian banks were published in the Nigerian national dailies. Ten other banks found to be in "grave situation" were intervened. Soludo (2004) emphasized that the weaknesses of the financial institutions are evident in overdrawn positions with CBN, high incidence of non- performing loans, capital deficiencies, weak management and poor corporate governance. Sanusi (2010) links the 2008-2009 banking crises in Nigeria with governance malpractice within the consolidated banks.

Even the International Monetary Fund (IMF) report on detailed assessment of observance on the Nigeria Financial Sector released in 2013 listed major failures in corporate governance of banks as well as inadequate disclosure and transparency about the financial positions of banks as part of major contributing factors to Nigerian banking crisis.

In a bid to correct all the observed corporate governance deficiencies, various regulatory frameworks have been instituted for best practices and compliance. In spite of binding rules to ensure transparency, accountability and long term sustainability as well as efficient market discipline, the banking sector appears to keep on recording dismal record of disappointing performance as there are indications of the persistence and severity of the phenomenon in the banking sector of the economy.

Yet, until now, and to the best knowledge of the researcher, there appears to be little attention in literature for a deep and painstaking understanding of what exactly may be wrong with corporate governance, whether or not corporate governance failures contributed to the waves of crises in the banking sector and if the situation would require reform and improvement of the corporate governance practices to prevent future institutional, systemic and moral failures of the banking sector. In line with the foregoing, the pertinent questions remain thus: How does ownership concentration otherwise called block holders shareholdings, affect banking sector performance? How does the ratio of directors' shareholdings otherwise called insider shareholdings influence direction of performance in the banking sector and how does corporate reporting influence banking sector performance. Compliance with the corporate governance codes in itself constitutes good governance. Hence how have banks complied with corporate governance codes in corporate reporting disclosures? These are some of the questions to which this thesis intends to provide answers.

1.3 Objectives of the Research

The broad objective of the research is to examine the influence of corporate governance on banking performance in Nigeria. To achieve this, the following specific objectives are pursued:

(1) To investigate the influence of block holdings or ownership concentration on banking performance;

(2) To examine the effect of directors' or insiders' shareholdings on banking performance; and

(3) To investigate the influence of corporate governance on corporate reporting of banks' performance.

1.4 Research Questions

The research questions, which this study has attempted to answer, are:

(1) To what extent do block holdings or ownership concentrations matter in banking performance?

(2) How do directors' or insiders' shareholdings influence the performance of the Nigerian banks?

(3) To what extent does corporate governance reflect in corporate reporting of banks performance?

1.5 Research Hypotheses

In line with the objectives and research questions stated above, the hypotheses, tested in this thesis, are as follows:

(1) There is no significant relationship between block holding or ownership concentration and banking performance.

(2) There is no significant relationship between directors' or insiders' shareholdings and banking performance.

(3) Corporate reporting does not significantly affect bank performance.

1.6 Significance of the Research

The financial service industry, of which the banking sector forms an integral part, remains one of the critical sectors in any economy. This perhaps accounts for the submission of Wilson (2006) that banks are key players in any country's financial sector. They occupy a delicate position in the economic equation of any country such that their (good or bad) performance invariably affects the economy of the country. According to a report by the International Monetary Fund (IMF) (2013), the Nigerian banking system currently accounts for over 80 percent of financial sector assets and represents about 53.6 percent of Gross domestic Product (GDP). By the end of 2011, the 21 operating registered commercial banks had N18.2 trillion assets and N12.5 trillion in deposits (about US$81 billion). The effectiveness and efficiency with which the banks perform their intermediary roles between the surplus and deficit spending units of the economy may determine to a very large extent the prosperity of any nation. Efficient functioning of banks provides desirable incentive for the prosperity of total macro-economic performance of a nation. This is owing to their centrality in every economy. Reserve Bank New Zealand (2003) asserts that corporate governance is one of the key factors that determine the health of the financial system and its ability to survive economic shocks. Wilson (2006) observes that corporate governance from the banking perspective demands that banks will operate in a safe and sound manner, and will comply with applicable laws and regulations while protecting the interests of depositors. Block, Jang, and Kin, (2006) and Claessen (2006) submit that the concern over corporate governance originates from the fact that sound governance practices by organizations, banks inclusive, results in higher firm's market value, lower cost of funds and higher profitability. More importantly, two key differences have been identified as distinguishing the governance of banks from that of non-financial firms. The first is that banks have many more stakeholders than non-financial firms. The second is that the business of banks is opaque and complex and can shift rather quickly.

United Nations Conference on Trade and Development (UNCTAD) (2011) reports that Good corporate governance benefits companies, investors and markets. The importance of corporate governance cannot be overemphasised in any business undertaking, most especially where stewardship accounting is required to be given. This is particularly more important among the corporate organisations and financial institutions as the general persistent distress cases, untimely business closure and unrealistic high share prices continuously indicate that corporate governance of these firms is doubtful. UNCTAD notes that governance practices affect company performance, and are important elements in analysts' evaluations of risk both for individual companies and the market. From the perspectives of policy makers, better corporate governance has the potential to enhance the efficiency of companies and market, reduce the cost of capital, and encourage innovation. In short, corporate governance is important.

The need for this research is imperative in an environment where banking industry plays a catalytic role in the socio-economic and political development of the country. The rationale behind this lies in the fact that corporate governance may not be unconnected with the major factors militating against the performance of the banking sector. This is so as the rapid changes brought about by globalisation, deregulation and technological advances appear to increase the risks in banking systems. Moreover, unlike other businesses, most of the funds used by banks to conduct their operations belong to their creditors, in particular to their depositors. Buttressing this, Magbagbeola (2005) notes that banking business in Nigeria largely depends on funds provided by depositors and other customers, making equity an insignificant source of trading funds. As a corollary, the failure of a bank affects not only its own stakeholders, but may have a systemic impact on the stability of other banks and the economy as a whole.

This research will be of benefit to the corporate sector of Nigeria and other sub-Saharan countries which are culturally and politically similar to Nigeria as it will engender sound corporate governance practices which will create efficient market system that will influence higher market value, lower cost of funds and higher profitability. It will also benefit investors, decision makers, regulators and researchers as well as assist the policy makers to set new and improved standards for best practices. It will be of significance to academics as the new framework will be a useful future research tool to assess corporate governance and firm performance in developing countries. Finally the study will contribute to prior studies on the role played by good governance as essential element for an efficient market system for value creation and freedom from poverty.

There exists a growing literature on corporate governance both in the developed and developing countries but very few have drawn attention to the corporate governance of banks. This is in spite of the fact that key aspects of corporate governance are applicable to banks. In support of this, Caprio and Levine (2002) assert that the corporate governance of financial service sector and more specifically of banks in developing economies has been almost ignored by researchers. Similarly, Macey, *et al*. (2001) observes that even in developed economies, the corporate governance of this sector has only recently been discussed in the literature. The relevance of banks in the economic system and the nature of the banking business make the problems involved in their corporate governance highly specific. Studies like Prowse, 1997; Oman, 2001; Goswani, 2001; Malherbe and Segal (2001), Arun and Turner (2002), have further confirmed the assertion that research on corporate governance and banks performance has been underreported. The same argument also holds for Nigeria where a whole lot of studies on corporate governance focus mainly on corporate governance and the Nigerian firms' financial performance. The previous literature for Nigeria has studied the relationships between corporate governance and firm performance. (See Sanda *et al*., 2005; Adenikinju and Ayorinde, 2001; Adenikinju, 2005). The few related studies that have examined the relationship between corporate governance and bank performance for Nigeria in particular include Adelegan (2005), Magbagbeola (2005), Okereke *et al*. (2011), Muhammed (2012) and Oghojafor *et al*. (2010). The present study contributes to the literature by utilising more recent data (2000–2012) including post consolidated issues, than other empirical studies in Nigeria. For example, Adenikinju (2005); Sanda *et al*. (2005) and Magbagbeola (2005) based their respective studies on the periods 1993-2002, 1996-1999 and 1999-2004 respectively. More importantly, the influence of corporate reporting as a governance variable that may affect banking sector performance is not known to the best knowledge of the author to have been investigated in a single study in previous research for Nigeria. This constitutes a major gap in the literature for at least in the Nigeria setting. This thesis therefore intends to address the seeming gap in the previous literature which may have failed to consider corporate reporting as a governance variable which may influence banking sector performance. Accountability to shareholders and other stakeholders was assessed through corporate reporting practices in relation to bank performance. Bank performance was also assessed by return on equity, return on assets, net interest margin and Tobin's Q. as reported in the annual reports and bank performance indicators of accounting and market based measures. In addition it intends to suggest how corporate governance practices may be reformed and improved to prevent future institutional, systemic and moral failures of the banking sector.

It has also been observed that banking firms in any year can change more than one of the corporate governance indicators, therefore studies like Gompers *et al*., 2004; Brown and Caylor, 2004; Core, Guay and Rusticus, 2005; Ashbaugh-Skaife *et al*., 2004; Cremers and Nair, 2003, compute measures of aggregate corporate governance with which they capture the overall effect of governance. This approach is adopted in this study. Prior to this study, hardly had any study to the best knowledge of the author done this for the Nigerian banking sector.

1.7 Scope and Delimitation of the Research

The scope of the research covers a period of 2000 – 2012. Sixteen of the registered commercial banks in Nigeria within the period selected are considered. Between 2000 and 2004, there were as many as 89 banks in Nigeria. The consolidation exercise of 2005 brought the number to 25. Mergers and acquisition reduced the number to 24 and later to 21. The banks selected for the research based on data availability are, First Bank Of Nigeria Plc, First City Monument Bank Plc (FCMB), Guaranty Trust Bank Plc (Gtb), Intercontinental Bank Plc, Skye Bank Plc, Access Bank Plc, Mainstreet Bank (Afribank Nigerian Plc), Diamond Bank Plc, Ecobank Nigeria Plc, Fidelity Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, Union Bank of Nigeria Plc, United Bank For Africa Plc, Wema Bank Plc And Zenith Bank Plc The scope is to allow for pre and post consolidation considerations. The emphasis on commercial banks in the sample is for ease of comparison and due to their peculiar regulatory framework.

1.8 Operational Definition of Terms

In order to facilitate the readers' understanding of this work, key operational terms, employed in it, are defined as follows:

(i) **Corporate Governance**

Directing and managing with integrity, responsibility and accountability.

(ii) Banking Sector

Part of financial services of the economy comprising deposit, non deposit and specialised banks.

(iii) Performance

Measure of how well a firm can use assets from its primary mode of business and generate revenues.

(iv) Commercial Bank

Commercial bank is a regular bank that provides the day to day banking services to its customers. Also known as deposit money bank.

(v) Leverage or Gearing.

The amount of debt used to finance a firm's assets. Also means the ratio of a company's loan capital (debt) to the value of its ordinary shares (equity); It is referred to as gearing.

(vi) Expanded Discount Window (EDW)

These are credit facilities through which financial institutions go to borrow funds from the Central Bank of Nigeria (CBN). These loans, which are priced at the discount rate, are often structured as secured loans and help to reduce liquidity problems for banks and assist in assuring the basic stability of financial markets.

(vii) Creative Accounting:

Accounting practices that follow required laws and regulations, but deviate from what those standards intend to accomplish. Creative accounting capitalizes on loopholes in the accounting standards to falsely portray a better image of a company.

(viii) Reporting Game.

This involves the altering of corporate financial report in a desired direction. This can be achieved through accounting policy choice or outright fraudulent disclosure.

(ix) **Corporate Reporting**

This consists of directors' report and financial statements.

CHAPTER TWO

LITERATURE REVIEW

This chapter discusses the review of the theoretical, conceptual and empirical literature and addresses the gaps in the literature.

2.1 Theoretical Literature

2.1.1 Concept of Corporate Governance

According to Farinha (2003), the term “corporate governance” is a relatively new one both in the public and academic debates, although the issues it addresses have been around for much longer. The varieties in the landscape of corporate governance from country to country appear to limit a universal definition of corporate governance. Moreover, countries differ from one another in terms of culture, legal systems and historical developments. This perhaps explains why there is a wide range of definitions of the concept of corporate governance. Shleifer and Vishny (1997), define corporate governance in terms of the ways in which suppliers of finance to a firm assure themselves of a good return to their investment. This is a view from the perspective of financial economics. This definition appears shallow in that it emphasises the suppliers of finance like shareholders & other creditors and does not recognise the relationships between a firm’s and other stakeholders and managers. The UK corporate governance code (2010) defines corporate governance as being about what the board of a company does and how it sets the values of the company. This definition again appears narrow, as it limits corporate governance to what the board of a company does. Each firm has numerous stakeholders whose different interests must be taken care of. This, perhaps, explains why Sanda *et al*. (2005) opine that corporate governance is concerned with ways in which all parties interested in the well-being of the firm (the stakeholders) attempt to ensure that managers and other insiders take measures that safeguard the interests of the stakeholders. John and Senbet (1998) propose a more comprehensive definition that “corporate governance deals with mechanisms by which the stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected”. They include, as stakeholders, not just shareholders, but also debt holders and even non-financial stakeholders, such as employees, suppliers, customers, and other interested parties. Corporate governance is, according to the Organisation for Economic Cooperation and Development (OECD, 2004)

A set of relations between the company management, the managing board, its shareholders and other interest groups within the company;

The structure by which company objectives are set as well as the means for achieving these objectives and monitoring performances; and

The stimuli system granted to the management board and administration in order to increase the objectives that are in the company's and shareholders' best interest and to facilitate monitoring, thus encouraging companies to use their resources more efficiently.

This definition by OECD appears very wide in scope because it specifically integrates a company's relations to its internal environment, i.e., the shareholders and employees, as well as the outer environment, such as suppliers, creditors and, last, but not the least, the interaction between the two environments and management frames: management board, and the company management. The definition is consistent with the perception of Nigeria Deposit Insurance Corporation (NDIC) on corporate governance. In its 2007 report, NDIC states that responsive corporate governance in an organization involves the enthronement of a system; appropriate board and senior management oversight; transparency and accountability to the various stakeholders; compliance with the applicable legal and regulatory requirements; disclosure of all material information to stakeholders, such as investors, depositors, regulatory authorities and the organisation's viability and solvency is sustainable through adequate internal controls and audits as well as appropriate risk management framework.

The Basel Committee on Banking Supervision (2010) believes that corporate governance from a banking industry perspective, involves the allocation of authority and responsibilities, that is, the manner in which the business and affairs of a bank are governed by its board and senior management, including how they set the bank's strategy and objectives. It also includes determining the bank's risk tolerance/appetite, operating the bank's business on a day-to-day basis, protecting the interests of depositors. Also included are issues, such as meeting shareholder obligations and taking into account the interests of other recognised stakeholders. The committee further believes that there should be an alignment of corporate activities and behaviour with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

Thus, Frederikslust, Ang and Sudersanam (2008) submit that corporate governance, far from being monochromatic, presents a rich variety of laws, practices and institutional structures. Its cardinal objective is to ensure transparent accountability and efficient and effective corporate reporting systems. It also eliminates issue of expectation gap between the expected performance and actual performance of organizations.

2.1.2 Theories Underpinning Corporate Governance

Corporate governance is of growing importance, particularly with regard to the monitoring role of the board of directors. As a result, the theoretical perspectives that are relevant to this study are based on the governance structures and reporting practices that affect the value of corporate entities. This section reviews the theoretical perspectives on corporate governance that are relevant for this study. It draws on agency theory, stewardship theory, stakeholder theory, transaction cost theory, social contract theory, legitimacy theory and resource dependency theory.

2.1.2.1 Agency Theory

According to Ahmad (2012), agency theory was founded in 1976 by Jensen and Meckling who defined it as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf by delegating some decision-making authority to the agent. In this theory, shareholders who are the owners or principals of the company, hire the agents to perform work. Clarke (2004) states that principals delegate the running of business to the directors or managers, who are the shareholders' agents. Eisenhardt (1989) submits that agency theory concerns itself with analysing and resolving problems that occur in the relationship between principals (owners or shareholders) and their agents or top management. Blair (1995) affirms that the theory rests on the assumption that role of organizations is to maximise the wealth of their owners or shareholders. The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Conditions which expose businesses to the challenges of adverse selection and moral hazard. Adverse selection occurs when a principal cannot ascertain whether an agent accurately represents his or her ability to do the work for which he or she is paid to do. On the other hand, Eisenhardt (1989) holds that moral hazard is a condition under which a principal cannot be sure if an agent has put forth maximal effort. All of these economic weaknesses have the potential to lead to market failure. Brennan (1995) takes the view that this agency problem arises because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal. In not having full ownership, managers are unable to capture the full benefits of their efforts, just as they do not bear full consequences, in costs, of any of their discretionary actions. Arising from this problem is how to induce the agent to act in the best interests of the principal. Managers bear the entire cost of failing to pursue their own goals, but capture only a fraction of the benefits. Jensen and Meckling (1976) argue that this inefficiency is reduced as managerial incentives to take value maximising decisions are increased. As with any other costs, agency problems are captured by financial markets and reflected in a company's share price. Within the agency framework, agency conflicts arise from divergences of interest between any two parties to a contract within an organisation. As a result, they are almost limitless in nature. Different researchers have argued over the severity of each of the different types of conflicts described above. Research by Jensen (1986) and Himmelberg, Canella, and Paetzold (1999), among others, stress the importance of a firm's contracting environment, as vitally important in determining the importance of such problems. For example, while prerequisite consumption may be a major problem in larger companies, this may not be the case in smaller firms, where assets can be more easily monitored. Daily, Dalton and Canella (2003) argue that two factors can influence the prominence of agency theory; the theory is a conceptually simple theory that reduces the corporation to two participants of managers and shareholders. Shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Agency theory suggests that employees or managers in organizations can be motivated by their selfish interest. The agent may, thus, be succumb to selfish-interest and opportunistic behaviour, falling short of congruence between the aspirations of the principal and the agent's pursuits. Even the understanding of risk defers in its approach. Therefore, agency theory was introduced basically as a result of the separation of ownership and control. Holmstrom and Milgrom (1994) argue that instead of providing fluctuating incentive payments, the agents will only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, it does not eradicate or even minimise corporate misconduct. Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximising shareholders' value. Hence, Clarke (2004) argues that a more individualistic view is applied in this theory. Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners.

By and large, the idea of agency theory can be attributed to Coase (1937) but the ideals of the theory have only been applied to directors and boards since the 1980s. According to this theory, people are self-interested, rather than altruistic, and cannot be trusted to act in the best interests of others. Shleifer and Vishny (1997), argue that corporate managers have many personal goals and ambitions, only one of which is to get rich. Generally, people seek to maximise their own utility. The agency theory presents the relationship between directors and shareholders as contractual, which implies that the actions of directors who act as agents of shareholders are expected to be checked to ensure that they are in the best interests of the shareholders. The agency theory presents the operational perspective of corporate governance.

2.1.2.2 Stewardship Theory

The stewardship theory is defined by Davis, Schoorman and Donaldson (1997) as how a steward protects and maximises shareholders' wealth through firm performance, because by so doing, the steward's utility functions are maximised. In this perspective, stewards are company executives and managers working for the shareholders, protecting and making profits for the shareholders. The stewardship theory adopts a different approach from the agency theory. Stewardship theory stresses, not the perspective of individualism (Donaldson & Davis, 1991), but rather the role of top management as stewards, integrating their goals as part of those of the organization. The theory starts from the premise that organizations serve a broader social purpose than just maximising the wealth of shareholders. Agyris (1973) argues that agency theory looks at employees or people as economic beings, which suppresses an individual's own aspirations. Stewardship theory, however, recognises the importance of structures that empower the steward and offers maximum autonomy that is built on trust (Donaldson and Davis, 1991). It stresses the position of employees or executives to act more autonomously so that the shareholders' returns are maximised. Indeed, this can minimise the costs aimed at monitoring and controlling behaviours (Davis *et al*., 1997). On the other end, Daily, Dalton and Canella (2003) argue that, in order to protect their reputations as decision-makers in organisations, executives and directors are inclined to operate the firm to maximise financial performance as well as shareholders' profits. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance. Indeed, Fama (1980) contends that executives and directors are also managing their careers in order to be seen as effective stewards of their organizations, while Shleifer and Vishny (1997) insist that managers return finance to investors to establish a good reputation for future finance. In a way, stewardship theory suggests unifying the roles of the

CEO and the Chairman so as to reduce agency costs and have a greater role as stewards in the organisation. This has a likelihood of safeguarding the interest of the shareholders. The implication of the stewardship theory is that it encourages the efficient use of resources and equally requires accountability for the stewardship of those resources.

2.1.2.3 Stakeholder's Theory

Stakeholder theory was embedded in the management discipline in 1970 and was gradually developed by Freeman (1984) to encapsulate corporate accountability to a broad range of stakeholders. This theory holds that corporations are social entities that affect the welfare of many stakeholders. The theory sees stakeholders as any group or individuals who can affect or are affected by the achievement of the organisation's objectives. Unlike agency theory, which implies that managers are working for and serving the shareholders, stakeholder theorists suggest that managers in organisations have a network of relationships to serve, including the suppliers, employees and business partners. On the other end, Sundaram and Inkpen (2004), contend that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention. While Donaldson and Preston (1995) claim that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) suggests that the firm is a system, where there are stakeholders and the purpose of the organisation is to create wealth for its stakeholders. Freeman (1984) contends that the network of relationships with many groups can affect decision-making processes, as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders. Freeman's theory, as presented, can be criticised in four ways: inadequate explanation of process, incomplete linkage of internal and external variables; insufficient attention to the system within which business operates; and the levels of analysis within the system and inadequate environmental assessment. Therefore, more studies have begun to try to attach theory to the stakeholder framework (Donaldson & Preston, 1995; Mitchell *et al*., 1995). Donaldson and Preston (1995) suggest that stakeholders' theory is normative. Also, they argue that this theory focuses on managerial decision-making and that interests of all stakeholders have intrinsic value, and that no sets of interests are assumed to dominate those of others. Thus, stakeholder theory has brought greater credibility and acceptance to the tenet of corporate social performance that business is embedded in a system of social relationships that it affects and that it is affected by.

The thrust of the stakeholder theory is that a firm's board of directors and its CEO, acting as stewards, in their self interests, are more motivated to act in the best interests of the firm rather than for their own selfish interests. Ayogu (2001) asserts that from the practical point of view, the problem of corporate governance is concerned with the design of institutions that induce management, in their actions, to take into account the welfare of stakeholders-investors, employees, communities, suppliers and customers. This is because, in the opinion of Clarke (2004), over time, senior executives tend to view a firm as an extension of themselves. Therefore, the stakeholder theory argues that, compared to shareholders, a firm's top management cares more about the firm's long term success (Mallin, 2004). Successful organisations are therefore, judged by their ability to add value for all their stakeholders.

2.1.2.4 Transaction Cost Theory

Transaction cost theory is an interdisciplinary alliance of law, economics and organizations. This theory attempts to view the firm as an organization comprising people with different views and objectives. Transaction cost theory is part of the New Institutional Economics research tradition. Transaction cost theory argues that there are costs for conducting transactions through the market; these transaction costs can be reduced through mechanisms other than markets (Coase, 1937; Williamson, 1975). Specifically, there are costs to "drafting, negotiating, and safeguarding any exchange or transaction" that are "frictions" impeding smooth transactions (Williamson, 1985). Transaction cost theory claims that these transaction costs, driving economic organisations, are as important as production costs, or perhaps, even more important. Transaction costs are an important part of the total costs of a firm, because production costs are easier to assess than transaction costs, Transactions costs comprise the ex-ante costs of searching and information, drafting and negotiating an agreement, and costs of safeguarding the agreement. The ex-post costs entail the costs of evaluating the input, measuring the output, and monitoring and enforcement (Williamson, 1985).

The theory recognises that a firm could save costs by undertaking activities within the organisation rather than externally. The theory, therefore, focuses on the cost of enforcement or check and balance mechanisms, such as internal and external audit controls, information disclosure, etc. This theory has become an increasingly important anchor for the analysis of a wide range of strategic and organisational issues of considerable importance to firms (Williamson, 1996). In particular, the transaction cost theory has been employed in studying firms' boundaries, vertical integration decisions, the rationale for conducting an acquisition, the networks and other hybrid governance forms. The unit of analysis in transaction cost theory is the transaction. Therefore, the combination of people involved in transactions suggests that transaction cost theory managers are opportunists and arrange firms' transactions in their own interests (Williamson, 1996). The main focus of transaction cost theory is the definition of the determinants of co-ordination of transactions through markets or hierarchies. In this sense, the boundaries of the firm should be a function of the governance structure (Williamson, 2005), especially when we consider that this governance structure would ensure the optimal adaptability of the firm to changes in the conditions of supply and demand. One important aspect of transaction cost theory is that it focuses, not only on the two extremes of transaction governance (hierarchy vs. market), but also on other hybrid forms and long term contracts. Transaction cost theory underlies the financial economics perspective of corporate governance.

2.1.2.5 Resource Dependency Theory

Lawrence and Lorsch (1967) link the resource dependency theory to corporate governance. They state that successful organisations possess internal structures that match environmental demand, which supports the argument of Pfeffer (1972) that board size and composition constitute a rational organisational response to the conditions of the external environment. Furthermore, directors may serve to connect the external resources with the firm to overcome uncertainty (Hillman, Cannella Jr. & Paetzols 2000), because coping effectively with uncertainty is essential for the survival of the company. According to the resource dependency role, the directors bring resources, such as information, skills, key constituents (suppliers, buyers, public policy decision makers, social groups) and legitimacy that will reduce uncertainty (Gales & Kesner, 1994). Thus, Hillman *et al*. (2000) consider the potential results of linking the firm with external environmental factors and reducing uncertainty is the reduction of transaction cost associated with external linkage. This theory supports the appointment of directors to multiple boards because of their opportunities to gather information and network in various ways.

2.1.2.6 Social Contract Theory

Among the other theories reviewed in corporate governance literature, social contract theory sees society as a series of social contracts between members of society and society itself (Gray, Owen & Adams 1996). There is a school of thought which sees social responsibility as a contractual obligation the firm owes to society (Donaldson 1983). Integrated social contract theory was developed by Donaldson and Dunfee (1999) as a way for managers to make ethical decisions regarding macrosocial and microsocial contracts. The former refers to the communities and the expectation from the business to provide support to the local community, while the latter refers to a specific form of involvement. The objective of this theory for corporate governance is to align, as nearly as possible, the interests of individuals, corporations and society.

2.1.2.7 Legitimacy Theory

Another theory reviewed in corporate governance literature is legitimacy theory. Legitimacy theory is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed systems of norms, values, beliefs and definitions" (Suchman 1995). Similar to social contract theory, legitimacy theory is based upon the notion that there is a social contract between the society and an organisation. A firm receives permission to operate from the society and is ultimately accountable to the society for how it operates and what it does, because society provides corporations the authority to own and use natural resources and to hire employees (Deegan, 2004). Traditionally, profit maximisation was viewed as a measure of corporate performance. Ramanathan (1976) believes that according to the legitimacy theory, profit is viewed as an all-inclusive measure of organisational legitimacy. The emphasis of legitimacy theory is that an organisation must consider the rights of the public at large, not merely the rights of the investors. Failure to comply with societal expectations may result in sanctions being imposed in the form of restrictions on a firm's operations, resources and demand for its products. Much empirical research has used legitimacy theory to study social and environmental reporting, and proposes a relationship between corporate disclosures and community expectations (Deegan, 2004).

Most relevant underpinning theories for the study are Agency theory and Stakeholder's theory. However, the study is anchored on Stakeholder's theory.

2.1.3 Theoretical Framework: The Stakeholder's Theory

Arising from the literature, the theoretical framework used to conceptualise this thesis is Stakeholder's theory. The choice of stakeholder's theory is justified by the following reasons.

It sees corporation as social entities that affect the welfare of many stakeholders. Banks have more stakeholders than other non-bank firms. Olukotun, James and Olorunfemi (2013) opine that the banking industry is so strategic to the economy that virtually everybody is a stakeholder. As established in the literature, the aim of corporate governance is to align the interests of all the stakeholders in an entity. The approach that attempts to align the interests of managers and all stakeholders is known as the stakeholder theory. The theory lends itself to descriptive accuracy and instrumental power of good ethics and fairness to all concerned in the existence of a firm. The theory asserts that management has the responsibility to give due regard to the interests of everyone who has the capacity to affect the firm. Freeman (1984) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives’. This definition has the implication of including an imaginable number of constituencies. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. Stakeholder theory underlines a broader perspective of corporate governance, noting the involvement of institutions, legal and capacity building and the rule of law. This position is clearly supported by OECD principles of corporate governance, No. 1 (2004) which states that the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

The definition by OECD of corporate governance earlier adopted, takes a wider view of those involved in and affected by corporate governance. The OECD Principle of Corporate Governance, No. IV (2004) provides that the corporate governance framework should recognise the rights of stakeholders established by law or mutual agreement and encourage active co-operation between corporations and stakeholders in creating wealth, jobs and the sustainability of financially sound enterprises. The stakeholder theory, as discussed by John and Senbet (1998), emphasises the role of non-market mechanisms, citing as an example, the need to determine an optimal size of the board of directors, especially in view of the tendency for board size to exhibit a negative correlation with firm performance. Other non-market mechanisms include the need to design a structure in a way that allows the setting up of specialised committees with different membership on separate critical areas of operations of the firm. Such a structure would allow, for example, the setting up of productivity-oriented committees and monitoring-oriented ones. This bears consistency with the OECD principle of corporate governance, No. 1 (2004), that the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. In an extension of the stakeholder theory, Jensen (2001) also recognises the multiplicity of stakeholders. This appears to reflect the opinion of John and Senbet (1998) that certain actions of management might have conflicting effects on various classes of stakeholders. This implies that the managers have multiplicity of objective functions to optimise, something that Jensen (2001) sees as an important weakness of the stakeholder theory. This is because, as noted by Jensen (2001), it violates the proposition that a single-valued objective is a prerequisite for purposeful or rational behaviour by any organisation. In search of a single valued objective function that conforms to rationality, Jensen (2001) therefore suggests a refinement of the stakeholder theory - the enlightened stakeholder theory. For Jensen, the enlightened stakeholder theory offers, at least, two advantages. Firstly, unlike the earlier version with multiple objectives, the modified form of the theory proposes only one objective that managers should pursue: the maximisation of the long-run value of the firm. If the interest of any major stakeholder were not protected, the objective of long-run value maximisation would not be achieved. Secondly, it provides a simple criterion to enable managers decide whether they are protecting the interests of all stakeholders: invest an amount of the firm's resources as long as that will increase by, at least, any amount the long-term value of the firm. Jensen, however, added a caveat that the criterion may be weakened by the presence of monopoly situation or externalities. Despite its appeal, Sanda *et al*. (2005) note that the stakeholder theory of the variety proposed by Jensen has not been subjected to much empirical evaluation. At least two factors might have contributed to the gap between theory and evidence. The first concerns the prevalence of externalities and monopoly situation. The second is the problem of measurement. Jensen himself offers no clue on how to obtain an accurate measure of the long-term value of the firm, l*et al*one offer an indication of how to assess the possible impact of an investment on that long term value.

Carroll (2000) classifies stake-holders as primary and secondary stake-holders. The primary stake holders are directly involved in the economic process and have an explicit contract with the company. They include business owners and shareholders, customers, employees, suppliers of funds and government. These groups of people are essential for the survival of the company since they have a direct exchange relationship with the firm. They are the important stakeholders for the survival of the company's shareholders and management. Secondary stakeholders have more of a moral or implied contract with the firm. Relations may be voluntary or involuntary. These groups may include customers, trade union, competitors, the public and society (Clarkson, 1995; Weiss, 1998; Capron and Quairel-Lanorzelee, 2007). They have indirect relationships with the firm but are clearly affected by its actions in terms of legal, social and environmental consequences. They may have the capacity to influence the company or may be affected by the company activities. Although, they have capacity to mobilise public opinion, they are basically, not essential for the survival of the company itself.

Adopting Carroll (2000), the stake-holders of a bank could be classified into primary stake-holders, which comprise the business owners and shareholders, employees, suppliers of funds, depositors and other customers and government while secondary stake-holders, comprise community, trade union and the general public-all having different and sometimes conflicting interests.

The Figure 2.1 presents some foreseeable and imaginable stakeholders in the banking sector and their interconnected interests.

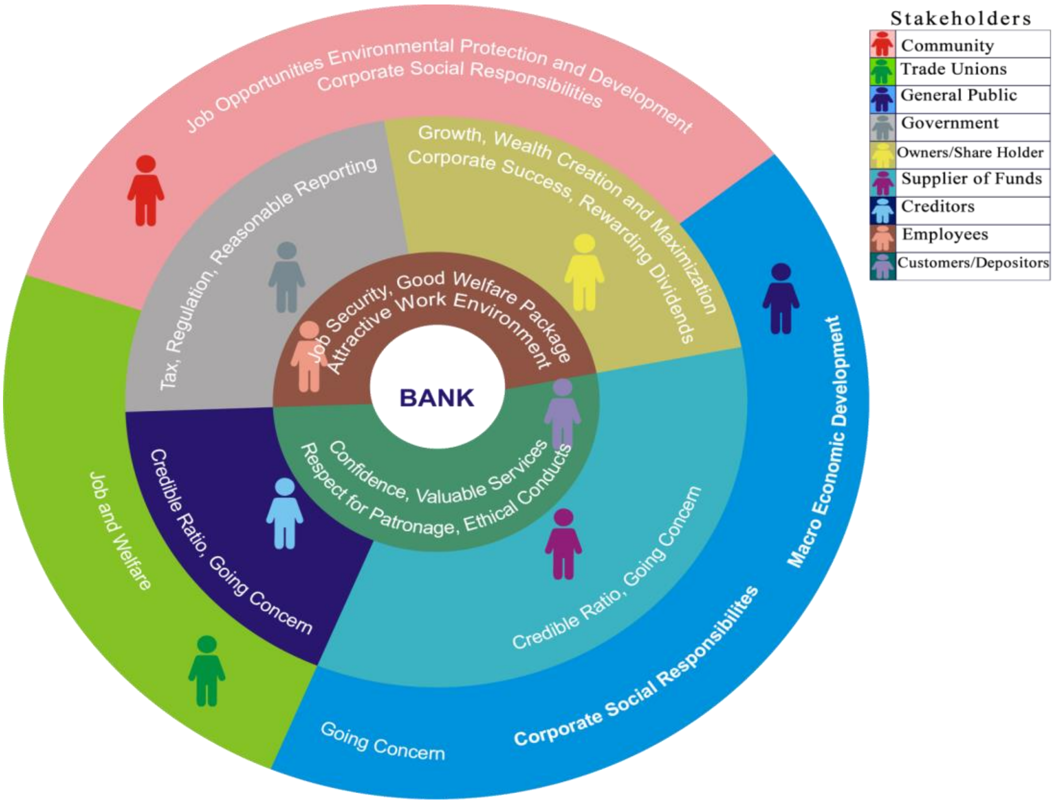

Figure 2.1: Interconnectedness of the Stakeholders and Their Interests in the Banking Sector.

Source: Author's Perception of stakeholders and their varying interests in the banking sector.

Literature established that the banking sector has more stakeholders than other non-bank firms. Due to their being strategic and central to the economy, almost everyone is a stakeholder. Each stakeholder has a self interest in the bank entity to be maximised. Though the interests may be conflicting, logically, there may be a linearity of relationship between the joint interests of the stakeholders and bank performance. The interests of the stakeholders in the bank get renewed and improved as the performance of banks improves and vice-versa.

2.2. Conceptual Literature

This section is the review of perspectives and practices of corporate governance and its implication on banking sector performance.

2.2.1 Corporate Governance around the World.

It has been observed by Frederikslust, Ang and Sudersanam (2008) that the architecture of corporate governance differs across countries. This being the case, understanding the perspectives of corporate governance across the globe may be important. The institute of Directors in Southern Africa (2009) opines that the governance of corporations can be on a statutory basis, or as a code of principles and practices, or a combination of the two. This section undertakes a review of perspectives of corporate governance practices in the United States of America (USA), United Kingdom (UK), China and Africa.

2.2.1.1 Corporate Governance in the United States of America (USA)

Nzuve (2012) posits that the massive corporate failure in the United States of America in the 1990s and early 2000s as epitomized by the fall of Enron, WorldCom among others resulted in myriad lawsuits and erosion of shareholders' wealth. The governance of public companies was brought to question. The politicians were under pressure to provide leadership to the mess that is corporate failure. The House and the Senate consequently passed into law the Sarbanes - Oxley Act of 2002.

Thus corporate governance in the United States appears to be predicated on the Sarbanes - Oxley Act of 2002 which was enacted as a reaction to a number of major corporate and accounting scandals. (Sinha, 2013) observes that in the US, corporate scandals, including Enron and WorldCom, resulting from failure in corporate governance, led to the Sarbanes - Oxley Act with the aim of improving the accuracy and reliability of corporate disclosures by way of enhanced oversight role of Boards, corporate responsibility, certification of accuracy of financial transactions by Top management and setting standards for auditors' independence.

The Act is also known as the Public Company Accounting Reform and Investor Protection Act. It sets new and enhanced standards for all United States Public company boards, Management and public accounting firms. There are also a number of provisions of the Act that apply to privately held companies.

The Sarbanes - Oxley Act, which is a codification of governance principles, covers responsibilities of a public corporation's board of directors, criminal penalties for certain misconduct, and requires the Securities Exchange Commission to enforce compliance with the Law. Top management must individually certify the accuracy of financial information. In addition, there are severe penalties for fraudulent activities. It prescribes enhanced disclosures for off-balance sheet transactions. Furthermore, no loans can be made by a public company to its director or other senior executives.

The Sarbanes – Oxley Act attempts to strengthen the regulatory supervision mechanism by creating the Public Company Accounting Oversight Board (PCAOB). It has the responsibility to oversee the audit of public companies. Furthermore, it is empowered to investigate and undertake disciplinary proceedings against registered public accounting firms up to the extent of revocation of registration. Corporate entities must make periodic submissions of financial statements with declaration from the Chief Executive Officer and Chief Financial Officer that they comply with the requirements of the Securities Exchange Commission. Any willful falsification of records attracts a jail term of 10 years and 25 years for deceiving the shareholders. Even accidental, erroneous certifications or reports attract a penalty of USD one million or an imprisonment of 10 years or both. The Sarbanes - Oxley Act has adequate protection for all whistle blowers.

The United States Corporate Governance code is on 'Comply or else" basis. Little wonder that Frederikslust, Ang and Sudersanam (2008) submit that the United States approach to Corporate Governance is strict and detailed in legislation.

2.2.1.2 Corporate Governance in the United Kingdom (UK)

The Financial Reporting Council (FRC) of the United Kingdom (2010) reports that the development of corporate governance in the UK has its roots in a series of corporate collapses and scandals in the late 1980s and early 1990s.

The report states that the UK recognised the need to put its house in order. This led to the setting up in 1991 of a committee, chaired by Sir Adrian Cadbury, which issued in 1992 a series of recommendations, known as the Cadbury Report. The Cadbury Report addressed issues, such as the relationship between the chairman and chief executive, the role of non - executive directors and reporting on internal control and on the company's position.

According to the FRC, the recommendations in the Cadbury report have been added to at regular intervals since 1992. In 1995, a separate report set out recommendations on the remuneration of directors, and, in 1998, the two reports were brought together in a single code (known, initially, as the Combined Code and, now, as the UK Corporate Governance Code.) In 1999, a separate guidance was issued to directors on how to develop risk management and internal control systems. The code was further updated in 2003 to incorporate recommendations from reports on the role of non-executive directors and the role of the audit committee. It was at that time that the responsibility for publishing and maintaining the code was put under the FRC.

The United Kingdom code sets out standards for good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit. Although the United Kingdom Corporate Governance code identifies good governance practices, companies can choose to adopt a different approach, if that is more appropriate to their circumstances. This is a 'comply or explain' approach, which is the trade mark of corporate governance of the UK’s code of corporate governance.

Unlike the Sarbanes - Oxley Act of the United States, which is a law, the United Kingdom code is best practice. In addition, the United Kingdom code does not require personal certification as long as there are general assurances in the Director's Report and Annual Report.

The ‘comply or explain’ stance may NOT suggest that the code is voluntary. However, the ability of companies not to comply but explain gives recognition to the fact that not all companies’ situations are the same. The challenge here is that some directors and top executives may exploit this to circumvent a very important governance requirement and later offer tailored explanations as alibi.

2.2.1.3 Chinese Corporate Governance

Yong, Shi and Brown (2008) observe that since China started its economic reform in the late 1970s, her gross domestic product has been growing at an annual rate of 9.73 per cent. In spite of this growth, however, Corporate Governance has been very weak in China. They further submit that the first Company Law in China was passed in 1993. The law defines the maximisation of owner's interest as the primary goal of corporation. This was followed by the Security Law in 1998. The law which was passed in partial response to the Asian financial crisis, allowed investors to sue Management and Directors for releasing false or misleading company information, but this right was rarely exercised to protect investor's interest. The first code of Corporate Governance for listed Companies was passed in 2002. The code paid special attention to the protection of shareholders' investors, especially small investors, and prohibited controlling shareholders from dominating the minority shareholders. The Chinese Companies law was reviewed in 2002. The new law prohibited Boards of Directors from voting on issues that relate to their own interests.

The institutions involved in the conduct of corporate behaviour in China include Shareholders General Meeting, which is empowered to be the ultimate decision-making entity for a corporation. Another institution is the Board. China operates a two-tier board model. The Board of Directors responsible for the day-to-day management and the supervisory board. However, the Supervisory Board does not have the authority to select or dismiss Boards of Directors, and often lacks the knowledge and the experience to effectively supervise the Directors. The membership of the supervisory board is smaller.

Other institutions of Corporate Governance in China are: the Regulators, the auditing system, the legal system, the stock exchanges, institutional investors. The institutional investors can exert corporate governance influence by playing a role in the takeover voting process of the firm.

Yong, Shi and Brown submit that, in spite of laws and institutions, Corporate Governance in china is weakened by the influence of the following: weak supervisory Boards and independent Directors, insider trading, fabrication of financial reports by listed companies and immature capital market.

2.2.2 Corporate Governance in Africa

The African Development Bank (ADB, 2007) reveals a raft of factors impeding the mainstreaming of corporate governance in several African countries. Notable among them is the problem of poor political and economic governance, including corruption and a weak rule of law.

Another identified challenge of reform in Africa is how to ensure the quality of the regulatory and institutional framework to promote transparency and accountability. Notable in this regard is the capacity for reform and enforcement.

According to the ADB, many of the countries in Africa have, through their respective Central Banks, adopted or adapted international guidelines which impact on corporate governance. These include the Basel I and II Guidelines, the Equatorial Principles, and the guidelines proposed by the Global Corporate Governance Forum (GCGF). In addition, nearly all central banks have issued prudential guidelines for commercial banks. Many central banks have also initiated training programmes for bank directors.

The ADB further recognises that the banking sector in Africa remains a key leverage point for mainstreaming corporate governance across respective sectors of the economy. Unfortunately, the banking sector, particularly commercial banks, does not always play its full role in the development of corporate governance. In many African countries, access to financial resources is more closely linked to familial and social networks than to a firm compliance with basic corporate governance principles.

The ADB, however, observes that an increasing number of countries in Africa are introducing various reform measures with corporate governance at the core. Nevertheless, owing to a number of factors, the status of corporate governance reform in African countries is uneven, with varying levels of emphasis and effectiveness.

2.2.3. Why is corporate governance important for financial institutions?

The UK FRC (2010) asserts that good corporate governance is essential for the effective operation of a free market, which facilitates wealth creation and freedom from poverty. To corroborate this, Sinha (2013) notes that, while good governance is essential for any entity, it has deeper significance for financial institutions. Sinha gave the following as some of the compelling reasons:

Financial institutions are central to economic activity. Banks and a large part of the non-banking financial system (the shadow banking system) undertake credit intermediation. Failures of financial institutions would thus impede the economic growth and would cause serious damage to the system. Economies take a longer time to rebound from financial crisis than the business cycle recessions.

Financial institutions operate on a higher leverage. According to a study by the Bank for International Settlement (BIS) for the period 1995-2009, compared to non-financial institutions that had a leverage of about 3, banks operated at a leverage of 18.3 while non-bank financial firms had a leverage of 12.1. A high leverage makes financial intermediaries more vulnerable to shocks. From a systemic perspective, the inherent proclivity of the financial system leads to the build-up of high leverage during an upturn phase of the economy which amplifies booms and busts. Therefore, while the proclivity issues need to be dealt with from a financial stability perspective, it is apparent that these financial institutions must be well governed to achieve financial stability.

Financial institutions, especially banks, deal in people's savings and trust by customers forms the cornerstone of their existence. Any breach of trust leading to loss of confidence is bound to lead to a *run*, not just on a particular bank, but on others, too, who are perceived to have weaknesses or even similar business models. The non-bank financial intermediaries who lose the trust of their lenders would not be able to raise resources at a reasonable cost, making it hard for them to operate efficiently and profitably. All these can lead to a snowballing effect, impairing the functioning of the entire financial system, due to their interconnectedness. Good governance ensures customers' and other stakeholders' trust in banks and non-banking financial intermediaries.

Among the financial intermediaries, banks occupy a special place, due to their centrality in the transmission of monetary policies and the functioning of the payment and settlement systems. They also are the beneficiaries of deposit insurance which may weaken their incentive for strong management monitoring as well as monitoring by other stakeholders, including depositors. Good corporate governance would ensure strong internal controls, which would offset the weakened incentive for monitoring. A robust and stable banking system is an absolute necessity for a well-functioning economy.

2.2.4 The Nigerian Banking System: Background, Structure and Development

2.2.4.1 The Banking Business

The BOFIA ACT, 2004, as amended, defines "Banking Business" as the business of receiving deposits on current accounts, savings accounts or other similar accounts, paying or collecting cheques drawn by or paid in by customers, provision of finance or such other business as the Governor of the CBN may, by order, publish in the gazette, designate as banking business.

Deposit means money lodged with any person, whether or not for the purpose of any interest or dividend and whether or not such money is repayable upon demand or upon a given period of notice.

No person shall carry on any banking business in Nigeria, except it is a company duly incorporated in Nigeria and holds a valid banking licence, issued by the CBN (Section 2). There are definite penalties in the Act in case of contraventions.

A person is deemed to be receiving money on deposit if:

(a) the person accepts deposits from the general public as a feature of his business or;

(b) he issues an advertisement or solicit for such deposit;

(c) he receives money as deposits which are limited to fixed amounts;

(d) If certificates or other instruments are issued in respect of any such amounts providing for the repayment to the holder there of either conditionally or unconditionally of the amount of the deposit or for the payment of interests or dividend on the amounts so deposited. Receiving money against any issue of shares and debentures offered to the public is not deemed to constitute receiving money on deposits.

2.2.4.2 Types of Banks

Basically, banks could be classified into:

- Regulatory Banks
- Participatory Banks.

Regulatory banks are banks that regulate the activities of other banks in an economy. They serve as both the regulator and supervisor of the entire banking industry in an economy. This is the Central Bank of Nigeria.

Participatory banks: These include other banks, such as commercial, merchant, microfinance, development and specialised banks that aid intermediation of fund in an economy. Their activities centre on fund mobilisation from one surplus spending unit to a deficit spending unit so as to aid economic growth and development.

2.2.4.3 Background to Banking Development in Nigeria

Research findings show that prior to the 17^{th} century, the Nigerian banking system was predicated on a number of traditional economic models. Indigenous banking method characterised the pre-colonial social formation in Nigeria. It is historically explicit that modern banking activities began around 1892 when a merchandising company, called Elder Dempster & Co., was in need of banking services to facilitate its business activities in the country. This exigency culminated in the establishment of a branch of African Banking Corporation (ABC, based in South Africa) in the year 1892 (See Olubisi 2015). Although the bank collapsed two years later, due to untold hardship it experienced, it marked the historical beginning of the development of modern banking institution in Nigeria.

Olubisi further accounts that by 1894, a new bank was opened in Lagos and other West African cities under British Colonial Influence. This new, bank known as Bank of British West Africa (BBWA) which later merged with Standard Bank Ltd; transformed into what is now known as First Bank of Nigeria Plc The second successful bank, Barclay's Bank Dominion Colonial and Overseas (DCO), was established in 1917. This bank is now known as Union Bank of Nigeria Plc. A proliferation of banks then followed. Indeed, up to 1928, the majority of banks opened in Nigeria were foreign, leading to a monopoly of banking operations by foreign banks until the first indigenous bank was established in 1929. In order to break this yoke of monopolistic and discriminatory banking activities, some Nigerians came together with the aim of establishing indigenous banks. Between 1945 and 1947, four indigenous banks were established. These included African Continental Bank by Lagos Properties Ltd. and Agbonmagbe Bank (Now WEMA Bank).

The period between 1951–1952 witnessed the establishment of eighteen banks out of which seventeen had gone into liquidation by the end of 1954. Between 1954 and 2011, a number of changes occurred in the Nigerian Banking sector.

2.2.4.4 Development of Banking System in Nigeria

Banking development in Nigeria went through many phases or eras. This sub-section takes a review of the development of banking in Nigeria.

2.2.4.4.1Free Banking Era (1892 – 1952)

Historically, the free banking era marks the beginning of banking operations in Nigeria, and it was characterised by the absence of any banking legislation which led to a banking boom. The Era dates back to 1892, when the African Banking Corporation of South Africa established a branch in Lagos as a result of an initiative taken by Elder Dempster Company, a shipping firm based in Liverpool. The main motivation for the establishment of the bank was to finance the shipping business of Elder Dempster Company, which transacted business between Liverpool and the West African Coast. Around May 1893, the British Bank of West Africa (BBWA) was established, and it started operations in 1894. The bank was later saddled with the responsibility of operating the West Africa Currency Board (WACB) operations which entails receiving, storing and issuing of West Africa silver coins in exchange for sterling coins/London drafts on behalf of WACB.

According to Olubisi in 1899, another bank called the Anglo-African Bank was established in Old Calabar. It was later bought over by British Bank of West Africa in 1912. In 1957, BBWA changed its name to Bank of West Africa as a result of political independence gained by Ghana, and in 1965, it further assumed the name Standard Bank, having merged with the Standard Chartered Bank of London. Finally it changed its name in 1970 to First Bank of Nigeria Plc as a result of Government acquisition of about 60% of its shares, in line with the Nationalisation Policy of the Government. The bank today is fully privatised.

Around 1916, another bank, the Colonial Bank, was established in Nigeria. This bank was later taken over by the Barclays Bank in 1925. It merged with the Anglo-Egyptian Bank and National Bank of South Africa to form the Barclays Bank (DCO). The bank continued operations in this name until around 1979 when its name was changed to Union Bank of Nig. Ltd., in line with the Nationalisation Policy of the Government.

In 1949, another bank, called British and French Bank for Commerce and Industry was established. It later changed its name to British and French Bank in 1956 and to United Bank for Africa Ltd. in 1961.

What appears to be the implication of the foregoing is that the old existing banks in Nigeria today were established during the free banking era. They had a colonial origin, concentrated their activities on a very restricted group from where they made their profits. These groups include the colonial administrative machinery, the marketing boards, the foreign firms and businesses. Their focus was on import and export trade.

2.2.4.4.2 Emergence of Indigenous Banks

In 1929, a group of Nigerian businessmen acquired the industrial and commercial bank in London and set up its operations in Lagos. Unfortunately the bank went into liquidation in 1930. In 1931, another indigenous bank called Nigeria Merchant Bank was established but it collapsed in 1936. The directors of the defunct Industrial and Commercial Banks established another public company in 1933, and called it the National Bank of Nigeria Ltd. This, however, collapsed by the end of 1945. The Agbonmagbe Bank was established in 1945. The Nigerian Farmers and Commercial Bank was established in 1947 but it collapsed in 1952. In 1948, the African Continental Bank was established as an offshoot of Lagos Properties Ltd.

The foregoing clearly shows that there was a bit of a rush by the indigenous community to fill the gaps created by the discriminatory expatriate banks**.** As noted earlier, most of the banks so established failed due to reasons which include bad management, lack of patronage, fraud, under capitalisation, huge bad debt and proliferation of branches.

The rate at which banks failed became alarming. This prompted the colonial government in 1948 to set up a Commission of Enquiry into Bank Failures, Causes and Cure, led by M. P. Paton so as to protect the depositors of these banks. As a result of Paton Report of 1948, the colonial government of Nigeria promulgated the 1952 Banking Ordinance. This ordinance provided for a minimum capital requirement for banks, among other things. This led to the collapse of more indigenous banks, as they could not afford the huge capital base required of them.

2.2.4.4.3 The Pre–Colonial Banking Era (1952–1959);

According to history, the enactment of the Banking Ordinance of 1952 brought to an end the era of free banking system which also led to the closure of some banks, leaving the country with just seven banks. The provision of the ordinance was too demanding and stringent. The result was mass failures of banks and voluntary liquidations of many banks. In 1959, the number of banks increased to eight with the establishment of Banque de la Enrique du Occidental. During this period, the surviving indigenous banks were sustained to a reasonable extent by the Regional Governments and Regional Produce Marketing Boards. This made the indigenous banks, which, originally, were privately owned, to forcefully become virtually state-owned or nationalised institutions through substantial financial assistance which they were forced to seek and obtain from the regional governments, as their private resources became clearly inadequate.

2.2.4.4.4 Era of Banking Legislation (1959–1970)

By 1959, the Central Bank of Nigeria was established and began full regulatory operation. This gave impetus to the era of banking legislation in Nigeria, as it led to increased banking supervision and control, and drastic reduction in malpractices within the banking industry.

The CBN carried out the provisions of the Banking Ordinance of 1952, such as minimum paid-up capital, statutory reserves, legal lending limits, and minimum specified liquid assets. The promulgation of banking law in 1969 gave the CBN the power to regulate all aspects of the banking industry, particularly the aspects of capitalisation, reporting and liquidity, considering lending limits and reserves, etc.

2.2.4.4.5 Era of Indigenisation (1970–1976)

The Federal Government of Nigeria pursued a policy of nationalisation of the economy and provided impetus for local participation, exemplified in the Indigenous Enterprises Promotion Decree 1977, as amended in 1977. This enabled the Federal Government to acquire controlling interest in the existing expatriate banks. This was an attempt to control the commanding sectors of the Nigerian Economy. It also afforded the government the opportunity to broaden the management teams of the banks by increasing the level of indigenous participation. During this era, the FGN also established three additional development banks to complement the existing development bank - the Nigeria Development and Industrial Bank (NDIB). These were, the Nigerian Bank for Commerce and Industry, the Nigeria Agriculture and Co-operative Bank and the Nigerian Building Society which was restructured into the Federal Mortgage Bank of Nigeria Ltd. It was during this era that the Financial System Review Committee, led by Pius Okigbo, was established by the FGN.

2.2.4.4.6 The Post-Okigbo Era (1977–1985)

This era marks the implementation of the findings and recommendations of the Financial System Review Committee. It was an era that led to the transformation of the rural economies, elevating the level of banking habits of the populace and enhancing savings mobilisation mechanism. Another contribution of this era was increase in manpower development in the banking industry, accompanied by a strengthening of it also strengthened the regulatory framework for the banking system. The era experienced a great stability in the banking system.

2.2.4.4.7 Era of Deregulation (1986–1992)

This era witnessed a number of reforms in the environment of the nation's macro economy. It was the era of Structural Adjustment Programme (SAP) of the FGN. As a result of imperfections in the system of credit and the intermediation process generally, the Federal Government introduced a wide range of reforms in the banking system from 1986, as part of the general deregulation of the economy. As part of the reform agenda, the government privatised its investments in the banking sector and more banks emerged during this period. For instance by early 1990s, there were about a total of 121 banks, comprising 66 commercial banks and 55 merchants in operation. Competition became acute, thus elevating the level of efficiency. The increased competition for deposits created room for new products to be introduced into the market. In this regard, Ojo (2010) opines that while the old and first generation banks were busy employing defensive marketing strategies, the newer ones were deeply involved in the employment of market penetration and segmentation strategies. Ojo further submits that interest rate deregulation was expected to stimulate a stiff competition among banks, with a wide range of new products that could be created. Of particular importance was the freedom for banks to pay interest on demand. The level of technology in the industry became enhanced, marking the herald of Electronic Banking System. This bridged the information and resource gaps in the system, as well as enhancing the level of financial intermediation in the economy. During this era, two specialised banks were introduced, namely, People's Bank of Nigeria and Community Banks so as to bridge the financing gaps in the economy as well replace the existing rural banking scheme. It should be noted that it was during this period that primary mortgage institutions in the housing sub-sector of the economy were established (as well as Urban Development Bank) to enhance the urbanisation of the nation. The regulatory and supervisory framework was strengthened, as it marked the birth of the Nigerian Deposit Insurance Corporation (NDIC) in 1988 through the NDIC Decree of 1988 and CBN and BOFIA Decrees of 1991 so as to prevent bank failure and ensure depositors confidence in the sector. The era also witnessed the introduction of a new Accounting Standard for the banks introduced by the Nigeria Accounting Standard Board (Now Financial Exporting Council of Nigeria).

2.2.4.4.8 The Era of Banking Distress (1993–2002)

This era saw the emergence of illiquid and terminally distressed banks in the system. The level of financial accommodation to banks by the regulatory bodies increased generally. The regulatory authorities increasingly adopted holding actions as a management option for the distressed banks. Two cases of total failure and revocation of banking licences occurred during this phase. First, the CBN, in 1994, revoked the licences of 4 banks and, in 1998, twenty six distressed banks had their licences revoked for failure to meet the statutory minimum capital requirement for banking operations.

In spite of the measures put in place to sanitise the system, the incidence of distressed banks continued unabated. The authorities encouraged banks to engage in vigorous recapitalisation and mergers. Also, some form of acquisitions took place during this period. Some of the banks earlier acquired by the CBN were also recapitalized, restructured and allowed to re-commence operations.

Attempts were also made during this phase by the NDIC to reduce the level of non-performing credits, bad lending, fraud and insider abuses in the banking system, through the Failed Banks and Financial Malpractices Decree of 1994. This largely succeeded in fostering a measure of sanity in the banking system. The level of public confidence in banks, which had earlier declined with the large number of distressed banks, was substantially restored through the strict enforcement of the provisions of the Failed Banks Decree. This period also witnessed the change of names of 19 banks in readiness for the Universal Banking System.

2.2.4.4.9 Universal Banking/Consolidation Era (2002–2009)

During this era, besides the conventional banking functions of receiving deposits on current, savings or other accounts, paying or collecting cheques, drawn or paid by customers, banks could choose from one or a combination of the following: Clearing house activities; Capital Market activities; and Marketing of insurance services. The core character of this era was the dismantling of clear-cut differences between merchant and commercial banks in terms of operations. This gave impetus to the incursions by the banks into diverse non-banking businesses. Under this new arrangement, a bank in return for its old licence would be given a new licence that would enable it to carry out all purpose banking service. The era also witnessed the introduction of the Nigerian Automated Clearing System which limits the number of banks in clearing house to seven with other banks serving as agents of these seven banks. It was during this era that the government restructured the development banks to make them more functional. For instance, the Nigerian Bank for Commerce and Industry (NBCI) and Nigerian Industrial Development Banks (NIDB) merged to form the Bank of Industry (BOI). Also People's Bank, Family Economic Advancement Programme (FEAP) and The Nigerian Agricultural and Co-operative Bank were merged to form the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB). Realising the risks to which depositors' funds were exposed, due to the activities of some banks, the Universal banking, which was introduced in 2000, was reversed in 2010.

2.2.5 Global Banking Crises

IMF (1998) defines banking crisis as a situation in which actual or potential bank runs or failures induce banks to suspend the actual internal convertibility of their liabilities or which compels the government to intervene to prevent this by extending assistance on a large scale. A banking crisis may be so extensive as to assume systemic proportions. Crisis may involve sharp declines in asset prices, and failures of financial institutions and non-financial corporations. In a similar manner, Contessi and El-Chazali (2011) define banking crisis as a systemic crisis which occurs when a country's financial and banking industry experiences a significant number of defaults, while financial entities face vast problems fulfilling financial contracts on time. As a consequence, a country experiences a large increase in non-performing loans, and a large part of the capital in the banking system is reduced. Sometimes, these events follow a fall in the prices of assets (for example, in the real estate market) and sometimes overlap with runs on banks; but, in order to be defined as systemic, such crises must involve a large number of institutions or cover a large portion of the banking system.

The Global Financial Development Report (GFDR, 2014) notes that banking problems can often be traced to a decrease in the value of assets. When asset values decrease substantially, a bank can end up with liabilities that are bigger than its assets (meaning that the bank has negative capital, or is "insolvent"). Or, the bank can still have some capital, but less than a minimum required by regulations (this is sometimes called "technical insolvency"). Bank problems can also be triggered or deepened, if a bank faces too many liabilities falling due and does not have enough cash (or other assets that can be easily turned into cash) to settle those liabilities. This can happen, for example, if many depositors want to withdraw deposits at the same time (deposit run on the bank). It can also happen if the bank's borrowers want their monies back and the bank does not have enough cash on hand. The bank can become illiquid. It is important to note that illiquidity and insolvency are two different things. For example, a bank can be solvent but illiquid (that is, it can have enough capital but not enough liquidity at hands). The two, however, may also come hand in hand. When there is a major decline in the values of assets, depositors and other bank borrowers often start feeling uneasy and demand their money back, deepening the bank's troubles. The GFDR further states that, among the many causes of banking crises, have been unsustainable macroeconomic policies (including large current account deficits and unsustainable public debt), excessive credit booms, large capital inflows, and balance sheet fragilities, combined with policy paralysis, due to a variety of political and economic constraints. In other cases, off-balance sheet operations of the banking sector were prominent. These arguably, are governance deficiencies.

Laeven and Valentia (2012) identify 147 number of times that different countries in the world (including Nigeria) experienced banking crises between 1970 and 2011. (See Appendix I)

Goldstein (1996), as cited in Ojo (2010), identifies primary causes of banking crises in developing countries to include:

External and domestic macroeconomic volatility, the main elements of which were sudden adverse changes in terms of trade and wide swings in international interest rates, real exchange rates, growth and inflation rates;

Lending booms, characterised by rapid increases in bank credit growth and unsound financing during economic expansions;

Rapidly increasing bank liabilities, in the context of large bank mismatches with respect to liquidity, maturity, and currency of denomination;

Inadequate preparation for financial liberalisation, which leaves the bank supervisors to face new risks before the supervisory and regulatory framework is sufficiently strengthened;

Heavy government involvement in the banking system and loose controls on "connected lending" (loans extended to banks' owners or managers and to their related businesses);

Weaknesses in accounting, disclosure, legal frameworks, which hinder the operation of market discipline and effective banking supervision;

Distorted incentives, such as pressures for regulatory forbearance created by insufficient political protection of bank supervisors and the absence of suitable financial incentives for bank owners, and depositors to avoid excessive risk; and

The exchange rate regime – a currency board or a fixed exchange rate regime, for example, can constrain the exercise of the lender-of-last-resort function by the Central Bank.

2.2.6 The Nigerian Banking Crises: Origins and Implications for Corporate Governance

Research findings reveal that Nigeria's experience of bank failure dates back to early 1930s when its first indigenous bank, Industrial and General Bank collapsed barely one year after establishment. Many other bank failures followed afterwards. According to Soyebo and Adekanye (1992), between 1930 and 1958, over 21 bank failures were recorded in the Nigeria banking sector. There was the bank liquidation in 1952 of the Standard Bank of Nigeria as well as the case of Bank of Credit and Commerce International in 1992. These are just part of many cases. Between 2000 and 2004, there were as many as 89 banks in Nigeria. Following the consolidation exercise of commercial banks in 2005, the number reduced to 25. The implication of this is that licences of 64 banks that could not be successfully recapitalised were revoked.

Table 2.1 and Table 2.2 that follow show the summary of Distress in Financial Industry (1995).

Table 2.1: Analysis of Causes of Distress in Financial Industry (in percentages).

Causes	All Financial Institution	Commercial Banks	Merchant Banks	Community Banks	Finance Houses
Bad loans & Advances	19.5	30.1	12.9	17.2	20.3
Fraudulent practices	16.7	16.4	18.8	18.5	18.9
Under Capitalisation	11.8	7.6	9.6	12.7	9.0
Rapid Changes in Govt. Policies	10.8	9.8	5.5	16.9	13.5
Bad Management	17.9	13.1	21.7	14.0	16.4
Lack of Adequate Supervision	16.9	21.1	29.4	17.5	17.5
Undue Reliance on Forex	6.4	2.9	2.1	3.2	4.4
Total	100.0	100.0	100.0	100.0	100.0

Source: CBN/NDIC Collaborative Study of Distress in Nigerian Financial Services Industry (1995) (Cited in Ganiyu A. Ogunleye (2003)

Table 2.2: Analysis of Financial Institutions' Assessment of Factors Responsible for Their Being Severely Distressed (percentages)

Causes	All Financial Institutions	Commercial Banks	Merchant Banks	Community Banks	Finance Houses
Economic Depression	25.0	23.5			33.3
Political Crisis	17.9	17.6	33.4	50.0	
Bad Credit Policy	25.0	29.4	33.3		40.4
Undue Interference from Board Members	32.1	29.5	33.3	50.0	26.0
Total	100.0	100.0	100.0	100.0	100.0

Source: CBN/NDIC Collaborative Study of Distress In Nigerian Financial Services Industry (1995): (Cited in Ganiyu A. Ogunleye (2003).

In Table 2.1 above, bad loans, advances, fraudulent practices and bad management account for about 60% of the causes of distress in commercial banks under the study. This is a clear manifestation of corporate governance weakness in the sector. Table 2.2, as shown above, also indicates that bad credit policy and undue interference from board members account for about 60% of factors responsible for the severity of distress in commercial banks. Weak corporate governance and/or mismanagement have played a major role in bank failures in Nigeria (Ojo, 2010). Supporting this, Sanusi (2010) submits that, although the causes of the 2009 failures were triggered by global events, in fact, failure in corporate governance at banks was a principal factor contributing to the financial crisis. Some of these governance malpractices include insider abuse, inaccurate, incomplete and late disclosures in returns.

IMF (2013) notes that the Nigeria banking crisis of 2008-2009 was partly triggered by the global financial crises and by domestic events. A special examination revealed that ten banks accounting for about a third of the banking system assets were either insolvent or undercapitalised. The identified banks had sizable off balance sheet instruments that concealed nonperforming loans (NPLs) while, in other cases, NPLs were rolled over or otherwise classified as performing. Oghojafor and Adebisi (2012) argue that transparency in reporting was weak in Nigeria. With the exception of Guarantee Trust Bank (GTB), bank financial statements were only presented in local GAAP (Generally Accepted Accounting Principles). They however observe that Nigerian GAAP do not require the same levels of detailed disclosure as IFRS (International Financial Reporting Standard), which always allowed most Nigerian banks to succeed in avoiding the provision of supplementary information on their Tier-1 and total capital adequacy ratios and detailed information regarding their loan portfolios in their annual reports. They further argue that during the period under review by the CBN, First Bank was the only bank in the sector that disclosed its share lending exposure in its 2008 annual report. Share backed and margin lending were features of many Nigerian banks over the past two years before this examination was conducted. The CBN estimated sector-wide exposure to this type of lending to be about N200 trillion as at the end of 2008 which it said represented 30 to 45 per cent of system wide shareholders' funds in 2008. Of this amount, the CBN estimated that about N400 billion related to margin lending. These facilities were primarily to individuals and stock brokers for the purpose of acquiring shares. After this exposure which revealed that all performances after the consolidation were window-dressed, the CBN then required all banks to make appropriate provisions for non-performing loans and disclose them so that at the end of that quarter, all banks would have cleaned up their Balance Sheets. Other serious governance problems were also identified. There were serious cases of insider abuse involving connected lending and other criminal activities. The authorities responded with a comprehensive range of measures that ultimately mitigated the shock of the banking crisis. The CBN injected N620 billion of liquidity into the banking sector, granted a guarantee of inter-bank deposits, introduced a blanket guarantee on all deposits and foreign credit lines and replaced the management teams in eight banks. The Asset Management Corporation was established to purchase NPLs of banks and recapitalise the banks. These quick measures stabilised the banking system.

Table 2.3: Highlight of Some Failed Banks between 2001 and 2010

Name of Failed Banks	**Date of closure**
Savannah Bank of Nigeria Plc	February 16, 2002
Peak Merchant Bank Limited	February 28, 2003
African Express Bank Ltd	January 16, 2006
Assurance bank of Nigeria Plc	January 16, 2006
City Express bank Plc	January 16, 2006
Gulf Bank Ltd	January 16, 2006

Hallmark Bank Plc	January 16, 2006
Trade Bank Plc	January 16, 2006
Lead Bank Plc	January 16, 2006
Metropolitan Bank Ltd	January 16, 2006
Eagle Bank Plc	January 16, 2006
Liberty Bank Plc	January 16, 2006
Fortune Bank Plc	January 16, 2006
Societe Generale Bank of Nigeria Plc	January 16, 2006
Triumph Bank Plc	January 16, 2006
Oceanic Bank Plc	August 2009
Intercontinental Bank Plc	August 2009
Platinum-Habib bank Plc	August 2009
Spring Bank Plc	August 2009
Union Bank Plc	August 2009
Afribank Plc	August 2009
Equitorial Trust Bank Ltd	August 2009
First Inland Bank Plc	August 2009

Source: Elegbe A. (2013)

2.2.7 The Impact of the 2007 Global Financial Crisis on the Nigeria Financial Sector

The CBN (2009) reports that the global financial crisis had its origin in the Unites States (US) sub-prime mortgage crisis of 2007. By the end of the first quarter of 2008, many financial institutions in the US had tightened credit standards in view of deteriorating balance sheets. By the end of the third quarter of 2008, the increased sub-prime loans delinquency had not only culminated in the loss of confidence in the US financial system, but had also escalated and spread like a wildfire through complex and poorly misunderstood financial linkages to the rest of the world's financial centres. Consequently, many large US corporations failed, with the attendant contagion effects transmitted all over the globe, resulting in output decline, credit freeze, inventory pile-ups, job losses and ultimate bankruptcy of many global financial institutions. For developing /emerging economies, including primary-export African economies, the inevitable effect of output decline in the BRIC (Brazil, Russia, India and

China) and the advanced countries resulted in persistent decline in commodity prices, including oil prices, which fell precipitously in the face of declining demand and induced a significant drop in earnings. In addition, the global financial crisis traumatised the credit and equity markets, as it triggered substantial foreign investments and portfolio outflows, owing to spontaneous global deleveraging by investors.

CBN reports further that, although the effect of the global recession threatened the financial stability in the advanced economies, the ramifications on Nigeria's financial system was limited, owing to its minimal integration into the global financial landscape. In this regard, the impact of the crisis on the financial sector was not pronounced until the third quarter of 2008 when the stock market was rattled and it registered a continuous drop in its All-Share Index and volume of traded securities at the Nigerian Stock Exchange, with the market capitalisation plunging from N13.3 trillion in 2007 to N9.5 trillion in 2008 and further to N7.0 trillion by the end of 2009.

The banking sector, according to the CBN, also recorded a significant assets decline of about 39.8 percent as the crisis that had engulfed the capital market led to higher loss provisioning by banks, much lower profits and a slump in lending to the private sector. The banking sub-sector also registered a decline in trade/credit lines from foreign banks, as more credits were recalled or cancelled in the heat of the crisis within their own domestic economies. This development significantly constrained the ability of the domestic banks to extend credit to the real sector of the economy, while the interest rate spreads increased further.

2.2.8 Governance Issues in the Nigerian Banking Sector

In Nigeria, studies have argued that apart from the economy-wide problems confronting the country, the developments in the Nigerian banking industry have also shown the absence of good corporate governance as a key factor occasioning the dismal performance of the industry as a catalyst for economic growth. Several anecdotal reports abound to substantiate incidence of financial reporting games within the banking industry which had consequently led to untimely collapse of many of the indigenous banks. For instance, the Industrial and Commercial Bank, the first indigenous bank to be established in 1929, was recorded to have short-lived and liquidated in 1930. Its failure was attributed to mismanagement, accounting incompetence, embezzlement and the non-co-operative attitude and denigration of colonial banks. Records also have it that in 1952, Standard bank of Nigeria went into liquidation and the directors and auditors of the banks were subsequently charged with stealing and falsification of accounts. The case of the Industrial Bank of West Africa Ltd. was similar. Two of its directors were jailed for falsifying its accounts. Allegations of fraud and embezzlement were also in the forefront of the winding up of the provincial Bank, Afroseas Credit Bank and the United Commercial Credit Bank. In 1992, Bank of Credit and Commerce International (including its Nigerian affiliate) went bust and lost billions of dollars of its depositors, shareholders and employees. In 2009, the CBN announced the results of the examination of ten banks and determined that five banks were insolvent – Oceanic Bank, Union Bank, Afribank, Finbank, and Intercontinental Bank. The aggregate percentage of non-performing loans of these five banks was 40.81 per cent. In addition, these banks were chronic borrowers at the Expanded Discount Window (EDW) of the CBN, indicating that they had little cash on hand (Alford, 2011). The senior executives of the insolvent banks were charged with financial crimes while the names of debtors of non-performing loans, held by the Nigerian banks, were published in the Nigerian national dailies (ibid).

Another issue, that bedevils corporate governance in Nigeria banks, is huge non-performing loans (NPLs). It is has been reported in various quarters that many owners and directors abused or misused their privileged positions or breached their fiduciary duties by engaging in self-serving activities. The abuses included granting of unsecured credit facilities to owners, directors and related companies, which, in some cases, were in excess of their banks' statutory lending limits, in violation of the provisions of the law (NDIC, 2004).

Table 2.4: Highlights of facilities granted to owners of some failed banks in Nigeria

S/N	Banks (In Liquidation)	No. of Directors Involved	Amount as at Closure(N)	% of Total Risk Assets
1.	Alpha Merchant Bank Plc	11	1,314,418,700.43	33%
2	United Commercial Bank Ltd.	5	741,755,808.86	30%
3	Financial Merchant Bank Ltd.	1	383,061,096.00	100%
4	Highland Bank of Nig. Plc	12	33,1297,157.58	38%
5	Commercial Trust Bank Ltd.	1	247,749,719.10	38%
6	ABC Merchant Bank Ltd.	8	272,981,634.00	49%

7	Royal Merchant Bank Ltd.	7	646,940,182.23	69%
8	North-South Bank of Nig. Ltd.	13	240,668,637.62	32%
9	Abacus Merchant Bank Ltd.	14	568,888,254.11	47%
10	Credit Bank Nig. Ltd.	6	379,634,611.47	76%
11	Prime Merchant Bank Ltd.	1	539,292,310.00	64%
12	Amicable BANK OF nig. LTD	7	149,854,896.00	56%
13	Century Merchant Bank Ltd.	5	272,072,261.00	32%
14	Group Merchant BANK Ltd	13	595,836,077.20	80%
15	Commerce Bank Plc	4	1,294,851,665.64	52%
16	Pinnacle Commercial Bank Ltd	10	298,766,751.76	20%
17	Republic Bank Ltd.	1	161,375,466.00	38%

Source: Ganiyu Ogunleye (2003), cited in Ojo (2010).

The proportion of loans obtained by the banks in liquidation seems to portray the magnitude of insider abuse in their lending obligations. This is a major corporate governance issue. Magbagbeola (2005) reported that, as at 2004, while about 25% of total loans advanced in the banking sector were non-performing, about 75% of loans advanced by banks in distress were non-performing. The problem of bad debts is usually aggravated by the negligence on the part of the lending officers. Neither were some of these loans granted with regard to the basic tenets of lending, nor did they with any rational lending criteria. This makes it extremely difficult or impossible to recover a substantial part of the loans, hence, impairing on their expected performance. According to the CBN (1997), several of the distressed banks suffer from poor asset and liability management. The portfolios of assets of the majority of these banks were concentrated on loans and advances that became non-performing. The CBN (2011) states that by the performance assessment of the rescued (intervened) banks, they (the rescued banks) remain technically insolvent since all of them recorded negative Net Asset Values (capitalisation) and high levels of NPLs as at December 2010. Table 2.5 shows the negative asset values, in thousands of millions (Billions of Naira) of rescued banks as at December 2010.

Table 2.5: Negative Assets Values, (in Billions of Naira) of rescued banks as at December 2010

Recued Banks	Assets Values **(Billions of Naira)**
Oceanic Bank International Nigeria Plc	(94,261)
Union Bank of Nigeria Plc	(135,894)
Intercontinental Bank Plc	(330,709)
Bank PHB Plc	(242,309)
Afribank Nigeria Plc	(260,940)
Finbank Plc	(104,751)
Equitorial Trust Bank Ltd	(27,253)
Spring Bank Plc	(87,869)

Source: CBN (Press Release June 2011)

The CBN therefore asserts that this situation would continue to worsen as long as the hole in the balance sheet of these banks, which was created by mismanagement and outright theft, is not filled with capital. So long as these banks continue to fund the gap with interest - bearing liabilities, they will continue to run operating losses especially in an environment of rising interest rates.

What is apparent, from the brief expositions, is that Nigerian banks are generally characterised by institutional weaknesses, stemming directly from the exposure of their corporate governance problems by the monetary authorities (CBN). This may explain in a way why a bank that declared multi-billion profits from a promising annual report in the immediate past year was found to be in a grave situation by the following year.

The report of the Nigerian Deposit Insurance Corporation (NDIC, 2004) revealed the infraction by many banks in the country which are not actually engaging in their core banking businesses but rather in shady businesses, involving sharp practices, like round tripping and other illegal business acts. The report states that Nigerian Banks have lost over N9.383billion and N11.754billion in 2003 and 2004 respectively to fraudulent practices. The failures of many Nigerian banks have also been alleged to have stemmed from fraudulent and self-serving practices among members of the board, management and staff, overbearing influence of chairman or MD/CEO, especially in family-controlled businesses, weak internal control, passive shareholders, sit-tight directors, non-compliance with laid down internal controls and operation proceedings and abuses in lending (ibid).

Table2.6 shows the extent of fraud and forgeries in Nigerian Banks between 2000 and 2012.

Table 2.6: Total Amount involved in Fraud and Forgeries

YEAR	Total No of Fraud Cases	Total Amount Involved	Total Expected Loss	Proportion of Expected Loss to Amount involved	Staff Involved
2000	403	2,857.11	1,080.57	37.82	493
2001	943	11,243.94	906.30	8.06	152
2002	796	12,919.55	1,299.69	10.06	85
2003	850	9,383.67	857.46	9.14	106
2004	1,175	11,754.00	2,610	22.21	383
2005	1,229	10,606.18	5,602.05	52.82	378
2006	1,193	4,832.17	2,768.67	57.30	331
2007	1,553	10,005.81	2,870.85	28.69	273
2008	2,007	53,522.86	17,543.09	32.78	313
2009	1,764	41,265.50	7,549.23	18.29	656
2010	1,532	21,291.41	11,679	54.85	357
2011	2,352	28,400.86	4,071	14.33	498
2012	3,380	17,965.00	4,517	25.14	531

Source: NDIC Annual Reports (2000-2012)

The NDIC in those various years attributed the major causes of fraud to institutional and environmental factors. The institutional causes are those that can be attributed to the internal domain of the organisation, such as weak accounting and internal control systems, inept management, inexperienced staff and ineffective supervision of subordinates, uncompetitive remuneration, lack of implementation or partial disregard of the 'Know Your Customers' (KYC) rules, delays in procuring documents, bureaucratic bottlenecks and inadequate infrastructure in terms of communication facilities and power failure. The environmental factors include societal demands, low moral values, slow and cumbersome legal process, lack of effective deterrent and punishment, reluctance on the part of the individual banks to report fraud cases due to reputational concerns. Whatever the cause may be, any infraction is a clear manifestation of corporate governance deficiency.

The NDIC Act makes it mandatory for banks to render to it monthly, detailed returns on occurring frauds and forgeries. This should include names of any staff dismissed, terminated or advised to retire or resign on the ground of fraud or financial malpractice. Such staff shall not be employed in any insured institution, without notice to the NDIC. Whether or not there is compliance with this legislation is a function of corporate governance.

Issues relating to the regulation, control and governance of financial activities in Nigeria are also sufficiently contained within the provisions of BOFIA (Banks and other Financial Institutions Act). Due to the established fact that the activities of various banks impact the economy in many ways, various measures are being put in place by the CBN, to regulate the Nigerian banks while ensuring that they all operate in the best interest of their various stakeholders. As noted by Wilson (2006), the observance of the principles of corporate governance in Nigeria was secured through a combination of voluntary and mandatory mechanism. The 2003 code by the Securities and Exchange Commission (SEC) is voluntary and is designed to entrench good business practices and ethical standards for the listed companies, including banks. The 2008 review however sought for enforceability of the code.

Mandatory corporate governance provisions relating to banks are contained in the Companies and Allied Matters Act (CAMA) 1990, as amended, the Banks and Other Financial Institutions Act (BOFIA) 1991, the Investments and Securities Act 1999, the Securities and Exchange Commission Act (SECA) 1988 (and its accompanying Rules and Regulation), etc. Furthermore, in 2006, the CBN issued a Code of Conduct for Directors of Licensed Banks and Financial Institutions as well as the Corporate Governance for Banks in Nigeria Post Consolidation - 2006. Compliance with the provisions of these codes is compulsory (ibid).

The Key highlights of the SEC and CBN codes include : (I) Principles and Practices that Promote Good Corporate Governance (ii) Equity Ownership (iii) Organizational Structure which is also divided into (a) Executive Duality, i.e., Separating the roles of the CEO and the Board Chairman; (b) Quality of Board Membership (c) Board Performance Appraisal (d) Quality of Management (e) Reporting Relationship (iv) Industry Transparency, Due Process, Data Integrity and Disclosure Requirements (v) Risk management (vi) Respective roles of Internal and External Auditors.

2.2.9 Reporting Games by the Banks

For a business, financial returns are a perfectly legitimate measure of performance (Collins, 2005). Therefore the need to meet the capital market expectation of a high value for the banks may become a consuming pre-occupation of Chief Executive Officers and Boards of banks across the nation. Management reported earnings have a powerful influence on the full range of a bank's performance measurements. In response to this prospect, managers of banks may see it as responsibility to manage earnings such that the capital market expectation is met or exceeded. Findings revealed allegation of abusive earnings management involving the use of various forms of gimmickry to distort a company's true financial performance in order to achieve a desired result. Allegedly employed techniques include recognising fictitious revenue on obviously delinquent loans, window- dressed capitalisation, capitalisation of expenses, deliberate poor classification of risk-assets and failure to make provision for them, overstating assets or understating liabilities etc. Certain research studies support the position of abusive earnings management. For example, Kasznik in Mulford & Comiskey, (2002) maintains that managers use positive discretionary accruals to manage reported earnings upwards when earnings would otherwise fall below forecasts. What starts as an aggressive application of accounting principles may later become fraudulent corporate reporting if it continues and found to contain material amount.

Anecdotal reports reveal that prior to the introduction of uniform reporting dates for banks by the CBN in 2009, a number of them were alleged to be notorious for game playing at year end to create a pseudo-healthy balance sheet. This might have been made possible with the window of opportunity of different reporting dates. The different corporate reporting dates of banks could have provided opportunities for banks to play game of assets and liability swapping through concealment of nonperforming loans. A bank with risky assets that were non-performing could enter into arrangement with another friendly or related bank to sell off the non-performing loan for cash as at balance sheet date. The bank owning the loan received cash to look like the loan had been paid. The position was immediately reversed after the balance sheet date of reporting. Similarly, liabilities could be obtained from a helping bank for the purpose of boosting the deposit as at balance sheet date. Another reason for assets and liability swap was to achieve or meet with critical regulatory ratio. This was in addition to giving a false presentation of size of the bank. Supporting this, Sanusi (2010) noted that some banks even engaged in manipulating their books by colluding with other banks to artificially enhance financial positions and therefore share prices. Practices, such as converting non-performing loans into commercial papers and bank acceptances and setting up off-balance sheet special vehicles to hide losses, were prevalent.

Table 2.7: Deposit Money Banks Performance Indicators (2000-2012)

Aggregates (₦' billion)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Nominal GDP	4,717.3	4,909.5	7,128.2	8,742.6	11,673.6	14,735.3	18,709.6	20,874.10	25,424.90	24,712.70	29,108.0	36,531.90	72,599.62
Non Oil Money													
Broad Money M_2						2,814.80	4,027.90	5,809.80	9,166.80	10,730.80	11,488.70	13,300.30	61,284.59
Quasi Money (Savings)						1,089.50	1,747.30	2,693.60	4,309.50	5,763.50	5,954.30	6,531.90	15,482.85
Currency in Circulation						642.40	779.10	960.6	1,155.60	1,185.00	1,378.0	1,565.80	8,062.90
Currency Outside Banks						563.20	650.9	737.90	892.90	930.70	1,082.2	1,244.80	1,631.72
Credit to Private Sector	587.9	844.4	948.4	1,203.1	1,519.2	1,991.1	2,609.2	4,820.6	7,799.40	9,667.8	9,198.1	9,614.4	10,440.9
Net Domestic Credit										7,862.64	8,498.65	13,152.87	12,698.21
Net Foreign Assets										7,593.32	6,506.62	7,138.67	9,043.68
DMBs Assets	1,568.8	2,247	2,766.8	3,047.8	3,753.2	4,515.10	7,172.90	10,981.70	15,919.60	17,522.90	17,331.6	19,396.60	15,151.76
CBN Assets						4,406.70	10,034.50	8,689.00	10,203.40	9.039.10	8,767.70	15,796.10	12,698.21
Banking System Assets						8,921.80	17,207.40	19,670.70	26,123.60	26,562.00	26,230	28,164.30	9,043.68
Monetary Ratio (per cent)													
M_2/ GDP						19.1	21.5	27.9	37.7	43.4	39.0	36.4	21.33
CIC/M_2						22.8	19.3	16.5	12.6	11.0	12.0	11.8	10.5
COB/M_2						20.0	16.2	12.7	9.7	8.7	9.4	9.4	8.40
Quasi Money /M_2						38.7	43.4	46.4	47.0	53.7	51.7	49.1	52.07
Quasi Money/GDP										22.85	10.73	10.25	11.11
CIC/GDP						4.4	4.2	4.6	4.8	4.8	4.7	4.3	2.25
Cp/GDP	12.46	17.2	13.3	13.76	13.01	13.5	13.9	23	30.6	39.1	31.5	26.3	14.38
Cp core/Non-Oil GDP						21.9	22.1	37.9	54.4	64.8	50.2	53.1	19.95
DMBs Assets/GDP	33.3	45.8	38.8	34.9	32.2	30.6	38.3	52.6	62.6	70.9	58.8	24.0	29.34
CBN's Assets/GDP						29.9	53.6	41.7	42.0	36.6	30.2	77.0	23.07
Banking System's Assets /GDP						60.5	92.0	94.3	107.5	107.5	20.2	17.9	57.83

Source: (i) Central Bank Statistical Bulletin, 2012, Vol. 2

(ii) Central Bank Annual Report Years 2009, 2011 and 2012.

2.2.10 Banking Sector Activities and Performance Indicators in Nigeria Pre and Post Consolidation Era

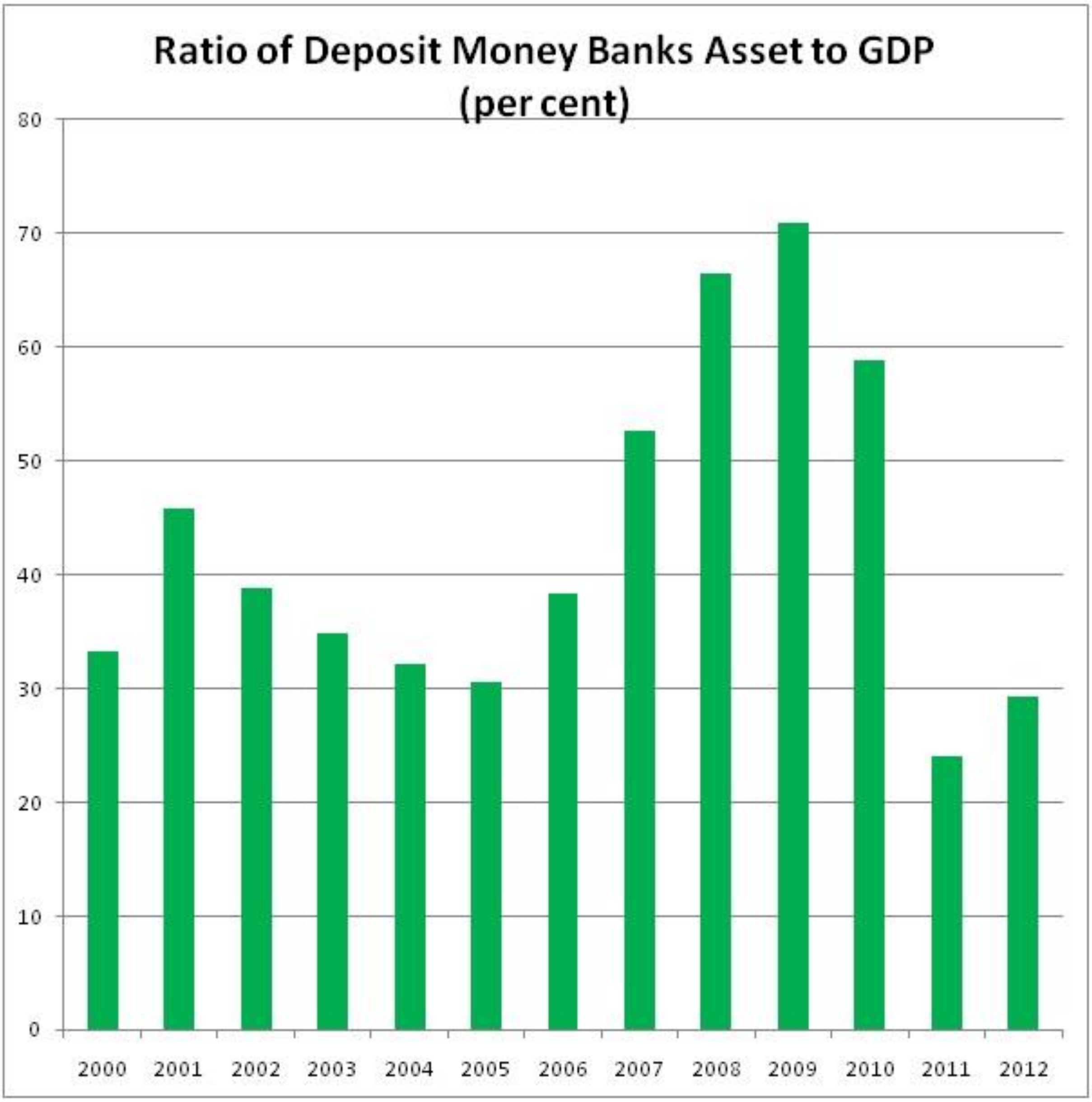

Figure 2.2: Ratio of Deposit Money Banks Asset to GDP (Per cent)

Sources: (i) Central Bank Statistical Bulletin, 2012, Vol. 2

(ii) Central Bank Annual Report Years 2009, 2011 and 2012.

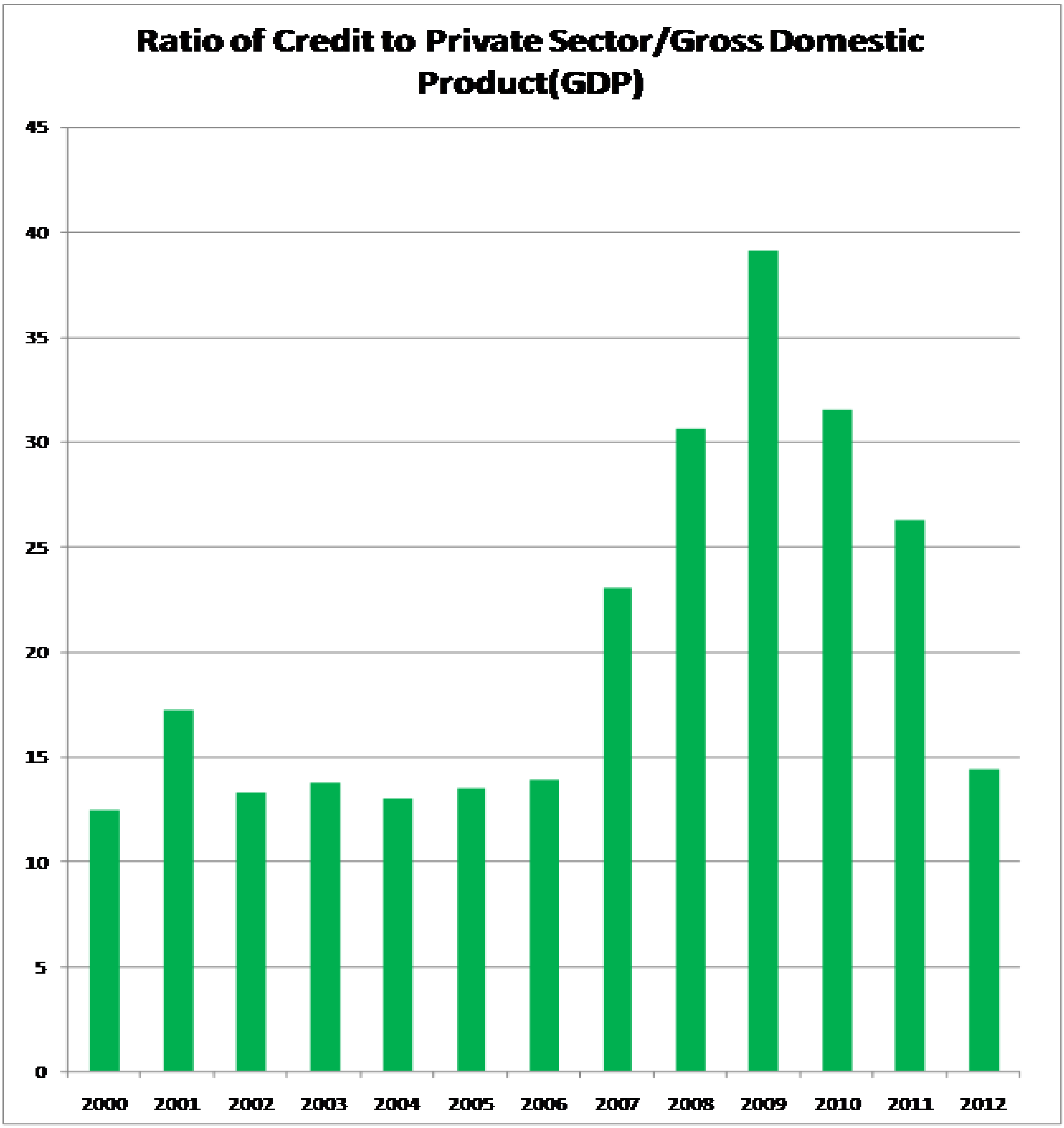

Figure 2.3: Ratio of Credit to Private Sector/Gross Domestic Product(GDP)

Source:* *(i) Central Bank Statistical Bulletin, 2012, Vol. 2.

(ii) Central Bank Annual Report Years 2009, 2011and 2012.

The basic indicators of banking sector performance in Nigeria pre and post consolidation eras are quite revealing when discussed against the background of relative ratios of their assets compared to gross domestic product (DBMs Assets/GDP) and the relative ratio of loans to private sector to Gross domestic Product (Cp/GDP). (See Figures 2 and 3 and Table 6) Between 2001 and 2004 (period before consolidation), both ratios show a declining rate which suggests the weak capability of banks to finance goods and services. Balogun (2007) observes that a number of analysts have often argued that the weakness of the banks could be the result of assets undervaluation in the face of exchange rate depreciation. This may not be unconnected with the quality of assets being carried by the banks. This was the period banks were reported to have a huge proportion of nonperforming loans in their assets. The banking system began to show greater capacity to finance exchange of goods and services from 2006 to 2009. This may be connected with the consolidation exercise which statutorily increased the capital required for commercial banking business. The capacity of the banking sector again started to decline from 2010. This downward trend in the ratios of the banks' financing of the economy may have its roots in the 2008-2009 banking crisis. Corporate governance issues were alleged to be principally contributory to the crisis.

2.2.11 Regulatory Framework and Institutions of Corporate Governance for Banks in Nigeria

Krayenbuehl (1993) submits that the regulatory framework is a very important vehicle for enforcing corporate accountability for the financial services industry. Financial services have always been considered by governments as a specially sensitive sector of the economy. As a result every country has specific banking legislation and in many countries there is likelihood of extensive legislation for securities trading. These are laws and institutions that are meant to shape the corporate entities' behavior. In line with this, a review of how various legislations in Nigeria address the important issue of corporate governance for banks is done. Important among these are the Companies and Allied Matters Act (CAMA) of 1990, as amended and the Bank and Other Financial Institutions Act (BOFIA) 1991 as amended. The review extends to certain corporate governance institutions having regulatory relationships with Nigerian banking sector.

2.2.11.1 The Companies and Allied Matters Act (CAMA 1990) as Amended

Prior to 1968, registered companies in Nigeria were principally operated by the provisions of the company law of the United Kingdom. The Companies Act of 1968 was the first indigenous applicable law for the operation of registered companies in Nigeria until 1990 when it was replaced with the Companies and Allied Matters (CAMA) Act of 1990, as amended. The CAMA which came up with a lot of innovative and robust provisions provides that the directors of every company shall prepare financial statements reflecting a true and fair view of the operations of the company during the financial year as well as the report of the Directors (Sections 331-356). This made corporate reporting as vehicle of accountability statutory. There is also penalty for non delivery of financial statements as well as delivery of defective financial statement. The Act provides for disclosures in terms of directors' shareholding, emoluments of directors and certain category of employees, disclosures of loans in favour of directors and top officers. It specifies that all companies must appoint at its annual general meeting, Auditors to hold office until the next Annual General Meeting (AGM) and prohibits any officer, servant or firms that offer consultancy to it from being an auditor (sections 359-365). CAMA also requires that the financial statement prepared by each company should conform to the accounting standards laid down by the Statements of Accounting Standards Board (now known as Financial Reporting Council of Nigeria - FRC). In addition, there is provision for investigation of companies and their affairs (section 314-330). As protection of the shareholders rights, the law provides for those entitled to receive notice of a general meeting of any company to have it at least 21 days from the date on which the notice was sent out. Section 116 (1a) of CAMA establishes and underscores the one-share-one-vote system for Nigerian Companies. An absent shareholder is entitled to appoint a proxy. Sections 310-312 contain provisions of relief that can be sought by any shareholder on the grounds of unfairly prejudicial and oppressive conduct. Shareholders meetings are also encouraged. The AGM has the power to appoint and remove directors as well as approve their remuneration (sections 247-262). The CAMA also has provision for membership and responsibilities of the audit committee.

The CAMA on its own contains a wide array of binding rules aimed at ensuring market discipline within Nigeria corporate entities.

2.2.11.2 Bank and Other Financial Institutions Act 2011(BOFIA)

BOFIA (2011) has provisions for Corporate Governance related considerations. These cover matter such as disclosure of interests by directors, managers and officers in any advance, loan or credit facilities granted by the bank. The Act stipulates that a bank shall not, without the prior approval in writing of the bank, grant to any person any advance, loan or credit facility or give any financial guarantee or incur any other liability on behalf of any person so that the total value of the advance ,loan credit facility, financial guarantee or any other liability in respect of the person is at any time more than twenty percent of the shareholders fund unimpaired by losses or in the case of a merchant bank not more than fifty percent of its shareholders fund unimpaired by losses; and for this purpose all advances ,loans or credit facilities extended to any person shall be aggregated and shall include all advances ,loans or credit facilities extended to any subsidiaries or associates of a body corporate. It further states that a bank shall not, without the prior approval in writing of the bank;

(a) Permit to be outstanding, unsecured advances, loans or unsecured credit facilities, of an aggregate amount in excess of a stipulated amount.

(b) To its directors or any them, whether such advances, loans or credit facilities are obtained by its directors jointly or severally,

(c) To any firm, partnership or private company in which it or any one or more of its directors is interested as directors, partner, manager or agent or any individual firm, partnership or private company of which any of its directors is a guarantor:

(d) To any public company or private company in which it or any one or more of its directors jointly or severally maintains shareholding of not less than five percent directly or indirectly:

The Act further provides for proper books of accounts to be kept with respect to all the transactions of the bank.

BOFIA in section 39 empowers the NDIC to recommend to CBN resolution measures including revocation of license of a failing bank.

There are sanctions and penalties for any contravention of the provision of the Act.

2.2.11.3 Securities and Exchange Commission (SEC) Code of Corporate Governance

Following corporate failures across the globe, Securities and Exchange Commission (SEC) introduced a code of corporate governance for quoted companies in Nigeria in 2003. The SEC realised that weak corporate governance was responsible for the failure of some Nigerian corporate entities. In order to continuously align with the International Best Practices as well as the need to improve the corporate governance of Nigerian companies, the SEC in 2008 reviewed the 2003 code of corporate governance for public companies in Nigeria addressing its weaknesses and to improve mechanism for its enforceability. The review specifically identified the weaknesses in, and constraints to, good corporate governance.

Among other highlights, the SEC code recognises the board of directors as accountable and responsible for the performance and affairs of the company in an efficient manner, as well as ensuring good corporate governance. It therefore requires the board to comprise a mix of executive and non-executive directors, headed by a chairman of the board, not to exceed 15 persons or be less than 5 persons in total. Further, the positions of the chairman and chief executive (CEO) should be separated and held by different persons. For effective control and monitoring, the code highlights the importance of frequent board meetings, in not less than once in a quarter with sufficient notices, while shareholders should also be given enough time to contribute meaningfully in Annual General Meetings. The non-executive directors should ideally be independent and not be involved in business relationships with the company that could disrupt their independent judgment. While it is recommended that there should be full and clear disclosure of directors' total emoluments and those of the chairman and highest paid directors, including pension contributions and stock options where the earnings are in excess of ₦500,000. There should be remuneration committee, wholly or mainly composed of non-executive/independent directors and chaired by a non-executive director, to recommend the remuneration of executive directors. In promoting transparency in financial and non-financial reporting, external auditors should not be involved in business with the company while an audit committee of at least 3 non-executive directors should be established. Several provisions are made in the code protecting shareholders rights. Notable among them are the conditions that the venue of general meeting should be carefully chosen in such a way as to make it possible and affordable for the majority of shareholders to attend and vote while notices of meeting should be sent at least 21 working days before the meeting.

Equal treatment of shareholders is ideal while shareholders holding more than 20% of the total issued capital of a company should have a representative on the board. Minority shareholders should have at least one director on the board. Moreover, shareholders with larger holdings are encouraged to act and influence the standard of corporate governance positively and thereby optimize stakeholder value.

2.2.11.4 Assets Management Corporation of Nigeria (AMCON)

The need to reduce exposure of the Nigerian banking system to toxic assets motivated the creation of AMCON. AMCON which was formally established in 2010, has as stated objectives- a. to assist eligible financial institutions (EFIs) to efficiently dispose of eligible bank assets (EBAs); b. to efficiently manage and dispose of the EBAs it acquires; and c. to obtain the best achievable financial returns on eligible banking assets, having regard to the need to protect or enhance the long-term economic value of the assets, the cost of acquiring and dealing with those assets.

Section 37(2) of the Assets Management Corporation of Nigeria (AMCON) Act categorises certain loans, credits and other financial accommodations granted to insiders of eligible financial institutions or persons related to or connected with such financial institutions as ''tainted eligible bank assets'' including , those granted in breach of rules and regulations of the relevant financial institution; those granted towards the purchase of the shares of the financial institution; those secured against the shares or other securities of the financial institution; those granted in breach of the provisions of the companies and Allied Matters Act (CAMA) on financial assistance; those granted in breach of the rules and regulations of the CBN; those granted for purposes of market manipulation and rigging or for acquisition of shares in breach of the Investment and Securities Act 2007 (ISA) or any rules and regulations made pursuant to it and those granted in breach of any law including but not limited to Banking and Company Law. The Act in section 37 further stipulates that borrowers or obligors of such tainted assets will not be entitled to any waivers, forbearance or forgiveness of debts in relation to the assets. The provision further grants the corporation the power to pursue to the fullest extent, all civil and criminal remedies against the borrowers or obligors of such assets. Included in the definition by the AMCON Act, of insiders or other related or connected persons'' are directors, officers or persons with significant shareholding in the eligible financial institution, their spouses, children, their children's spouses, relations or proxies.

2.2.11.5 The Bankers Committee

In addition to the formal regulations to which compliance is mandatory, the banks on their own observe some persuasive measures and code of conduct considered to be desirable among themselves. Their objective is to ensure a healthy operation in the sector.

2.2.11.6 Nigeria Deposit Insurance Corporation (NDIC)

The NDIC has the responsibility for insuring deposits held with the licensed banks and other deposit taking institutions so as to engender confidence in the Nigerian Banking system. In addition to the deposit insurance responsibilities, it has the authority to take enforcement actions, and the power to prosecute any officer or director of an insured bank who has violated any provisions of the NDIC Act. It also serves to (i) protect small, uninformed and less financially sophisticated depositors by providing an orderly means of compensation in the event of failure of their insured financial institutions to make payment to depositors; (ii) contribute to the financial system stability by making incidences of bank runs less likely; and (iii) enhance public confidence and systemic stability providing a framework for the resolution and orderly exit mechanism for failing and fiscal insured institutions.

2.2.11.7 Financial Services Regulation Co-ordinating Committee (FSRCC)

This is an inter-agency committee that coordinates the supervision of financial institutions. It was established in 1994 but was given legal status in 1998. Under Article 4 of the Charter of the FSRCC, the functions are stated as (i) to identify the causes of distress in the financial system, examine resolution options adopted so far and recommend any other measures to avert future distress; and (ii) to examine the regulatory and supervisory standards of each member and recommend areas that require joint supervision and enforcement. Membership includes Governor of CBN as Chairman, Managing Director of NDIC, Director General of SEC Commissioner for Insurance, Registrar-General of the Corporate Affairs Commission and a representative of the MoF.

2.2.11.8 Code of Corporate Governance for Banks in Nigeria Post Consolidation (CBN 2006). (See appendix II)

This CBN code augments the earlier codes especially in the post consolidation era of Nigerian banks. Worthy of note is the fact that some of the Provisions in the CBN code are already discussed in the SEC codes. Therefore, only the highlights of the provisions, that are peculiar to banks, are presented hereunder.

In the CBN Code, private equity ownership is encouraged over government. Also encouraged is the issue of stock options in compensational schemes. Although the SEC Code allows for the existence of a strong independent director as Vice Chairman of the board in exceptional circumstances where the position of the chairman and Chief Executive Officer are combined in one individual, the CBN Code does not allow this. The number of non-executive directors should be more than that of executive directors (SEC Code does not indicate ratio) subject to a maximum board size of 20 directors (SEC Code advises 15). There should be, as a minimum, a risk management committee, an audit committee and a credit committee. Suffice to say that, apart from few provisions, some of which are already pointed out above, the major difference between the SEC-CAC Code and CBN Code is in the power of the latter to effect sanctions on erring banks, while adherence to the provisions of the former is not compulsory.

The CBN Act was re-enacted in 2007 to make it relevant and consistent with developments in the financial system. New provisions introduced include the enhancement of the security of tenure of the governor and the deputies through confirmation by the Senate of the appointment and removal of the governors, the deputies and the board members.

2.2.12 Compliance with the Provisions of the Code of Corporate Governance for Banks in Nigeria

The CBN (2010) annual report has it that the outcome of the special examination carried out on the DMBs in 2009 revealed severe weak corporate governance in some banks. This made CBN to review the existing code of corporate governance for banks, including the limitation of the tenure of managing directors of banks to a maximum of ten years. In compliance with the directive, UBA Plc, Zenith Bank Plc and Skye Bank Plc replaced their managing directors in July 2010. Also, the Governor and Deputy Governors of the CBN, and the Managing Director and Executive Directors of the NDIC shall not be eligible for appointment in any bank until after three (3) years from the date of their exit.

The report further states that in order to ensure compliance by financial institutions with the regulations of CBN on Anti-Money Laundering Financing of Terrorism (AML/CFT), the

CBN created a unit solely responsible for handling AML/CFT issues. The unit also interfaces with the Nigeria Financial Intelligence Unit (NFIU) and other stakeholders at both domestic and international levels on AML/CFT issues, as well as ensuring the coordination of enforcement of the regulation among the relevant departments of the Bank. In that regard, the CBN and the NFIU carried out a joint AML/CFT examinations/inspection of the twenty- four (24) DMBs during the review year. The exercise revealed violations of various provisions of the Money Laundering (Prohibition) Act (MLPA) of 2004 and the AML/CFT regulation 2009. A total of Seventeen (17), out of the twenty – four (24) DMBs, were fined to the tune of N58.0 million for various infractions. In addition, the CBN coordinated the verification of two hundred and twenty – four (224) account balances owned by one hundred and thirty-nine (139) suspected illegal fund managers ("wonder Banks") nationwide.

Also, the International Monetary Fund's approval of Technical Assistance (TA) to Nigeria in 2010 further strengthened the level of international cooperation and partnership between the fund and Nigeria in the area of money laundering and terrorism financing. On completion, the TA would be expected to further enhance the capacity of targeted institutions, including the NFIU, the SEC, NAICOM, the CBN's Special Control Unit Against Money Laundering and Terrorism Financing, as well as address some systemic weaknesses.

Furthermore, the CBN, in conjunction with the NFIU and the United Nations Office of Drugs and Crime (UNODC), coordinated a public awareness/sensitization campaign of the general public to highlight the need to update customer information on various bank accounts (individual and corporate). The aim of the update exercise was to enhance the vital customer identification process and deepen the implementation of the AML/CFT regime. Also, the CBN conducted a training programme for directors of banks and discount houses to enhance their awareness and commitment to the implementation of the AML/CFT programmes in their various institutions.

The report also discloses the result of joint target examinations conducted by CBN and NIDC on the twenty-four (24) DMBs in 2010. The exercise was aimed at reviewing the quality of risk assets of the banks, in line with the prudential guidelines, and applying the recommended provisions for the appraisal/approval of the annual accounts of the banks for the year ended December 31, 2009.

As reported in The Punch of June 11 2014, six commercial banks paid N392.77m in fines to the CBN in 2013 for contravening various aspects of the BOFIA. A breakdown of the figures contained in the individual banks' 2013 annual reports indicates that Zenith bank paid the highest fine of N276m for the various contraventions. The offences and fines paid by the respective banks are presented in Table 2.8.

Table 2.8: Offences and Fines Paid by Some Banks in 2013

BANK	OFFENCES	PENALTY
Zenith Bank Plc	Fined for promoting top management staff without approval by the CBN, insufficient data for lodgment, credit report and non-rendition of original certificate of capital importation.	N276m
Sterling Bank plc	Fined for promoting management officials without CBN's approval and for foreign exchange examination infraction, among others.	N52.97m
UBA plc	Fined for opening a branch without prior approval of the central bank, improper reclassification of public sector deposits and appointment of employees without CBN approval, among others.	N43.70m
Diamond bank plc	Fined for numerous infractions, including N2m for the delay in refunding a customer's $827,223 as directed by the CBN and N4m for promoting two senior management personnel without the approval of the central bank. The bank was also ordered to pay N1.99m for withholding a customer's fund for 26 days after the promoters of the customer had written that they were no longer interested in a facility.	N7.99m
FCMB group	Fined for delayed disbursement for 20 days to beneficiaries under the commercial agriculture credit scheme, among others.	N6.1m
Skye bank plc	Fined for failure to obtain CBN's approval to promote a senior staff and under reporting of regulatory returns on public sector deposits. It was also fined for failure to update documentation on a customer's account.	N6m

Source: Annual Reports of the individual Banks for 2013

The report states further that though the penalty is meant to enhance corporate governance and enforce standards, it amounts to waste of the shareholder's funds by the management of the banks.

The contravention is unfortunate, as it would deny shareholders of enhanced dividends during the year. The CBN took the actions towards ensuring that commercial banks comply with rules and regulations of engagement to enhance good corporate governance and adherence to standards.

2.2.13 Summary of Some Corporate Laws and Regulations in Nigeria

Summaries of some corporate laws and regulations in Nigeria are presented in the following Table

Table 2.9: Corporate Law and Regulations in Nigeria

CORPORATE LAW/REGULATIONS	FEATURES
* COMPANIES AND ALLIED MATTERS ACT, 1990.AS AMENDED	Spells out the procedures for incorporation of companies and incidental matters.
**BANKS AND OTHER FINANCIAL INSTITUTIONS (BOFIA) ACT 2004, AS AMENDED	An Act to regulate banking and other financial Institutions and for matters connected therewith.
*THE NIGERIA INVESTMENT	Encourages, coordinates and monitors all investment promotion activities in the Nigerian economy, initiate and support measures which shall enhance the

PROMOTION COMMISSION DECREE 16, 1995.	investment climate in Nigeria for both Nigerian and non-Nigerian investors, promote investment in and outside Nigeria through effective promotional means, collect, analyze and disseminate information about investment opportunities and sources of investment capital, and advise on request the availability, choice and suitability of partners in joint venture projects, assist incoming and existing investors by providing support services.
**PENSION REFORM ACT, 2014	Stipulates investment of pension fund in bonds, bills and other securities issued or guaranteed by the federal government and Central Bank of Nigeria, bonds, debentures, redeemable preference shares and other debt instruments issued by corporate entities and listed on the stock exchange that have paid dividend in the preceding 5 years, bank deposits and bank securities, investment certificates of close-end and units sold by open-end investment funds, bonds and debt securities of listed companies and real estate investment.
**** THE FAILED BANKS (RECOVERY OF DEBTS) AND OTHER MALPRACTICES IN BANKS ACT 2004.**	The Act provides for the recovery of debts owned to failed banks and for the trial of offences relating to financial malpractices in banks and other financial institutions
**** THE ECONOMIC AND FINANCIAL CRIMES COMMISSION ACT 2004.**	Liaises with the CBN, NDIC and other financial supervisory institutions toward the eradication of economic and financial crimes
**ASSET MANAGEMENT	To stimulate the recovery of the Nigerian Financial System through:

CORPORATION OF NIGERA (AMCON) ACT 2010	(i)Providing liquidity to the Intervened banks and the non-intervened banks (ii)Providing capital to the Intervened banks and the non-intervened banks. (iii)increasing confidence in Banks balance sheets. (iv) Increasing access to restructuring /refinancing opportunities for boundaries.
**FINANCIAL REPORTING COUNCIL OF NIGERIA (FRCN) ACT 2011	The objects of FRC shall be to (i)Protect investors and other stakeholders interest. (ii)Ensure good corporate governance practices in the public and private sectors of Nigerian economy. (iii)Ensure accuracy and reliability of financial reports and corporate disclosures.
**** THE MONEY LAUNDERING PROHIBITION ACT 2011 .**	The Money Laundering (Prohibition) Act, 2011 repeals the Money Laundering Act, 2004 and makes comprehensive provisions to prohibit the financing of terrorism, and the laundering of the proceeds of crime or illegal acts. It also expands the scope of supervisory and regulatory authorities so as to address the challenges faced in the implementation of the anti-money laundering regime in Nigeria.

SOURCE:- * Adelegan, 2007 ; **Compiled and updated by the Author.

In addition, there are also self regulatory organizations that prescribe code of ethics, conduct and advocacy for their members offering professional services to, or in the employment of Nigerian banks. They include, the Chartered Institute of Bankers of Nigeria (CIBN), Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), Chartered Institute of Stockbrokers (CIS), Association of Stock Broking Houses of Nigeria, Association of Issuing Houses of Nigeria, Association of Capital Markets Registrars, Association of Corporate Trustees, Financial Market Association of Nigeria, and Capital

Operators of Nigeria. They have the powers to sanction erring members in line through their code of ethics.

2.2.14: The New Banking Model in Nigeria

The CBN 2010 Annual report indicates that as part of ongoing reform in the Nigerian banking sector, the Central bank of Nigeria reviewed the universal banking model, which encouraged banks to act as financial supermarkets. The new banking model which reversed the universal banking earlier introduced in 2000, re-introduced the categorization of banks into commercial, merchant and specialized banks (non-interest banks, microfinance banks, development banks and mortgage banks). Generally, the model was designed to ensure the evolution of a financial landscape that would be capable of providing the platform for sustainable economic growth and development.

Features of the categorization under the commercial banking model are:

- Commercial banks to be licensed under different categories namely, regional, national and international;
- Minimum capital requirement:
    - Regional - ₦10.0 billion
    - National - ₦25.0 billion
    - International - ₦50.0 billion
- Regional banks are entitled to carry on banking business within a minimum of 6 and a maximum of 12 contiguous states lying within not more than 2 geo-political zones of the Federation and the Federal Capital Territory;
- National banks are authorized to carry on banking business in every state of the federation;
- International banks are allowed to carry on banking operations in all state of the Federation as well as establish offshore subsidiaries

Findings through CBN indicate that since the end of 2011 up till 2012, there are twenty one (21) registered banks in Nigeria. Number of registered commercial banks has remained 21 as at 2015. (See appendix III) for list of registered banks in Nigeria). The World Bank (2013) notes that three banks, Stanbic IBTC, Standard Chartered and Citibank are foreign owned. They hold about 14 percent of assets in the industry. Three bank, Enterprise, Keystone, and

Mainstreet, are publicly owned. They hold about 5 percent of industry assets. The others are domestic and privately owned.

In its continuous regulatory obligations, the CBN, in 2013, categorised eight commercial banks as Systemically Important Banks (SIBs). According to the CBN, a systemically important bank is a bank whose distress or disorderly behaviour, because of its size, complexity, and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.

The banks have been so categorised, given their size, and because if anything happens to them, it might cause a systemic problem. Their failure could pose a systemic risk to the banking industry and the larger economy. The banks are First Bank of Nigeria Plc, Guaranty Trust Bank Plc (GT Bank), Zenith Bank Plc, United Bank for Africa Plc (UBA), Access Bank Plc, Skye Bank Plc, Ecobank Nigeria Plc and Diamond Bank Plc

The designated SIBs would be required to hold more liquid assets and a liquidity ratio of 35 per cent. This means the affected banks are expected to have a minimum liquidity ratio which is five per cent above the 30 per cent requirement in the industry.

The eight banks alone account for 70 per cent of the banking industry's total assets. Owing to their size and importance, the CBN adopts a more robust regulatory regime to monitor and scrutinise the eight banks, in order to ensure that they are healthy. The banks that are significantly important in terms of their sizes require closer supervision and are to be visited more frequently by the regulators. This is in line with global best practice.

In spite of the special identification given to these banks, CBN still maintains that no bank in Nigeria is 'too big

2.2.15 Overview of Banks and Trend Analysis

This section presents an overview and trend analysis of the data set on the 16 banks used in the study. Here, we evaluate the information on the banks individually and also make comparisons on certain salient variables for the banks as regards this study. The trend analysis focuses on the bank performance variables and the corporate governance variables that were used in the analysis. The data set covers the period of 2000 to 2012.

Access Bank Plc

Access Bank was incorporated in 1989 and has since then gone on to become one of the leading banks in the Nigerian financial sector. It was listed in the Stock Exchange in 1998. It acquired Intercontinental Bank in 2012.

Access Bank Plc is a full service commercial Bank operating through a network of about 366 branches and service outlets located in major centres across Nigeria, Sub Saharan Africa and the United Kingdom. Listed on the Nigerian Stock Exchange in 1998, the Bank serves its various markets through 4 business segments: Personal, Business, Commercial and Corporate & Investment banking.

The Bank has over 830,000 shareholders including several Nigerian and International Institutional Investors and has enjoyed what is arguably Africa's most successful banking growth trajectory in the last ten years ranking among Africa's top 20 banks by total assets and capital in 2011.

As part of its continued growth strategy, Access Bank is focused on mainstreaming sustainable business practices into its operations. The Bank strives to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant.

The trend of performance of the bank is as shown in figures2.4 to 2.8

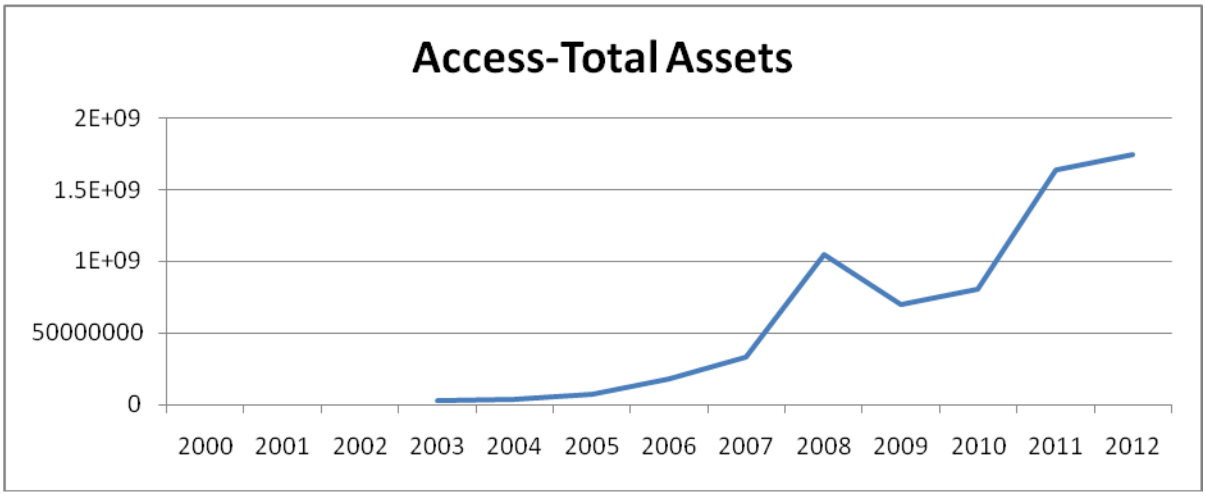

Figure 2.4: Total Assets of Access Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The graph above shows the trend of the total assets of Access bank over the period under review. It can be seen that the bank experienced steady growth in assets which was temporarily disrupted in 2009 during the crisis that rocked the banking sector. It is noteworthy however that in 2011, Access bank was ranked among the top 20 banks in Africa given the value of total assets and capital.

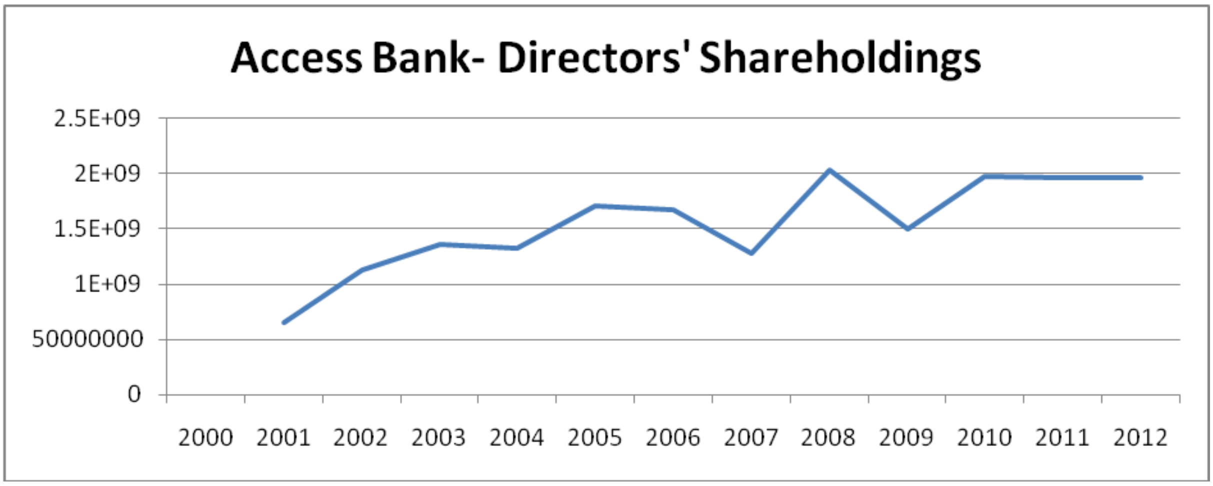

Figure 2.5: Director Shareholding - Access Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Apart from the steady increment in the number of shares held by directors, it is pertinent to note the amount of these shares. The shareholdings of directors have more than doubled in the period. With the directors controlling a significant amount of shares in the company the distinction between shareholder and management has thinned raising questions bordering on corporate governance and accountability. This is a phenomenon which is also present in other banks, as will be seen below.

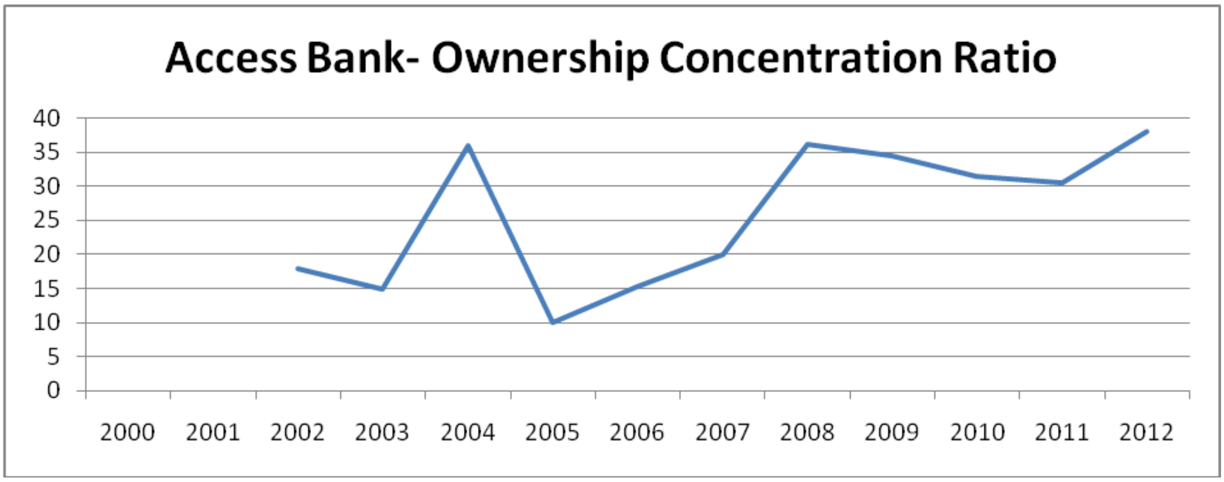

Figure 2.6: Concentration Ratio - Access Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The concentration ratio shows the proportion of total shares owned by the largest shareholders. The trend of the graph shows that towards the later parts of the decade, concentration of ownership among the top shareholders has increased a great deal from roughly 10% in 2005 to nearly 40% by 2012. Increasing concentration ratio implies that control of companies by the top shareholders is consistently increasing and with the rising shareholding profile of directors, corporate governance, accountability and transparency become an issue of concern.

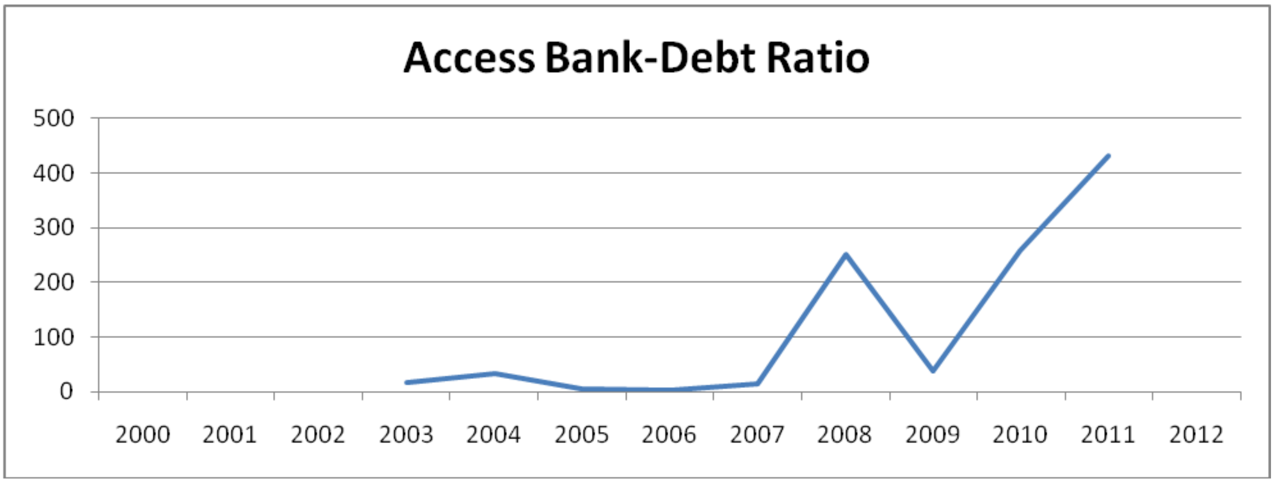

Figure 2.7: Debt Ratio - Access Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The debt profile of access bank during the time period of the study was relatively unstable but nevertheless showed an upward trend. Increasing debt profiles are usually associated with increased ability to pay those debts as evidenced from the increasing total assets profile of the bank.

The average board size of the bank throughout the period was about 12 board members while the estimated average proportion of outsiders on the board was about the 7.75%. The bank performance indicators revealed the following trend.

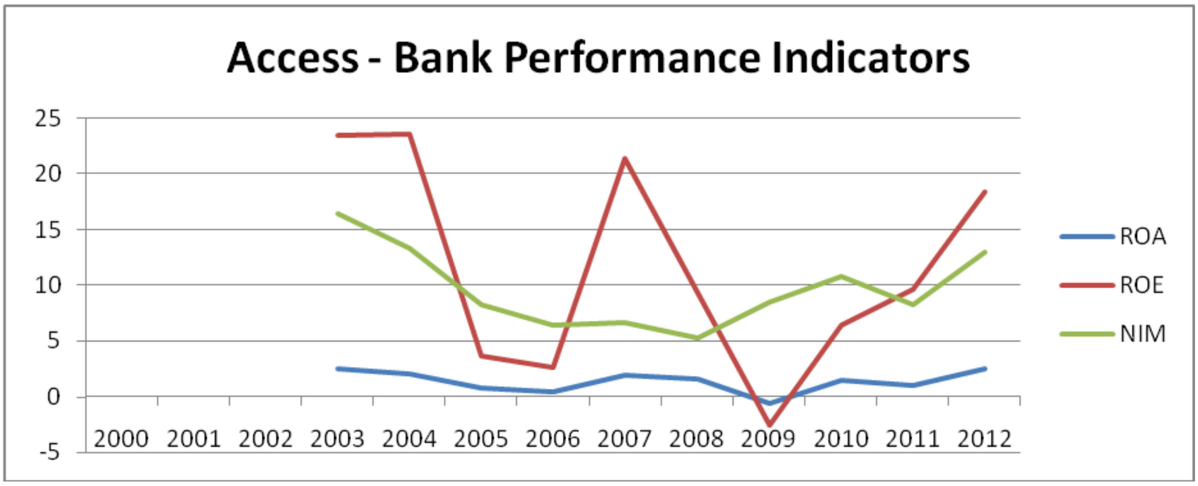

Figure 2.8: Bank Performance Indicators - Access Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The performance indicators of access bank show a relatively upward trend. Despite the fact that performance dipped during 2005 and 2009 as a result of the bank consolidation and the banking crisis respectively, the bank has been experiencing significant growth, based on chosen indicators.

Mainstreet Bank Plc

Mainstreet Bank is a large financial services provider in Nigeria. Mainstreet Bank Limited assumed the assets and liabilities of Afribank Plc, which had an epochal beginning as one of the big four banks in Nigeria, since October 20, 1959. Formerly Afribank, it was one of the new banks formed in the aftermath of the 2009 banking crisis that rocked the sector. Mainstreet bank was formed from the leftover resources of Afribank after the latter was found to be having a significant amount of non-performing loans and was deemed, by the

CBN and NDIC to be unable to efficiently carry out its operations. Afribank was initially incorporated in 1969 and was listed in 1993 but was, however, delisted in 2011 during the aftermath of the crisis.

The bank has been an active player in the Nigerian interbank market, and has leveraged on the bank's legacy of over 51 years' experience and goodwill in the financial services sector to become a distinguished commercial bank that contributes to national economic development.

Currently, the bank operates 217 branches nationwide, with, at least, one branch in every city of the 36 states in the Nigerian federation.

The trend of performance of the bank is as shown in figures 2.9 to 2.13

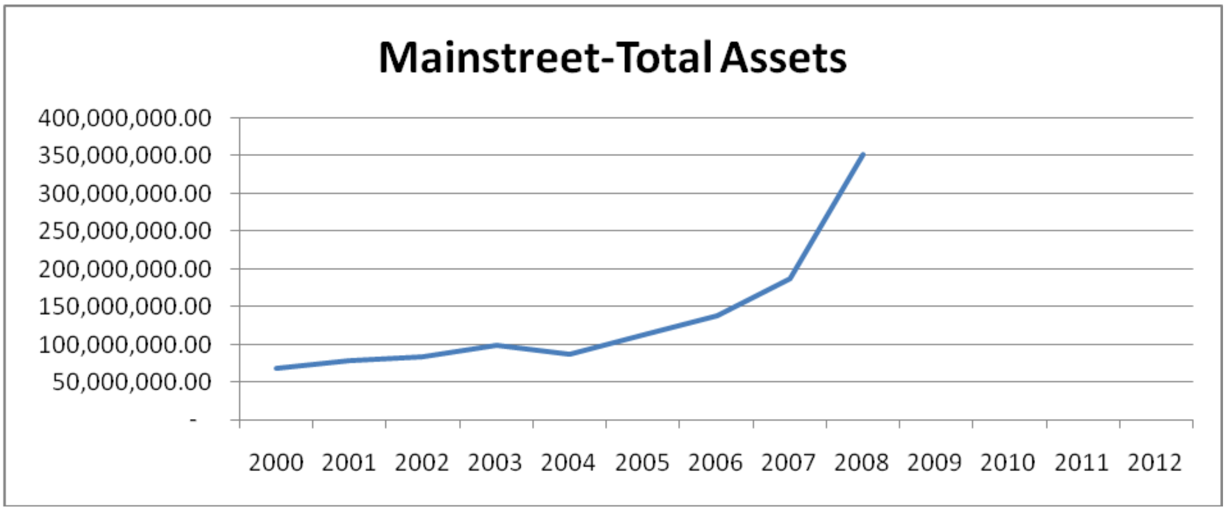

Figure 2.9: Total Assets of Mainstreet Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

As can be seen with most of the banks, the total assets of Mainstreet bank have been steadily increasing throughout the time period under study.

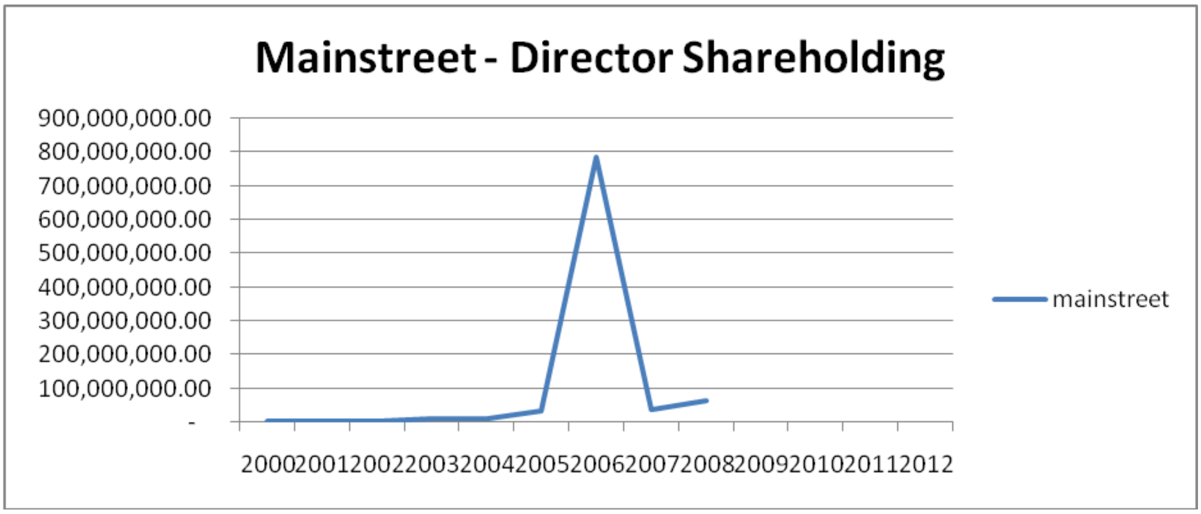

Figure 2.10: Director Shareholding - Mainstreet Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

There has been a steady movement in the total number of shares of directors between 2000 and 2003. However, the directors' shareholding of the bank took a sharp upward turn in 2006 as a result of the bank consolidation activities.

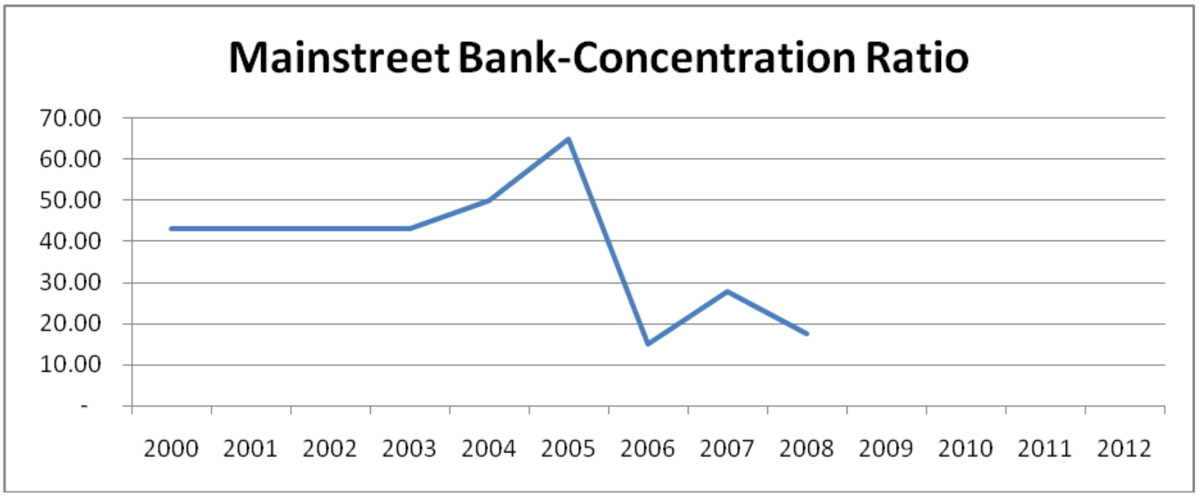

Figure 2.11: Concentration Ratio - Mainstreet Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The trend of the concentration ratio of Mainstreet bank experienced steady growth up till 2005 but has been downhill ever since. This however did not play much role in the corporate governance activities as the bank was still deemed unhealthy in 2011 by the CBN and NDIC.

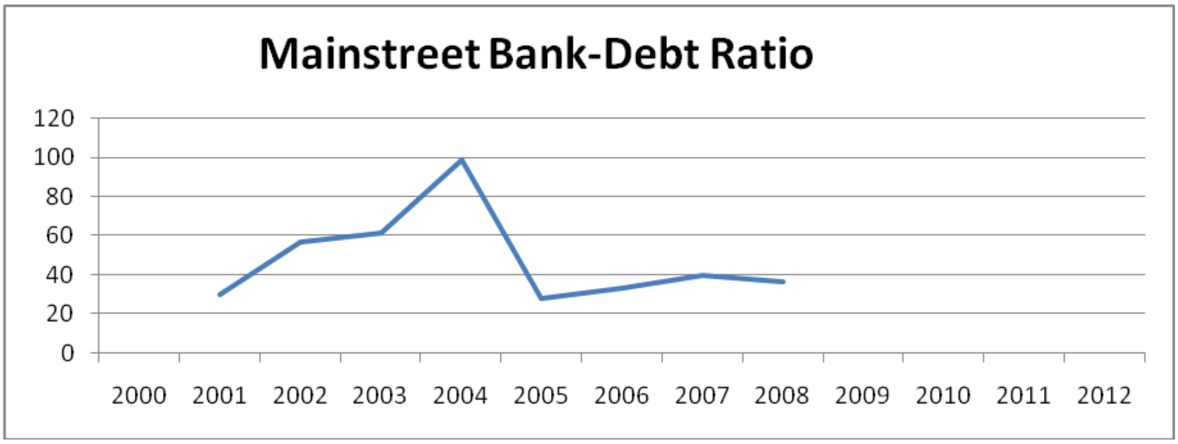

Figure 2.12: Debt Ratio – Mainstreet Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The debt ratio of Mainstreet bank has been showing significant upward trends during the time period under analysis with a sharp but temporary downturn occurring in 2005 which may also be attributable to the bank consolidation activities of the CBN.

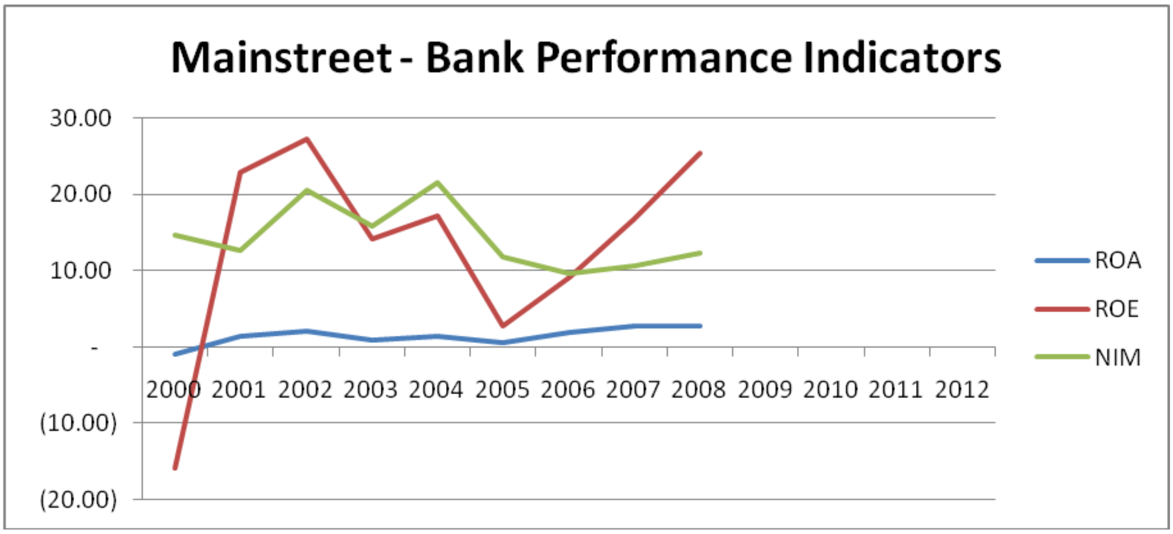

Figure 2.13: Bank Performance Indicators – Mainstreet Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

A quick look at the performance metrics of Mainstreet bank reveals that the bank's performance has been relatively unstable especially as seen in the Return on Equity. Net Interest Margin has somewhat declined throughout the period but on average, has stayed around 15%.

Diamond Bank Plc

Diamond Bank Plc began as a private limited liability company on March 21, 1991 (the company was incorporated on December 20, 1990). Ten years later, in February 2001, it became a universal bank. In January 2005, following a highly successful Private Placement share offer which substantially raised the Bank's equity base, Diamond Bank became a public limited company. In May 2005, the Bank was listed on The Nigerian Stock Exchange. Moreover, in January 2008, Diamond Bank's Global Depositary Receipts (GDR) was listed on the Professional Securities Market of the London Stock Exchange, the first bank in Africa to record that feat.

Today, Diamond Bank is one of the leading banks in Nigeria. Diamond Bank has over the years leveraged on its underlying resilience to grow its asset base and to successfully retain its key business relationships. Diamond Bank has won several awards including the prestigious "Nigerian Bank of the Year, 2009", the "Most Improved Bank of the Year, 2007" and "Best Bank in Mergers & Acquisition, 2006" all by the This Day Annual Awards.

The bank has retained excellent banking relationships with a number of well-known international banks including Citibank; HSBC Bank; ANZ Banking Group; ING BHF Bank AG; Standard Chartered Bank; Belgolaise Bank S.A; Deutsche Bank; Commerz bank; and Nordea Bank Plc

In 2008, Diamond bank streamlined its operations into three distinct strategic business segments: Retail banking, Corporate Banking, and Public sector.

The trend of performance of the bank is as shown in figures 2.14 to 2.16

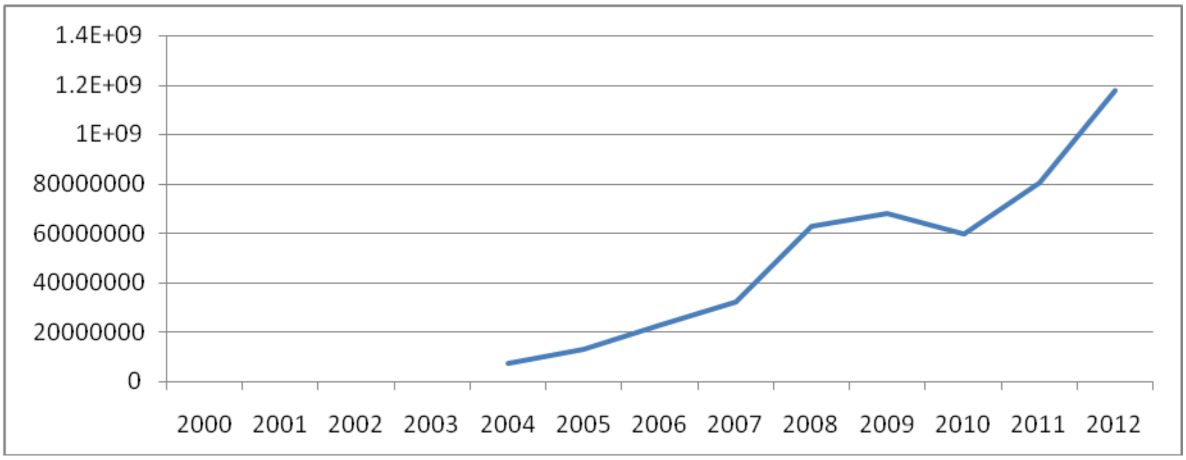

Figure 2.14: Total Assets of Diamond Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Diamond bank has experienced tremendous growth in both its total assets and directors' shareholdings. As has been stated, most of this growth was prompted by the bank consolidation initiative which mandated banks to have a minimum capital base of 25billion Naira.

Figure 2.15: Director Shareholding - Diamond Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The steady increase in the directors' shareholdings of Diamond bank shows increased thinning of the line that divides management from shareholders. Corporate governance rests on sound policies that ensure that management acts in the best interest of all stakeholders of the bank and where directors start to have majority shares in the company, the line of accountability is blurred undermining effective corporate governance.

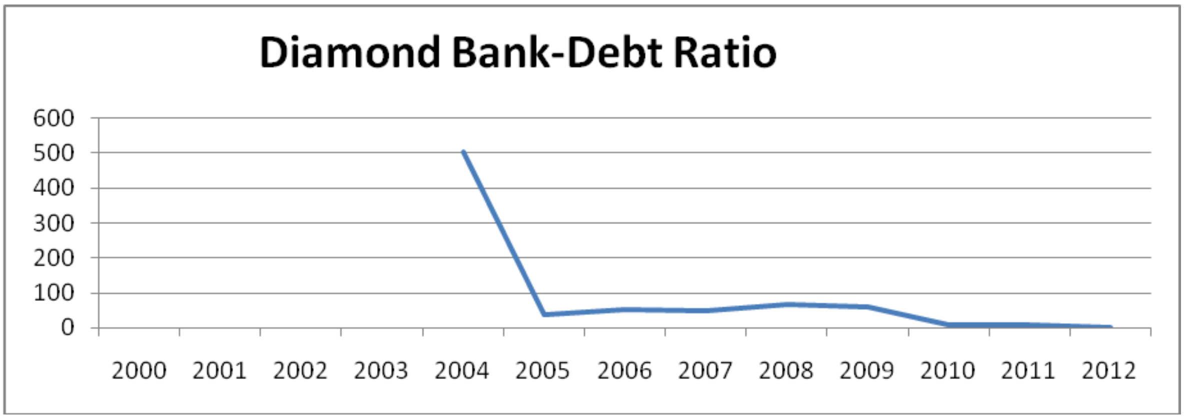

Figure 2.16: Debt Ratio - Diamond Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

To its credit, diamond bank has experienced successive decline its leverage position giving its shareholders more room to reap the benefits of the business in terms of profits and earnings.

Ecobank Plc

Ecobank Nigeria is a member of Ecobank, the leading independent pan-African bank, with its headquarters in Lomé, Togo, and affiliates in West, Central and East Africa. Ecobank, which was established in 1985, has grown to a network of over 1,000 branches, employing over 10,000 people, with offices in 32 countries including Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, the Central African Republic, Chad, the Republic of Congo, the Democratic Republic of Congo, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Mali, Malawi, Niger, Nigeria, Rwanda, Sao Tome, Senegal, Sierra Leone, Togo, Uganda, Zambia and Zimbabwe. Ecobank also maintains a banking subsidiary in Paris and representative offices in Johannesburg, Dubai and London.

The bank began operations in 1986. It operates as a universal bank, providing wholesale, retail, corporate, investment and transaction banking services to its customers in the Nigerian market. The bank divides its operations into three major divisions: (a) Retail Banking (b) Wholesale Banking and (c) Treasury & Financial Institutions. The bank also offers capital markets and investment banking services. During the fourth quarter of 2011, Ecobank Nigeria acquired 100% of the shareholding in Oceanic Bank, creating the expanded Ecobank Nigeria Plc As of December 2011, the expanded Ecobank Nigeria controlled total assets valued at approximately US$8.1 billion (NGN: 1.32 trillion), making it one of the five largest banks in Nigeria at the time. At that time the bank had 610 free-standing branches, making it the second-largest bank in the country by branch network.

Ecobank as a pan-African financial conglomerate, presents particular cross-border supervisory challenges. Headquartered in Lome, the Togolese authorities are responsible for exercising consolidated supervision. This presents a challenging task for supervision of the banks by the Nigerian regulators.

The trend of performance of the bank is as shown in figures 2.17 and 2.18

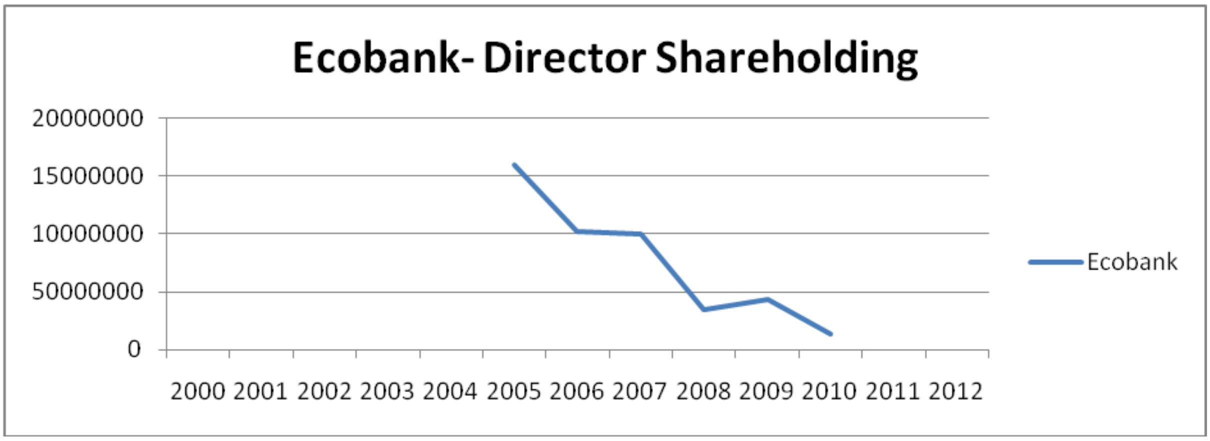

Figure 2.17: Director Shareholding - EcoBank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Ecobank showed a downward trend in its directors' shareholdings during the period under study, an indication of reduced ownership and control of company affairs among the directors. On the other hand, it displayed a very high concentration ratio indicating that the largest shareholders hold a very great proportion of the shares of the bank. This implies that control and influence over the activities of the bank is in the hands of a few key people and as thus, necessitating the need to prevent undue influence from them, on management.

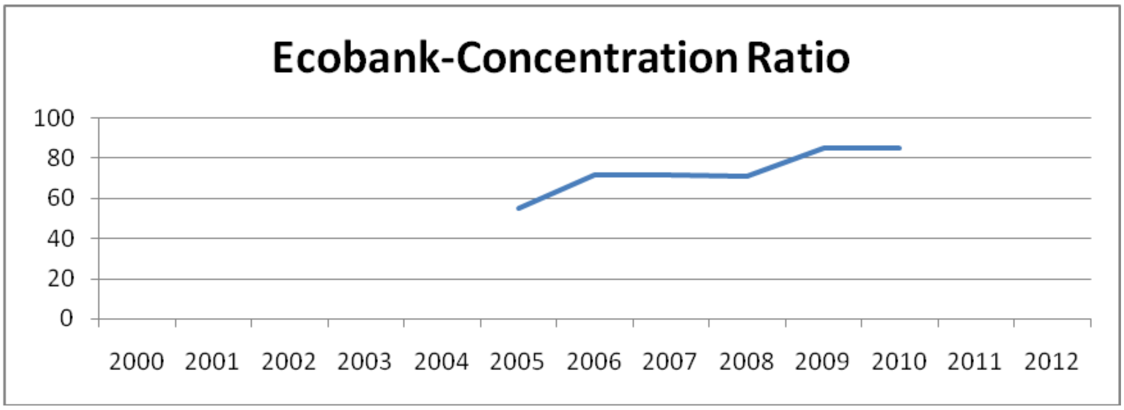

Figure 2.18: Concentration Ratio - EcoBank

**The concentration ratio of Ecobank was about 70% on average.*

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Fidelity Bank Plc

Fidelity Bank Plc began operations in 1988 as Fidelity Union Merchant Bank Limited. By 1990, it had distinguished itself as the fastest growing merchant bank in the country. It converted to a commercial bank in 1999, following the issuance of a commercial banking license by the Central Bank of Nigeria. That same year the bank rebranded to Fidelity Bank Plc It became a universal bank in February 2001, with a licence to offer the entire spectrum of commercial, consumer, corporate and investment banking services.

The current enlarged Fidelity Bank is the result of the merger with the former FSB International Bank Plc and Manny Bank Plc (under the Fidelity brand name) in December 2005. Fidelity Bank is today ranked amongst the top 10 in the Nigerian banking industry, with presence in all the 36 States as well as major cities and commercial centers of Nigeria. Fidelity continues to rank among Nigeria's most capitalised banks, with tier-one capital of nearly USD1 billion (One Billion US Dollars).

First Bank Nigeria Plc

As of June 2013, the bank had assets totalling, approximately, US$21.3 billion (NGN: 3.336 trillion). The bank's profit before tax, for the twelve months ending 31 December 2012 was approximately US$542.5 million (NGN: 86.2 billion). At that time, the bank maintained a customer base in excess of 8.5 million individuals and businesses. First Bank of Nigeria has solid short and long term ratings from Fitch, the Global Credit Rating Company, partly due to its low exposure to non-performing loans. The bank has strong compliance with financial laws and maintains a strong rating from the Economic and Financial Crimes Commission of Nigeria.

Due to changes in Nigerian banking laws, following the Great Recession of 2007-2009, FBN re-organized itself into four business groups under a holding company called FBN Holdings Plc, also referred to as FBN Holdings. Bello Maccido, who was executive director (retail, North), was nominated to be the CEO of the new parent company. The shares of the holding company are listed on the Nigerian Stock Exchange. FBN Holdings Plc is the parent company of all companies in the FirstBank Group. The four business groups of FBN Holdings Plc are Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

The trend of performance of the bank is as shown in figures 2.19 to 2.21

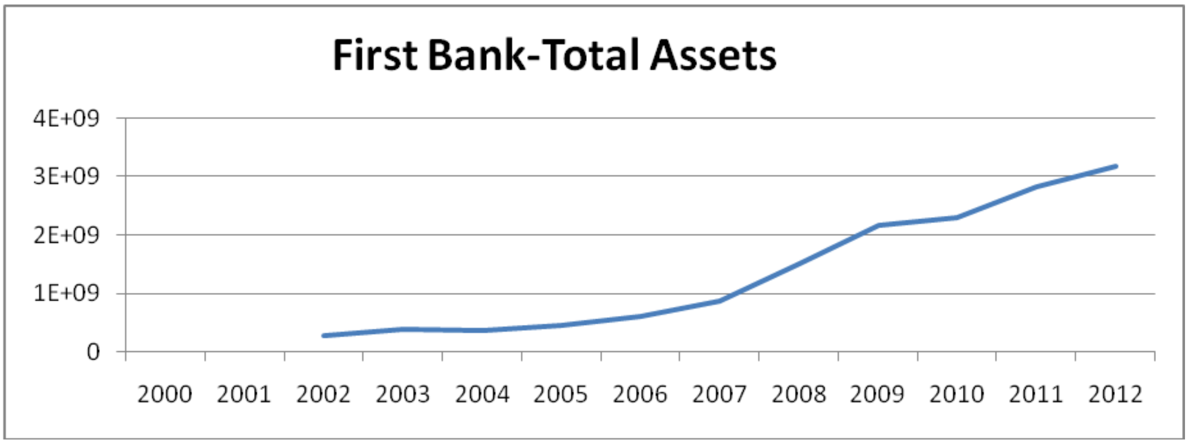

Figure 2.19: Total Assets of First Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The total assets of First Bank, like many other banks under study, more than doubled during the period, indicating an increased bank size for the bank. Being one of the oldest banks in the country, First Bank has been able to significantly grow its asset base between 2000 and 2012 despite the growth, slowing down a bit in the aftermath of the global financial crisis.

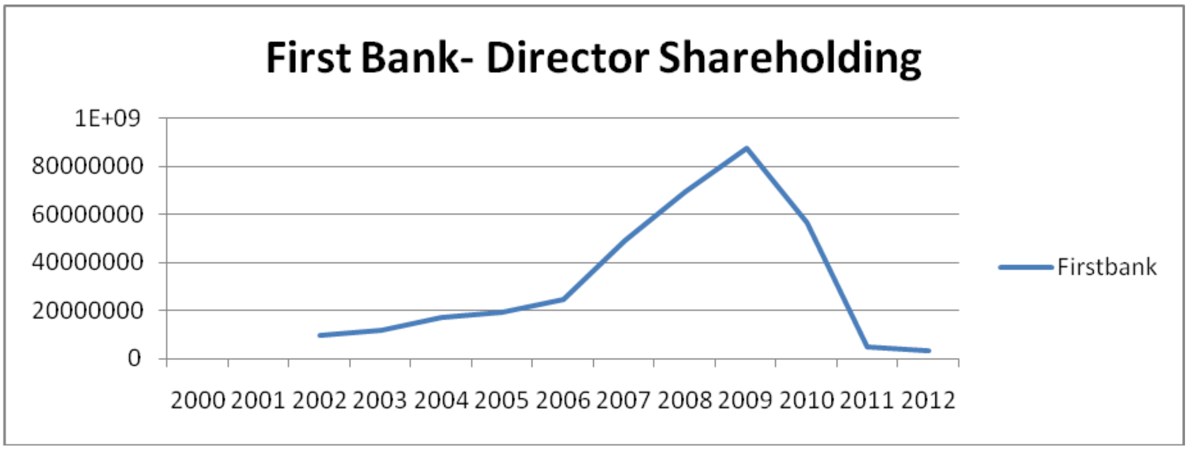

Figure 2.20: Director Shareholding - First Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The directors' shareholdings' of first bank peaked in 2009 and then fell significantly afterwards, an event that can be attributed to a bid for the banks to rescue themselves after the financial crisis.

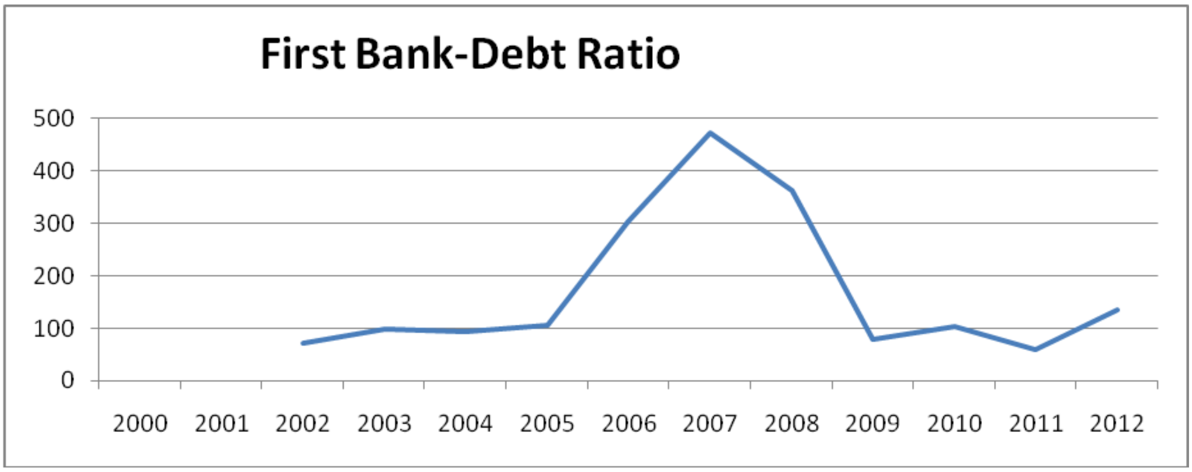

Figure 2.21: Debt Ratio - First Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The leverage profile of First bank shows a significant increase in leverage between 2006 and 2008 but this was only short-lived, as its leverage position returned to just under a 100% by 2009.

First City Monument Bank Plc

FCMB is a large financial services provider in Nigeria, offering retail banking, corporate banking and investment banking services to large corporations, small and medium enterprises, as well as individuals. As of December 2011, the bank's total assets were valued at US$$3.65 billion (NGN: 593.3 billion), with shareholders' equity of approximately US$772.2 million (NGN: 117.4 billion).

The entity from which the bank was founded City Securities Limited, was established in 1977. First City Monument Bank Ltd. was incorporated as a private limited liability company on 20 April 1982 and granted a banking licence on 11 August 1983. On 15 July 2004, FCMB changed its status from a private limited liability company to a public limited liability company and was listed on the Nigerian Stock Exchange (NSE) by introduction on 21 December 2004.

In November 2010, both Fin Bank and First City Monument Bank (FCMB) announced that FCMB has expressed interest in acquiring shareholding and become the strategic investor in Fin Bank, another Nigerian commercial bank that was undercapitalised. In February 2012, following regulatory approval, FCMB acquired 100% shareholding and began integration of Fin bank in its existing operations.

Guaranty Trust Bank Plc

Guaranty Trust Bank Plc was incorporated as a limited liability company licensed to provide commercial and other banking services to the Nigerian public in 1990 and commenced operations in February 1991.

In September 1996, Guaranty Trust Bank Plc became a publicly quoted company and won the Nigerian Stock Exchange President’s Merit award. In February 2002, the Bank was granted a universal banking license and later appointed a settlement bank by the Central Bank of Nigeria (CBN) in 2003.

Guaranty Trust Bank undertook its second share offering in 2004 and raised over N11 billion from Nigerian investors to expand its operations.

The bank was described in 2007 as first sub-Saharan bank and first Nigerian joint stock company, listed on London Stock Exchange and Deutsche Börse.

In the same year, they successfully placed Nigeria's first private Eurobond issue on the international capital markets. The GTB $500,000,000 Eurobond was the first ever Benchmark Eurobond issue by a Nigerian corporate and the second Eurobond programme by GTB in the last 5 years.

The long-term debts of Guaranty Trust Bank Plc are rated BB- by Standard & Poor's and AA- by Fitch Ratings, which are the highest ratings for a Nigerian bank.

It introduced online banking and SMS banking in Nigeria and a naira denominated MasterCard as well as the *Platinum* and *World Signia* cards and with *GTB-on-wheels*, mobile branches.

On 12 March 2008, GTB was given a banking licence for the United Kingdom by the Financial Services Authority.

GTBank is a partner of Eko Atlantic City, a newly created island on the Atlantic Ocean, adjacent to Victoria Island, Lagos. It will be the home of the new Financial District. The building of Eko Atlantic City started in 2009 and is expected to be completed in 2016. To commemorate the bank's 20th anniversary, the Nigerian Postal Service issued a set of postage stamps. This was the first time in Nigeria that a corporate organization was honored in such a way.

In 2011, the bank became the biggest bank in Nigeria by market capitalisation. In 2013, the Bank issued a $400,000,000 Euro bond at a coupon rate of 6%; the least obtained by a Nigerian company in the international capital market. The Eurobond was issued under the USD 2,000,000 Global Medium Term Note Programme, which is registered under both Regulation in the United State of America and Rule 144A in the United Kingdom and sold to investors across Africa, America, Asia and Europe.

Guaranty Trust has come to be one of the leading banks in the Nigerian Financial Sector and was recently acclaimed a major player in the market when it attained the highest ever profit after tax. It recently acquired Fini Bank in Kenya in a deal thought to be around $100million and by so doing, extends its customer base to parts of Eastern and Central Africa. Guaranty Trust Bank is currently the largest bank listed on the Nigerian Stock Exchange.

The trend of performance of the bank is as shown in figures 2.22 to 2.24

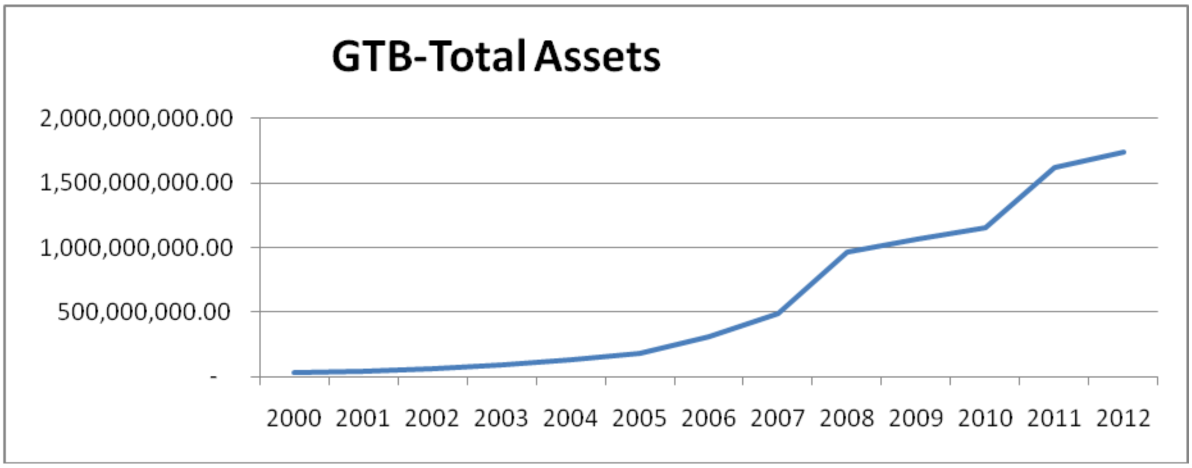

Figure 2.22: Total Assets of Guaranty Trust Bank

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

GTB is, arguably, one of the major players in the Nigerian financial sector, with an increasing asset base that has more than quintupled over the period. Like many other banks, it has experienced tremendous growth in its asset base over the period under review.

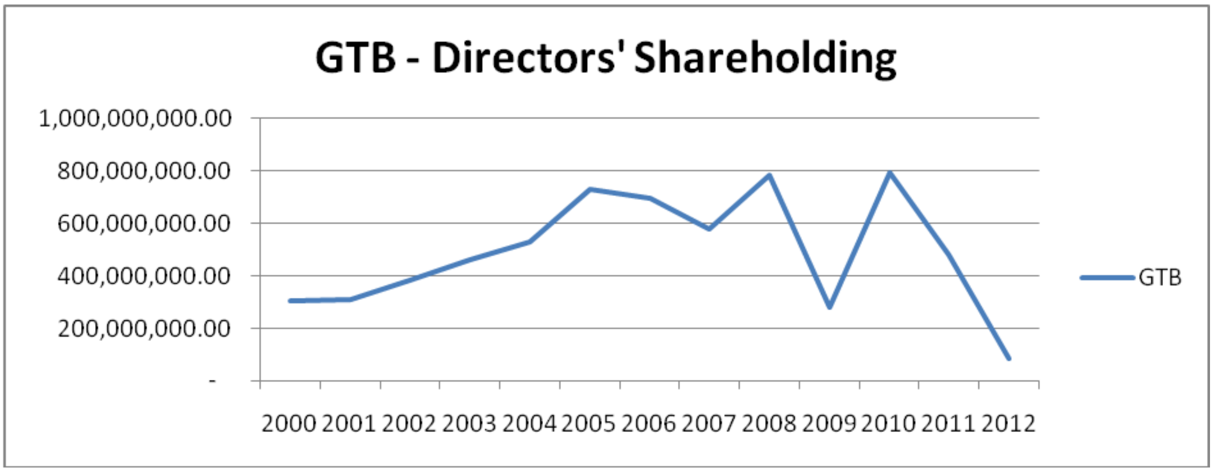

Figure 2.23: Director Shareholding - GTB

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Contrary to the popular trend among the banks, the Directors' shareholdings of GTB has been declining, albeit unsteadily. This is an indication of reduced control and ownership of the directors in the company.

The concentration ratio of GTB is also somewhat strong with the largest of shareholders controlling less than 50% of the shares of the bank.

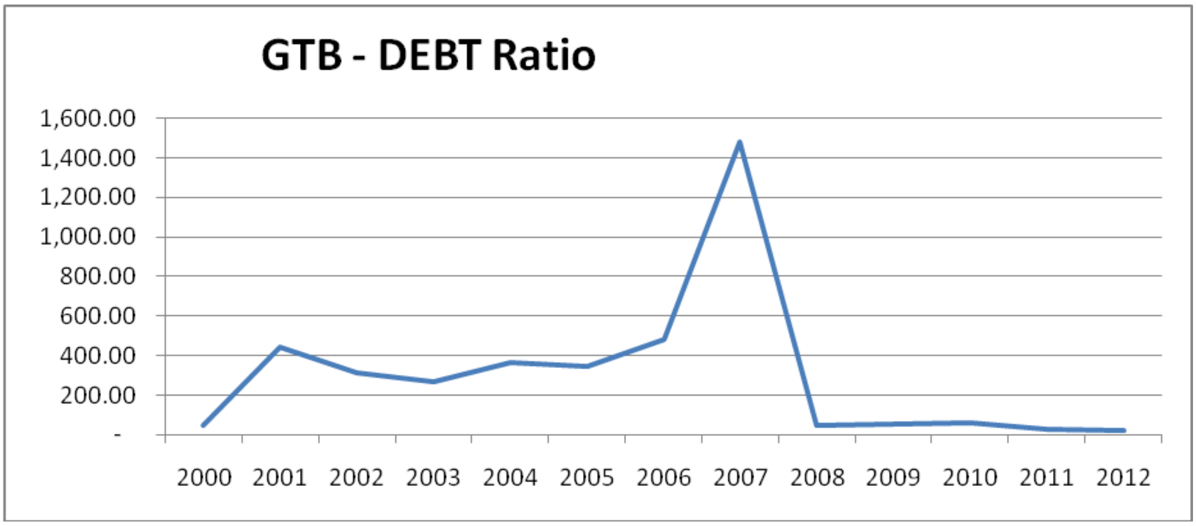

Figure 2.24: Debt Ratio - GTB

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

As with most of the other banks, in the period leading to the global financial crisis, the leverage of GTB increased significantly before declining in the aftermath of the crisis.

Intercontinental Bank Plc

The bank was established in 1989 under the name Nigerian Intercontinental Merchant Bank Limited. That same year, the first subsidiary, Intercontinental Securities Limited, was established. In 1996, the bank acquired controlling shareholding in Equity Bank of Nigeria, a commercial bank. Also in 1996, Intercontinental acquired majority shareholding in West African Provincial Company Plc (WAPIC), an insurance company. Intercontinental converted into a commercial bank in 1999. In 2002, the company listed its shares on the Nigerian Stock Exchange. In 2005, Intercontinental successfully merged with three (3) other commercial banks, in which it held equity positions prior to the merger, namely Equity Bank of Nigeria, Gateway Bank and Global Bank.

In 2009, a special audit of the commercial banks in Nigeria by the Central Bank of Nigeria, found nine of the banks to be under-capitalized and badly managed. Intercontinental Bank Plc was one of the troubled banks. Following the injection of capital by the Federal Government of Nigeria, to maintain solvency, the troubled banks have embarked on re-capitalisation through participation by new investors, yet to be made public.

In 2011, Access Bank began talks with the Central Bank of Nigeria to acquire Intercontinental Bank Plc Further to the approval of the shareholders of Intercontinental bank and Access Bank, court sanction of the Federal High Court of Nigeria and approval of the Central Bank of Nigeria and the Securities & Exchange Commission, Access Bank Plc ("Access") and Intercontinental Bank Plc ("Intercontinental Bank") announced the completion of the recapitalisation of Intercontinental Bank and the acquisition of 75% majority interest in Intercontinental Bank by Access Bank Plc In effect, Intercontinental Bank (including all its assets, liabilities and undertakings) became a subsidiary of Access Bank Plc

Skye Bank Plc

Skye Bank is a large financial services provider in West Africa and Central Africa. With headquarters in Nigeria, the bank maintains subsidiaries in Sierra Leone, the Gambia, the Republic of Guinea, Liberia, Angola and Equatorial Guinea. As of September 2010, the bank's total assets were valued in excess of US$3.9 billion (NGN: 611.5 billion), with shareholders' equity of approximately US$630 million (NGN: 98.4 billion)

The origin of Skye Bank dates back to 1989 when Prudent Bank Plc, was incorporated as a limited liability company. In 1990, the bank was issued a licence as merchant bank. That same year, it rebranded as Prudent Merchant Bank Limited. In 2006, Prudent Merchant Bank Limited merged with four other banks (EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited, and Co-operative Bank Plc) to form Skye Bank Plc

Stanbic IBTC Bank Plc

Stanbic IBTC Holdings is a member of Standard Bank Group. Standard Bank is Africa's largest financial institution ranked by assets. Standard Bank Group merged its Nigerian operations, Stanbic Bank Nigeria with that of IBTC Chartered Bank PLC in 2007 to create Stanbic IBTC Bank PLC The merger was executed by way of the first ever tender offer in Nigeria and a $525 million FDI, the largest in Nigerian financial history.

Stanbic IBTC Bank through its wholly owned stockbroking and asset management subsidiary, Stanbic IBTC Asset Management Limited has several excellent mutual funds including the Stanbic IBTC Nigerian Equity Fund, which is Nigeria's largest mutual fund. Stanbic IBTC Pension Managers Limited is a licensed Pension Fund Administrator (PFA) set up with the primary objective of delivering quality pension fund administration and management services to both private and public sector employees.

The corporate and investment banking offering includes global markets, project and structured finance, equities trading, corporate finance, global custody and numerous transactional and electronic banking solutions. As part of Africa's largest bank, we are able to give our clients access to expertise and on the ground presence across the globe - a vital service with the ever increasing global requirements of business.

Stanbic IBTC Bank continues to play a significant role in some of the largest capital markets deals not only in Nigeria but in the continent as well. Stanbic IBTC Bank was involved with Standard Bank London and Afrinvest as lead arrangers of the historic $350 million Eurobond issue for GT Bank. More recently, together with its parent company, Standard Bank, it put together a two billion dollars syndicated loan for MTN Nigeria. It has over 60 branches across the country and staff strength of over 1500.

Sterling Bank Plc

Sterling Bank Plc was originally incorporated in 1960 as Nigeria Acceptances Limited (NAL). The bank was licensed as Nigeria’s first merchant bank in 1969. Consequent to the indigenisation decree of 1972, the bank became fully government owned and was managed in partnership with Grindlays Bank Limited, Continental International Finance Company Illinois and American Express Bank Limited between 1974 and 1992. In 1992, the Bank was partly privatized and listed as a public company on the Nigeria Stock Exchange (NSE).

In January 2006, as part of the consolidation of the Nigerian banking industry, NAL Bank completed a merger with four other Nigerian Banks namely Magnum Trust Bank, NBM Bank, Trust Bank of Africa and Indo-Nigeria Merchant Bank (INMB) and adopted the Sterling Bank name. The merged entities were successfully integrated and have operated as a consolidated group ever since.

In line with the Central Bank of Nigeria’s repeal of universal banking, Sterling Bank now operates as a national commercial bank, disposing of holdings in subsidiaries and affiliate companies. In mid-2011, Sterling Bank Plc acquired the franchise of the erstwhile Equitorial Trust Bank. As at December 2012, Sterling Bank's total asset was valued at N707 billion [over US$4.61 billion].

Union Bank Plc

Union Bank is a large commercial bank, serving individuals, small and medium-sized companies, as well as large corporations and organizations. In July 2009, it was rated the 556th largest bank in the world and the 14th largest bank in Africa. As of June 2012, the bank's asset base was estimated at US$6.784 billion (NGN: 1.049 trillion). The shareholders' equity at that time was estimated at US$1.22 billion (NGN: 188.4 billion)

The bank was founded in 1917 as Colonial Bank. In 1925, Barclays Bank acquired Colonial Bank, changing the bank's name to Barclays Bank (Dominion, Colonial and Overseas) or Barclays Bank (DCO). In 1969, Barclays Bank DCO was incorporated in Nigeria, as Barclays Bank of Nigeria Limited, to comply with new banking laws enacted in 1968.

In 1971, the shares of the bank stock were listed on the Nigerian Stock Exchange. In the same year, 8.33% of the bank’s shares were offered to Nigerians. The following year, the Federal Government of Nigeria acquired 51.67% ownership of the bank, leaving Barclays Bank Plc of London with 40% ownership. In 1979, that 40% interest was sold to Nigerian individuals and businesses to comply with the recently enacted banking and investment laws. The bank later changed its name to Union Bank of Nigeria Plc, to reflect its new ownership structure.

In 1993, the Federal Government of Nigeria completely divested its ownership in the bank. Subsequently, Union Bank of Nigeria Plc acquired the former Universal Trust Bank Plc and Broad Bank Limited. It also absorbed its former subsidiary Union Merchant Bank Limited.

United Bank for Africa Plc (UBA)

United Bank for Africa Plc (UBA) as at present is the product of the merger of Nigeria's then third (3rd) and fifth (5th) largest banks, namely the old UBA and the erstwhile Standard Trust Bank Plc (STB) respectively, and a subsequent acquisition of the erstwhile Continental Trust Bank Limited (CTB). The union emerged as the first successful corporate combination in the history of Nigerian banking.

UBA's history dates back to 1948 when the British and French Bank Limited ("BFB") commenced business in Nigeria and the erstwhile STB and CTB both in 1990. Following

Nigeria's independence from Britain, UBA was incorporated in 1961 to take over the business of BFB.

UBA is a large financial services provider in Nigeria with subsidiaries in 20 sub-Saharan countries, with representative offices in France, the United Kingdom and the United States. Listed on the Nigerian Stock Exchange in 1970, UBA claims to be rapidly evolving into a pan-African full service financial institution. The Group adopted the holding company model in July 2011.As of December 2011, the valuation of UBA Group's total assets was approximately US$12.3 billion (NGN: 1.94 trillion), with shareholders' equity of about US$1.07 billion (NGN: 170 billion).

The trend of performance of the bank is as shown in figures 2.25 to 2.28

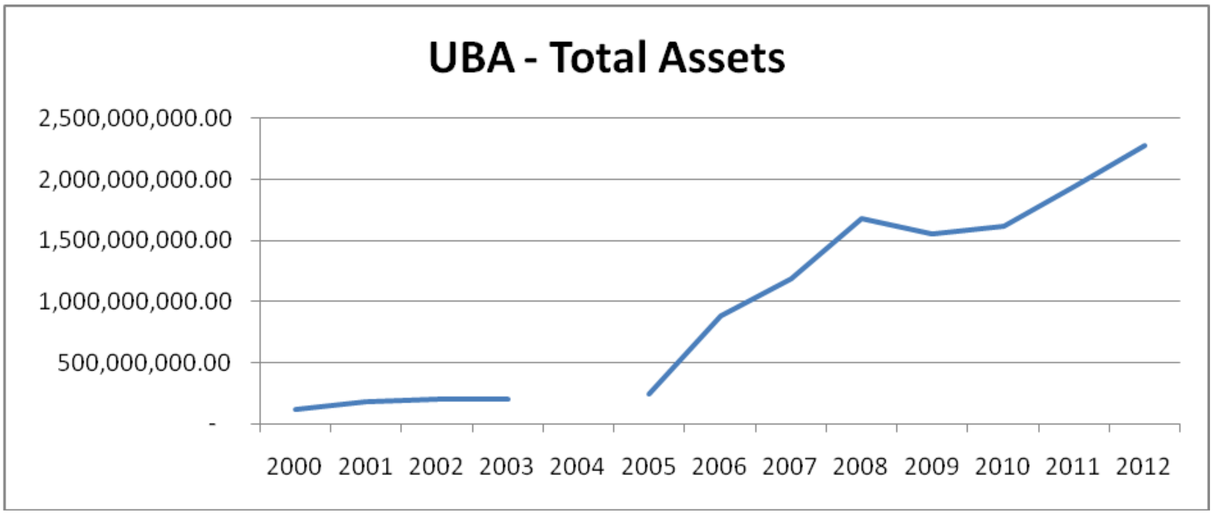

Figure 2.25: Total Assets of UBA

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The total assets of UBA rose significantly from 2005 till 2012. Despite being acquired around 2005, it still retained its name due to its high goodwill but it, however, lost its logo.

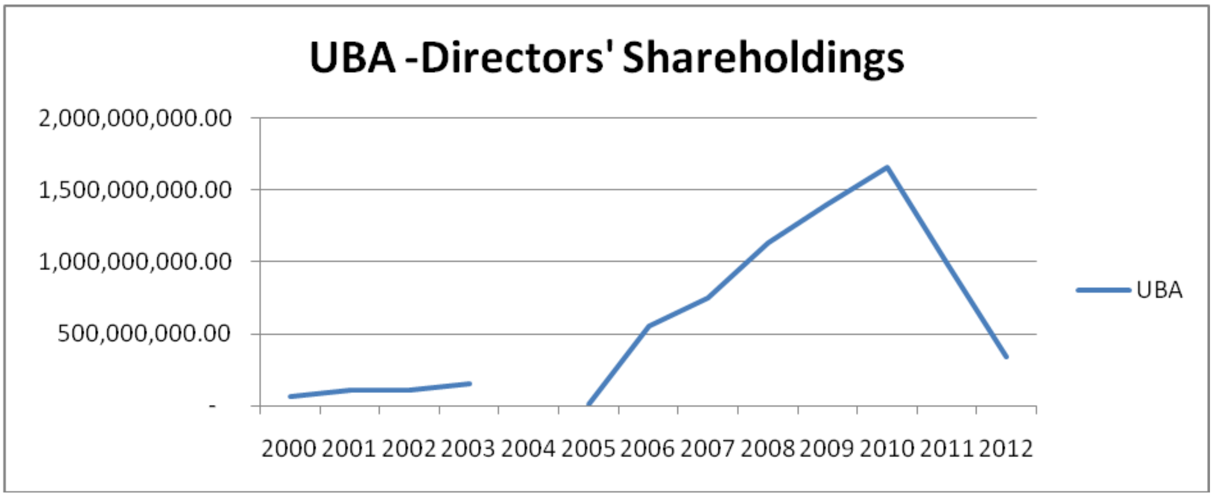

Figure 2.26: Director Shareholding - UBA

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The directors' shareholdings of UBA showed significant upward trend up until 2010 before it declined significantly, indicating a major sell-off of shares among the directors. This may in part be attributed to the aftermath of the global financial crises. The break between 2003 and 2005 may have occurred owing to merger between the defunct Standard Trust Bank (STB) and UBA.

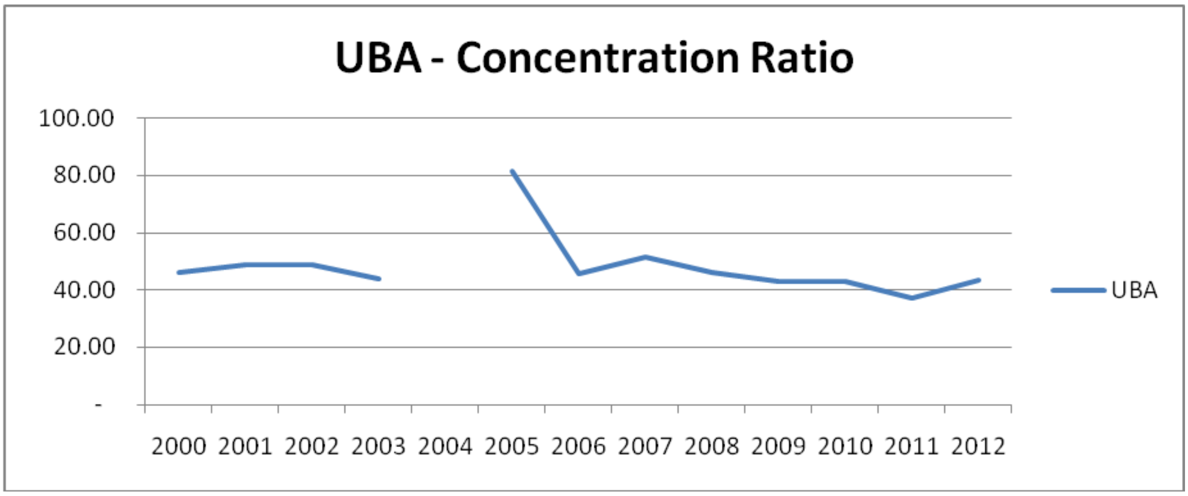

Figure 2.27: Concentration Ratio - UBA

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Despite going significantly high in 2005, the concentration ratio of UBA hovered around 40% to 50% for most parts of the period indicating that the largest shareholders control roughly less than 50% of the bank, hence, improving the chances of effective corporate governance.

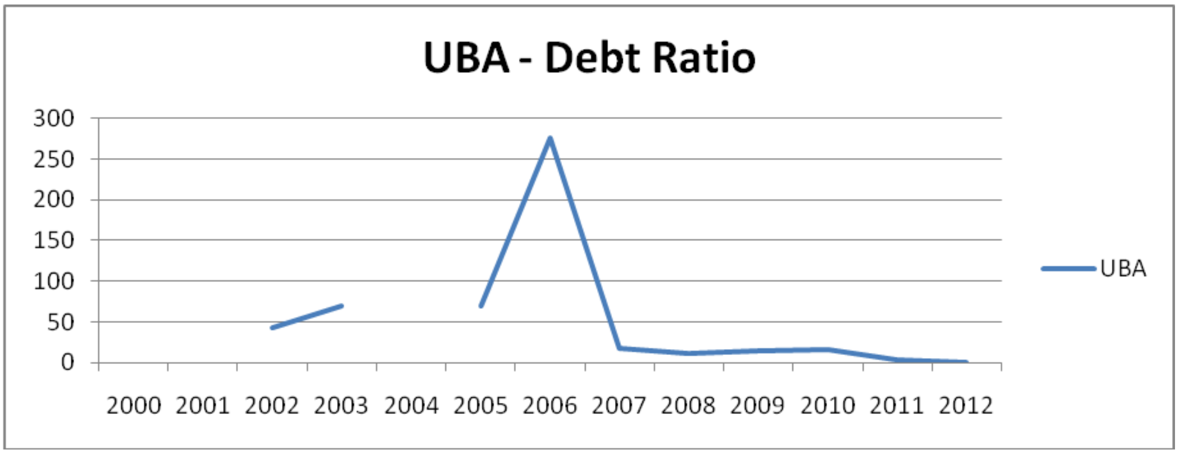

Figure 2.28: Debt Ratio - UBA

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The debt profile of UBA has displayed the trend common among most of the banks. The leverage position peaked between 2005 and 2006 before declining in the later parts of the decade.

Wema Bank Plc

The bank was established on 2nd May, 1945, as a private limited liability company. It was granted a commercial banking licensce and commenced banking activities during the same year. Wema Bank converted to a public limited liability company in 1987. In 1990, the bank was listed on the Nigerian Stock Exchange. It trades under the symbol: WEMABANK.

It has been in the banking business continuously for about 67 years. As at 2012 and it is the oldest indigenous incorporated commercial bank in Nigeria. As at today, the bank operates as a regional bank.

Zenith Bank Plc

Zenith Bank is one of Nigeria's largest banks by market capitalisation, shareholders fund and profitability. The bank currently has a shareholder base of about one million and is the biggest tier-1 bank in Nigeria.

Established in May 1990, it became a public limited company on June 17, 2004 and was listed on the Nigeria Stock Exchange on October 21, 2004. The bank's shares are traded on the London Stock Exchange (LSE) following a listing of the $850 million worth of its shares at $6.80 each.

With its headquarters in Lagos, Nigeria, Zenith Bank has over 500 branches and business offices spread across all states of the Federation and the Federal Capital Territory (FCT), Abuja. Zenith Bank has presence in the United Kingdom, Ghana, Sierra Leone and The Gambia. The Bank also has representative offices in South Africa and China and plans are afoot to take the Zenith franchise to other Sub-African regions as well as the European and Asian markets while consolidating our position as a leading financial service provider in Nigeria and locations where we currently operate.

TOTAL ASSETS

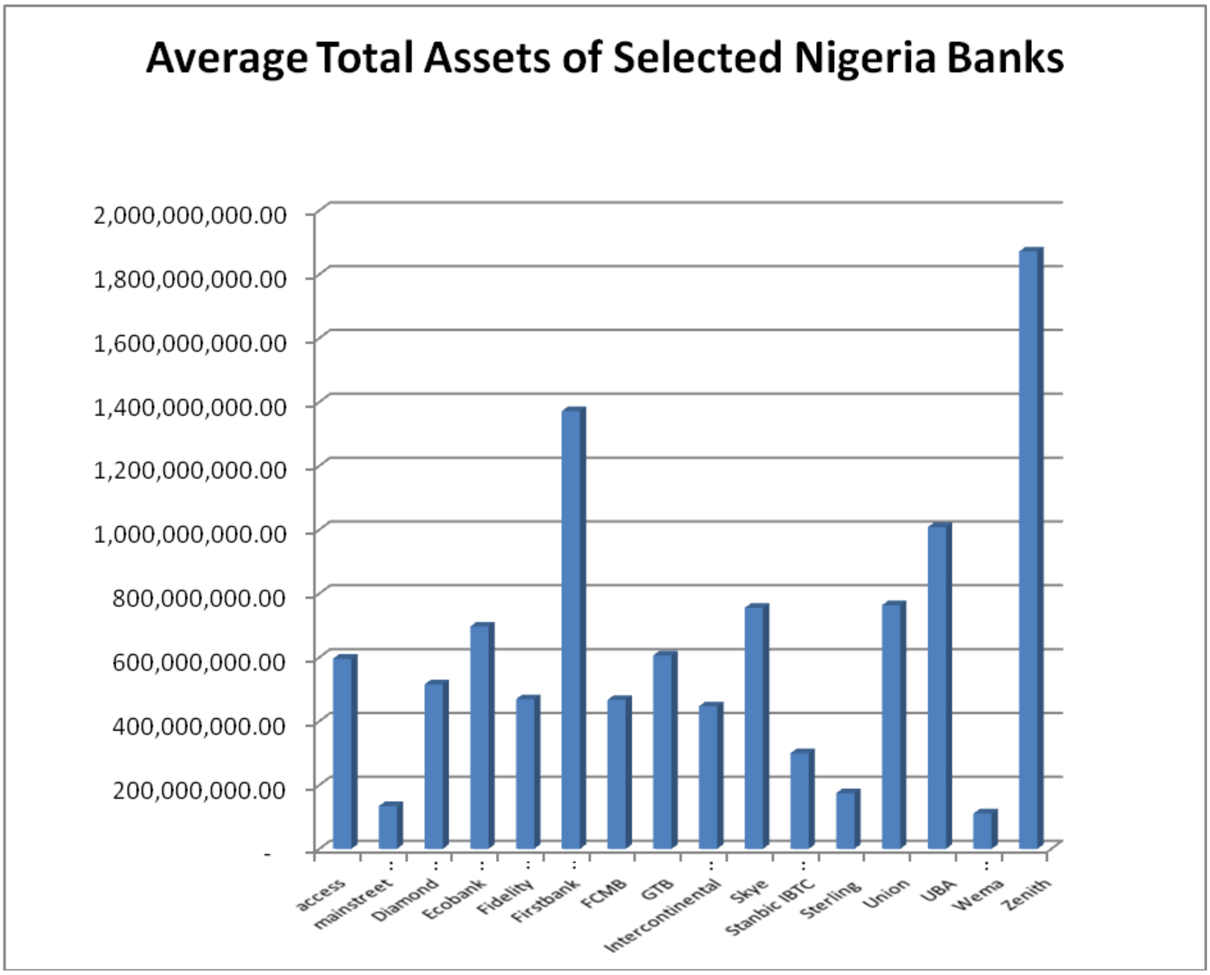

Figure 2.29: Average Total Assets

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

From the figure above, it can be deduced that, on the average, Zenith Bank is the largest bank throughout the reviewed period. First Bank, UBA, GTB, Ecobank and Access Bank and Skye Bank complete the front runners. On the other end of the log, Mainstreet, Sterling and Wema Banks make up the bottom three.

DIRECTORS' SHAREHOLDINGS

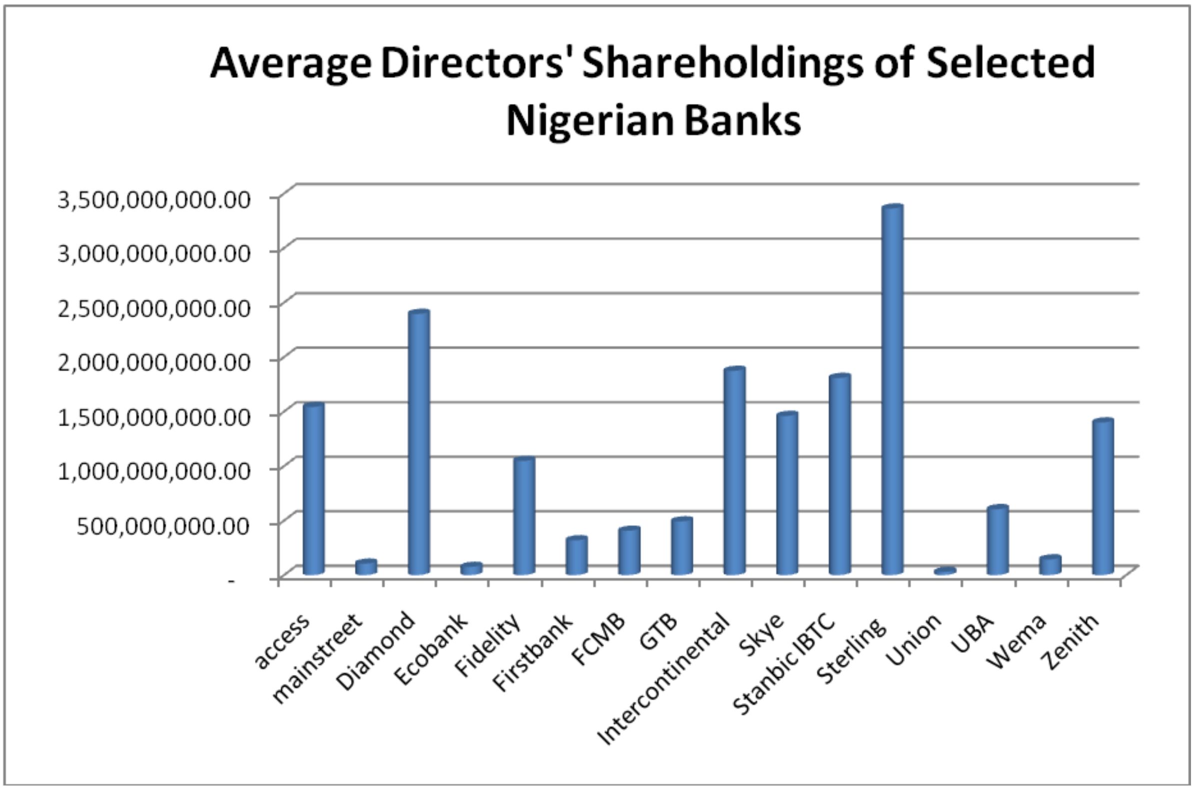

Figure 2.30: Average Directors' Shareholdings

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

Sterling Bank displays the highest average number of director shareholdings, followed by Diamond Bank and the now defunct Intercontinental Bank. These banks appear to have the highest corporate governance risk, based on this metrics, and this was evidenced when Intercontinental Bank could not prevent a take-over bid from Access Bank. The banks which appear to have the lowest risk of corporate governance failure are Union Bank, Ecobank and Mainstreet Bank.

CONCENTRATION RATIO

Concentration ratio measures the proportion of total shares held by the largest shareholders. The Figure below shows the average concentration ratio across the 12 year period for the 16 banks. Information on Fidelity and Intercontinental bank was unavailable.

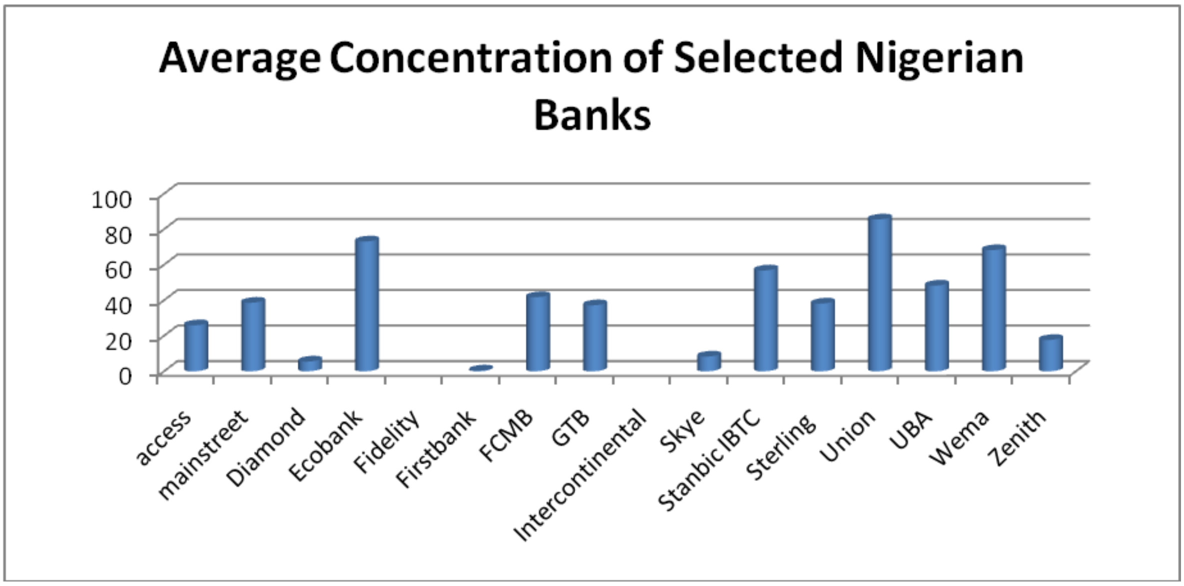

Figure 2.31: Average Concentration Ratio

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

The figure above shows that the highest level of concentration ratio existed in Union Bank, Ecobank and Wema Bank while Diamond Bank, Skye Bank and First Bank showed the lowest levels of concentration. Based on this metric, we can deduce that Union, Eco and Wema banks respectively exhibit the highest characteristics of economy of affection. On the other hand, Diamond, Skye and First banks have the low concentration. The implication of this information is that banks with concentration ratio in excess of 50% have control tied up in the hands of a few shareholders and this can hurt bank performance negatively through poor corporate governance.

BOARD SIZE

The board size of banks hovered around 15 board members with UBA having the largest board of an average of about 20 people. Also, proportion of outsiders on the board was highest in Ecobank and Wema Bank, while it was lowest in Access bank and Skye bank. All these data are presented in the figures below.

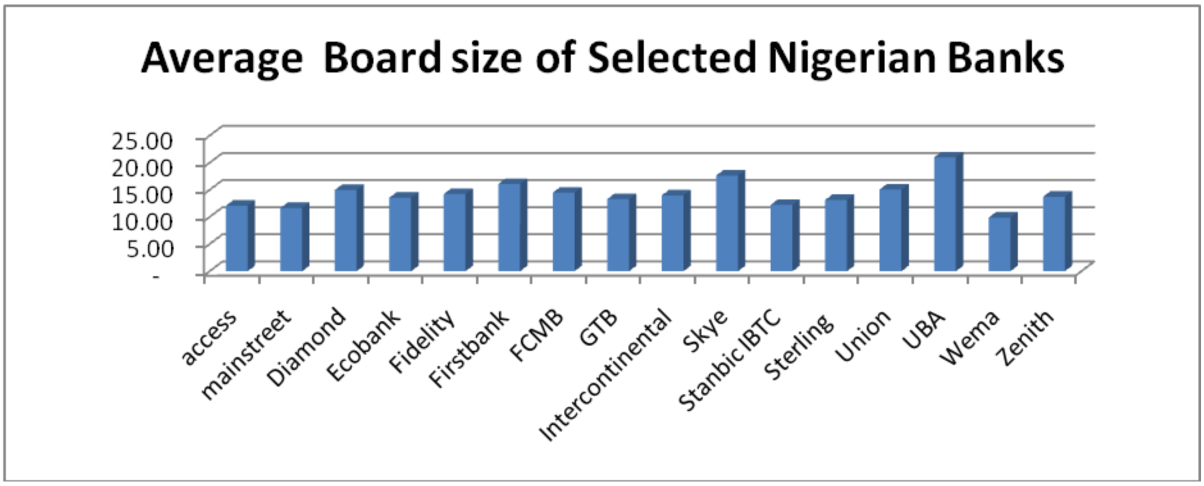

Figure 2.32: Average Board Size

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

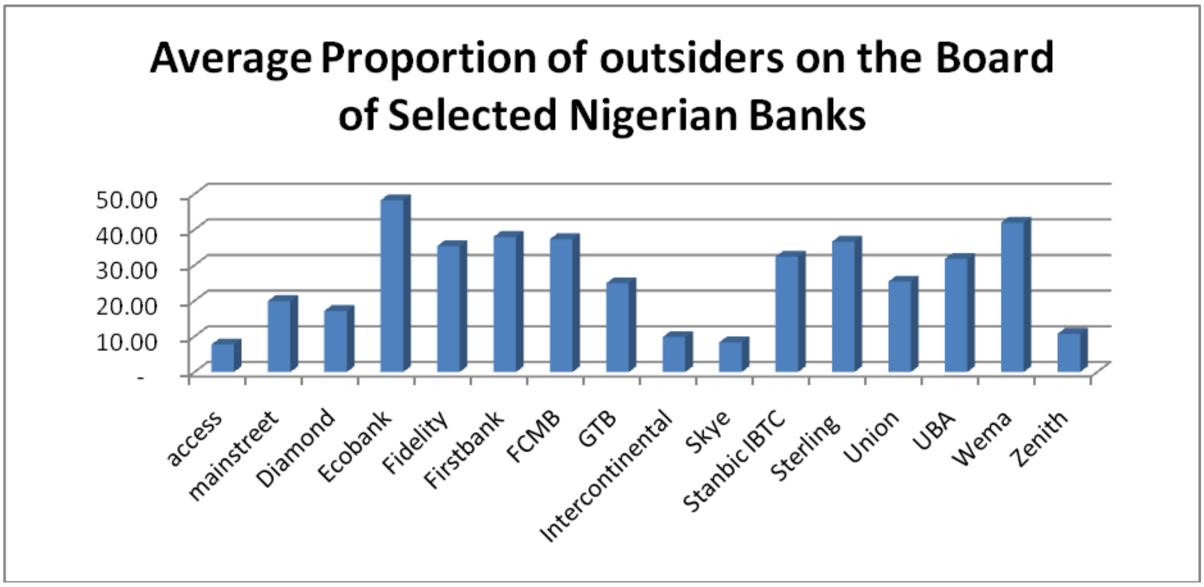

Figure 2.33: Average Proportion of Outsiders on Board

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

2.2.16 Performance Measures

Figures 2.34 to 2.37 below indicate the average performance of each bank during the time period as measured by the Return on Equity (ROE), Return on Assets (ROA) Net Interest Margin (NIM) and Tobin's Q (Q). Stanbic IBTC and GTB were the best performing banks in terms of ROA while Union bank had the worst performance as it had a negative average ROA. Ecobank performed the lowest in terms of ROE while GTB was still the highest performing bank. Similarly, Ecobank had the lowest Tobin's Q while Stanbic IBTC had the highest. The performance of the other banks were fairly similar ranging from 1% to just under 2.5% for ROA, 5% to 15% for ROE and a Tobin's Q hovering around 200. First Bank Plc takes the lead, closely followed by Intercontinental and Zenith Banks respectively in terms of Average Net Income Margin (NIM), with Sterling Bank in the least position.

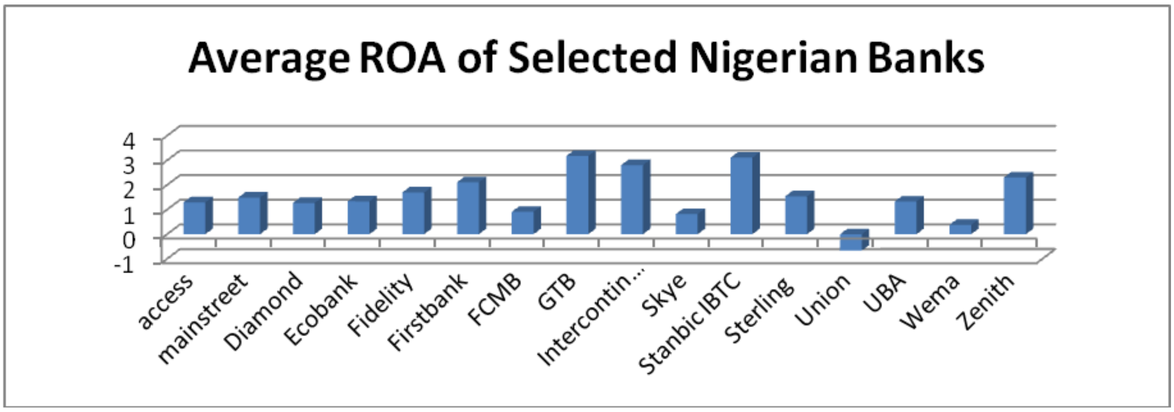

Figure 2.34: Average ROA

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

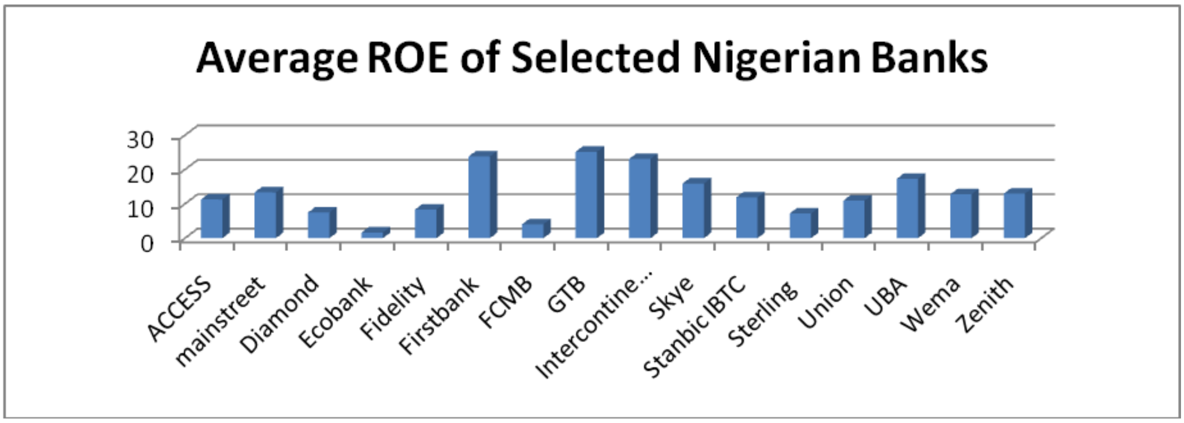

Figure 2.35: Average ROE

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

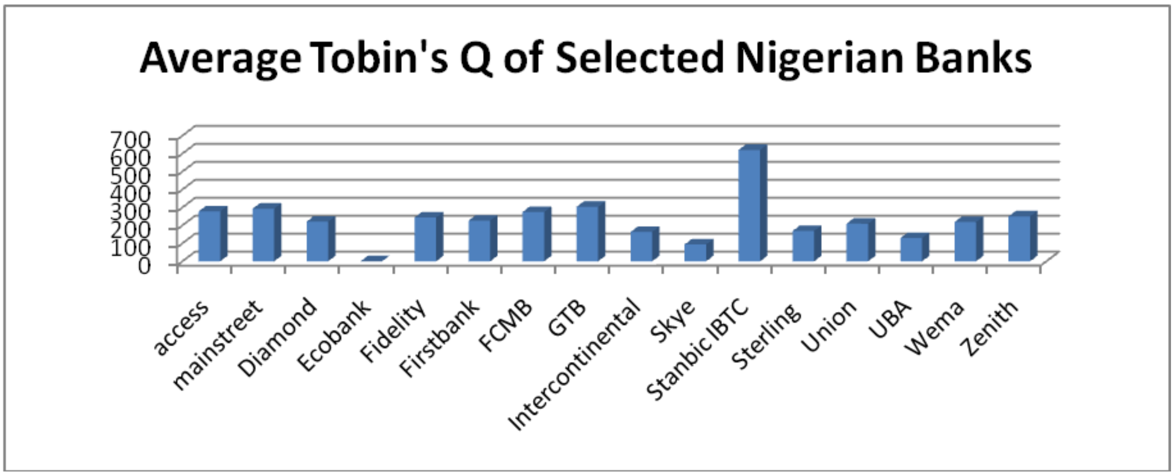

Figure 2.36: Average Tobin's Q

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

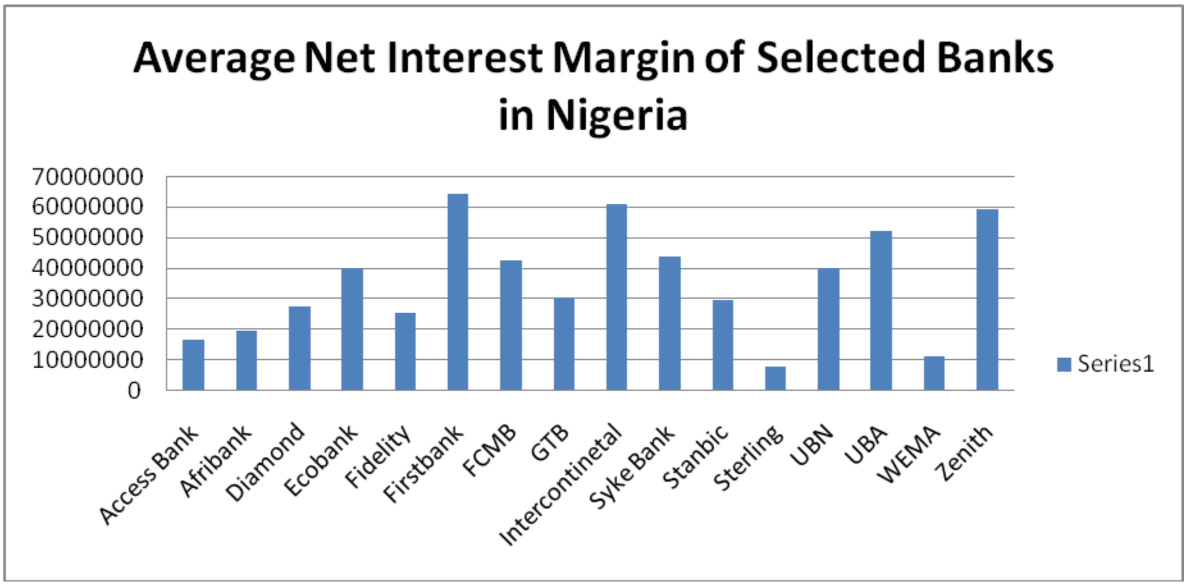

Figure 2.37: Average Net Interest Margin

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

2.3 Empirical Literature

2.3.1 Review of Empirical Literature on Corporate Governance Variables

This section undertakes a review of studies that have been conducted on both single dimensions of corporate governance measures as well as on composite corporate governance mechanisms. Given below are some of these mechanisms, along with the direction of their impacts on firm performance.

2.3.1.1 Board size

While certain existing literature advocates for a small board size, another believes in the large type. Two reasons have been advanced as causing expression of preference for small rather than a large board size. Firstly, large boardrooms have been argued, as tending to slow down decision making process, and hence can be an obstacle to change. Secondly, is that directors rarely criticise the policies of top managers and that this problem tends to increase with the number of directors (Yermack, 1996; Lipton and Lorsch, 1992). Many empirical studies have been conducted to either validate or refute the claim. While some empirical evidence support the smallness of the board size (Jensen & Meckling, 1976; Lipton & Lorsch, 1992; Jensen, 1993; Yermack, 1996; Eisenberg, Sundgren and Wells, 1998; Mishra, Randoy and Jenssen, 2001; Singh & Davidson, 2003; Hermalin & Weisbach, 2003; Mak & Kusnadi, 2004; Kyereboah-Coleman and Biekpe, 2006; Sanda *et al*., 2005; Moustafa, 2006; De Andres, Azofra and Lopes, 2005; Adelegan, 2007; Cheng, 2008; Chang & Duta, 2012), on the one hand; some other researchers have been able to establish a positive connection between the two, on the other hand. These groups of researchers include (Bacon, 1973; Druckeriv, 2002; Dalton, Daily, Johnson and Ellstrand, 1999; Kiel & Nicholson, 2003; Adams & Mehran, 2003; Anderson, Mansi and Reeb, 2004; Magbagbeola, 2005; and Chidambaran *et al*., 2007; Coles, Daniels and Naveen, 2008; Belkhir, 2009; Arslan, Karan and Eksi, 2010; Chang & Duta, 2012). Some other researchers, like Magbagbeola, (2005) have been able to establish a positive connection between the two, on the other hand. According to Walker (2009), research by Deloitte indicates that the median size of UK-listed banks is 15 or 16 but the ideal size is 10-12 members.

2.3.1.2 Block holdings/Ownership Concentration

Block holding refers to the proportion of a firm's shares owned by a given number of the largest shareholders. Teriba *et al*. (1977) submits that a satisfactory measure of ownership structure as a means of indicating control structure must reflect the distribution of both shareholding and shareholders. According to Sanda *et al*. (2005), a high concentration of shares tends to create more pressure on managers to behave in ways that are value-maximising. Conflicting views however suggest that concentrated ownership allows undue influence over management to secure benefits that are detrimental to minority stakeholders (Shleifer and Vishiny, 1997; and Teriba *et al*., 1977). Gorton and Schmid (1996), Shleifer and Vishny (1997), Morck *et al*. (1988), and Wruck (1989) have associated high ownership concentration with an increase in firm value, but that beyond a certain level of concentration, the relationship might be negative. Also, Sakai and Asaoka (2003), Sanda *et al*. (2005), Moustafa (2006) and Cremers and Nair (2003) also document that an increase in the ratio of blockholders' shareholding improves firm performance. Other studies such as Agrawal and Knoeber (1996), Holderness and Sheehan (1988) Renneboog (2000), Ashbaugh-Skaife and Collins (2005) and Demsetz and Lehn (1985) confirm a contrary result.

2.3.1.3 Directors'/ Insider Shareholding

The relationship between director/insider shareholding and firm performance has been tested in several studies by different researchers but with conflicting empirical outcomes. Such researchers include De Angelo and De Angelo, (1985); McConnell and Servaes (1990); Loderer and Martin (1997); Nor *et al*. (1999); Yeboah-Duah, (1993). In particular, McConnell and Servaes (1990) find a significant curvilinear relationship between insider ownership and firm performance. While Loderer and Martin (1997) find no significant relationship, Nor *et al*. (1999) reported a non-linear relationship, drawing conclusions contrary to those of Yeboah-Duah (1993). Study by Chou (2015) reveals a diverse relationship of insider ownership and firm performance among industrial settings. For companies in a high-complexity and large scale setting, high insider ownership exerts a negative effect on firm performance while for companies in a low-complexity and small-scale setting, a high insider ownership exerts a positive effect on firm performance.

2.3.1.4 Composition of Board Members

Research findings posit that the extent of agency problem depends on the number of outside directors sitting on the board. According to Sanda *et al*. (2005), the reason for this lies behind the fact that outside directors, unlike inside directors is better able to challenge the CEOs. Thus, a positive relationship is hypothesized between the number of outside directors and firm performance. The number however varies from country to country. In the United Kingdom, a minimum of three outside directors is required on the board; in the US, the regulation requires that they constitute, at least, two-thirds of the board (Bhagat and Black, 2001). Divergent opinions still exist in the literature as regard its impact on firm performance. For instance, studies by Weisbach (1988), Mehran (1995) and Pinteris (2002), have produced evidence in support of a positive role of outside directors on firm performance. John and Senbet, (1998), in a survey of corporate governance reported that the work of (Fosberg, 1989) was in support of this positive role. Other works have reported no evidence of a significant relationship between firm performance and the proportion of outside directors on the board (Bhagat and Black, 1999) ; (Hermalin and Weisbach, 1991); (Yermack, 1996); and (Metrick and Ishii, 2002). In fact Weir and Laing (2001) reported a negative relationship.

2.3.1.5 Corporate Reporting

Corporate reporting is an important mechanism of corporate governance that represents board accountability. Deegan (2004) and Rezaee (2009), argue that the board of directors is accountable to shareholders and other stakeholders who are affected by the activities of the firm. According to Zairi & Letza (1994), the purpose of corporate reporting is disclosure of information useful to those stakeholders who have an active interest in the organization. Furthermore, Gary, Owen & Maunders (1991), state that it provides society-at-large with information about the extent to which the organization has met the responsibilities imposed upon it. An accountability model explained by Gary, Owen and Adams (1996) states that accountability involves responsibility to undertake certain actions and responsibility to provide an account of those actions, so that reporting is assumed to be responsibility-driven rather than demand-driven.

Eccles (2004) opines that corporate reporting includes financial reporting and information beyond what regulations require companies to provide to their shareholders and other stakeholders. Ghazali (2008), states that it comprises mandatory reporting required by regulations such as the Companies Act, accounting standards and stock exchange listing requirements and voluntary disclosures, which vary in the level of disclosure. According to Bushman & Smith (2001), financial accounting information is considered to reduce the risk premium demanded by investors to compensate for the risk of losses due to the opportunistic behaviour of managers.

Essentially, financial reporting disclosures are information instrument relied upon by the shareholders of a company to make their economic decisions about the business enterprise. UNCTAD (2011) affirms that disclosure is important because reporting is widely viewed as the most effective tool that regulators have to encourage better corporate governance. Reporting puts information in the hands of the market. And markets and investors make investment decisions based on this information. The markets function best when they have access to sufficient information to properly assess governance. Good information helps the markets ascertain the degree to which companies respond to shareholders' needs; it reveals risks, and shows the quality of future cash flows. Board of directors, corporate management and external auditor may have an influence on financial reporting disclosures. According to Habib and Jiang (2015), managers have incentives to mislead shareholders by providing financial information which does not portray the true underlying performance of the business.

A considerable number of studies have investigated the association between corporate characteristics and disclosure levels in annual reports and found that large firms tend to disclose more information as they are more prone to public scrutiny (Firth 1979; Huafang & Jianguo 2007).

2.3.1.6 Debt Structure

Debt is another important measure used in mitigating agency problem. Thus, debt owed to large creditors is expected to improve firm performance, since large creditors, like large stakeholders, also have interest in seeing that managers take performance-improving measures (Sanda *et al*., 2005). Many empirical studies seem to support this position. For instance, Sakai and Asaoka (2003) in a panel data of over 400 Japanese firms find that higher debt-asset ratio improves firm performance. This is consistent with Sanda *et al*. (2005) in the case of Nigeria. Agrawal and Knoeber (1996) have however shown that the effect of leverage on firm performance can be technique-dependent. They find higher debt financing to be negatively related to firm performance in a single mechanism OLS regression, but this effect disappears in simultaneous equation estimation.

2.3.2 Summary of Some Selected Literature on the Relationship between Corporate Governance (CG) and Financial Performance

A huge body of empirical studies on corporate governance has emerged in the past, addressing its connection with firm financial performance in both developed and developing countries. The recent incidence of global financial-economic crises has further renewed interests in corporate governance. Despite the plethora of the literature on corporate governance and firm financial performance, very little attention seems to have has been given to how corporate governance affects the performance of banks. Thus, this section will first attempt to present a summary table of some selected literature on corporate governance and firm financial performance before delving into the strand of literature that crafts a role for corporate governance and bank performance.

Table 2.10: Summary of selected literature on the relationship between corporate governance (CG) and financial performance

	Author(s)	**Sample and Period**	**Dependent Variable**	**Independent Variable**	**Statistical Methods**	**Main Results**
1	Demsetz and Lehn (1985)	511 firms from major sectors of the U.S. economy for the period 1980-81	Accounting profit rate	Ownership structure	OLS	Insignificant relationship between ownership structure and profit
2	Agrawal and Knoeber (1996)	383 US firms for 1980-1987	Tobin's Q (T.Q)	• Insider shareholding • Institutional shareholding • Blockholding • Board independence • CEO status • Leverage • Acquisition probability • Firm size	2SLS and OLS	Greaterinsider ownership positively related to performance, while more outsiders, debt financing and greater corporate activity were negatively related to performance.
3	Black (2001)	16 major Russian firms in 1999	Value ratio	Corporate governance rankings on 0 to 60 scale	OLS	Better governance induces better value ratio

4	Klapper and Love (2002)	374 firms from 14 emerging markets	T.Q and Return on assets (ROA)	Computed corporate governance index (Gov) from 57 qualitative, binary (Yes/No) questions	OLS	Good governance is positively correlated with market valuation& operating performance especially in countries with weaker legal systems
5	Cremers and Nair (2003)	A sample of US firms for the period 1990-2001	TQ, ROA, Return on equity (ROE) & Net profit margin	• Blockholding • Institutional shares • Anti-takeover provisions • Leverage • Size	Correlation, WLS and OLS	External and internal governance mechanisms are strong complements in being associated with long term abnormal returns and accounting measures of profitability
6	Gompers *et al*. (2003)	1500 large US firms for 1990-1998	Book to market value (BM), Firm size, share price, T.Q. dividend yield	Governance index (G) which is the sum of one point for the existence of 24 unique provisions that restrict shareholders' rights	Correlation, OLS and Median Regression techniques	Firms with stronger shareholder rights had higher firm value, profit, sales growth, lower capital expenditure and made fewer corporate acquisitions
7	Sakai and Asaoka (2003)	468 Japanese firms for the fiscal 1979-2001	Productivity growth	• Firms mkt share • Blockholding • Leverage	OLS	Blockholding and Leverage positively influence productivity growth
8	Brown and Caylor (2004)	2327 U.S. firms using Institutional Shareholders Service (ISS) data as of Feb.1,2005	Return on Equity(ROE) Net profit margin Tobin's Q(TQ) Dividend yield Stock	A summary metric (Gov-score) computed from 51 corporate governance factors	Correlation and T-test	Firms with better governance have higher performance

			repurchase			
9	Chen *et al.*, (2004)	1,681 US firms for 1991-2002	Expected stock returns	A governance index (G-index) computed for 24 unique provision for each firm	OLS and correlation	Firms with better governance have lower expected returns.
10	Fich and Shivdasan; (2006)	774 US firms from 1997 to 1999	Asset turnover, Rate of sales growth, ROA	Elements of board characteristics and governance structure	Wilconxon Probit OLS Fixed effect	Firms with outside directors options plans have significantly hgher market to book ratios and profitability metrics
11	Kyereboah-Coleman and Biekpe (2006),	16 listed non-financial firms on Ghana Stock Exchange for the period 1999-2001	• TQ • ROA • Sales growth	• Board size • Board composition • Chair-CEO duality	OLS	Board size is positively related to TQ and ROA but negatively related to sales growth while the effects of Chair-CEO duality and board composition are insignificant on performance
12	Ashbaugh-Skaife and Collins (2004)	2000 U.S companies for the 2002 fiscal year	Credit rating	• Elements of: • Ownership structure&influence • Financial stakeholder rights and relations • Financial transparency • Board structure and processes • Firm characteristics	Ordered Logit regression and OLS	Firm credit ratings are negatively related to CEO power, blockholding, but positive with weaker shareholders rights, overall board independence, board stock ownership&expertise
13	Core *et al.* 2005)	9917 firm-years data for US firms for the 1990s	ROA	Governance index (G) which is the sum of one point for the existence of 24 unique provisions that restrict shareholders' rights	Correlation and OLS	Firms with weak shareholders rights exhibits significant operating underperformance
14	Johnson *et al.*, (2005)	1500 large US firms for 1990-1998	T.Q and Long term abnormal returns	Governance index (G) which is the sum of one point for the existence of 24 unique provisions	OLS	No significant long-term abnormal returns based on governance for

				that restrict shareholders' rights		the 1990s but good governance is valued by investors
15	Lee *et al.* (2005)	1855 US companies for the period 1992-2003 excluding utility and financial services firms	T.Q and ROA	• Mgt pay dispersion • Managerial equity ownership • Institutional investors • Non-exco directors • CEO-Duality • Board size	Correlation, T-test, OLS, 3SLS and SUR.	Pay dispersion of top management and board independence aid firms valuation, especially for firms with high agency costs related to managerial discretion
16	Moustafa (2006).	85 Egyptian non-financial firms in 2003 and 2004	ROA, TQ, MB	• Board size • CEO duality • Large shareholding • Firm size, and • Leverage	Stepwise regression	Large shareholding has positive effects while CEO duality and large board size have inverse relationship with performance
17	Bauer *et al*., (2004)	4950 to 5260 US firms in 2003-2005	• Tobin's Q(TQ) • Return on equity(ROE) • Return on asset(ROA) • Log of size • Leverage • Book-to-market (BM)value	Corporate governance quotient index computed from 61 different issues	Correlation and Median (Least Squares Deviation) regression model	Well-structured corporate governance leads to better operating performance and valuation. But not with already regulated industries
18	Chidambaran *et al.* (2007)	6000 US firms for the period 1992-2002	• Stock Returns • ROA • Accounting profit	• Board size • No. of outsiders • Freq. of meeting • Stock options • Institutional shares • Insider shares	• T-test • Wilconx on rank-sum • OLS • Chi-square	Firms with good governance do not have better performance than firms with bad governance changes
19	Adenikinju and Ayorinde (2001)	Non-financial Nigerian Listed firms	ROA and TQ	Measures of Ownership and insider concentrations	OLS	Ownership structure is not a major determinant of firms performance in Nigeria
20	Adenikinju (2005)	60 non-financial Nigerian firms (1993-2002)	ROA, TQ, Price of Equity	• Managerial characteristics • Board size&Composition • No.of Meeting/yr	Correlation, fixed effect& random effect	CEO compensation& institutional shares have positive effects

				• Concn. Index • Ownership mix • Company size • Leverage		on firm performance while concentration ratio is negatively related
21	Magbagbeola (2005)	66 Nig. Banks from 1999-2004	ROA, ROE	• Board size • Outside directors • Exco. Tenure& succession	Panel regression	An inverse relationship between board size&bank financial performance, 10-man board&5-year term of CEO recommended
22	Sanda *et al*., 2005).	A sample of 93 firms quoted on the NSE (1996-1999)	P-E-ratio, ROA, ROE, TQ	• Directors' shareholding • Board size • Outsiders on board • Ownership concn • Leverage • Firm size • CEO status	OLS	Separating the posts of CEOs&Chair, Leverage, Foreign CEO and 10-man board aid performance, but outside director is insignificant
23	Adelegan (2007)	All companies listed on the 1st &2nd tiers securities mkt that made changes in their board composition during 1997-2005	Abnormal securities returns	• Type of board change	Test of means	Board changes have information content which is reflected in share price behaviour and this is proportional to the type of change of board of directors.
	Muhammed Fatimoh (2012)	Nine banks over a period (2001-2010)	Return on Assets(ROA)	• Asset quality measured by ratio of non-performing loans to credit • Loan Deposit ratio	Panel Data Analysis	Poor asset quality (defined as the ratio of non-performing loan to credit) and loan deposit ratios negatively affect financial performance and vice visa.

***Source**: Compiled by the Author, based on a Review of the Literature*

2.3.3 Review of Empirical Studies on Corporate Governance and Bank Performance

This section undertakes concise but critical reviews of the impact of corporate governance on banking sector performance, both in the developed and developing countries.

Barako and Tower (2007) investigate the association between ownership structure and bank performance in Kenya. Their empirical analysis included all financial institutions operating in Kenya and ran a multivariate regression with variables, such as ownership, bank size and ROA. The results provided a strong support that ownership structure influences bank performance. Specifically, board ownership is significantly and negatively associated with performance, institutional shareholdings have no significant influence on performance and foreign ownership has a significant and positive impact on bank's performance.

Delfino (2007) examines the impact of control changes (due to privatization, foreign acquisition and mergers and acquisitions) on efficiency and productivity in Argentina's banking sector. Specifically, the study used panel data for the period 1993 – 2000 in order to construct the regression model and came to the conclusion that state – owned banks were less efficient than private ones, bank privatisation provided only short – term efficiency gains, foreign acquisitions led to stronger productivity performance of acquired banks, although it did not affect efficiency, and finally, mergers and acquisitions had a negative impact on bank's performance.

Grobi and Levratto (2008) examine, at a theoretical level, the impact of private ownership on bank performance in Bulgaria and Hungary, taking into account, also, principles of corporate governance. The result shows that in both transition countries, private ownership plays a crucial role, especially if it is combined with principles of good corporate governance, which depend on accepted social norms derived from cultural value orientations, such as rule of law and accountability. Their study which concentrates on Bulgaria and Hungary, exposes differences in their value orientations. Their study concludes that Bulgaria hindered the privatization process of banks as a result of corruption, absence of law and maximisation of owners' interest while Hungary, based more on Western system, supported the creation of private banks.

Love and Rachinsky (2008) in their paper investigate the connection between ownership, corporate governance and operating performance in the banking sector for the period 2003 –

2006. Their sample consists of 107 Russian banks and 50 Ukrainian banks. Regression results showed some significant but economically unimportant relationship between corporate governance and operating performance.

Tandelilin *et al*. (2007), examine the correlation among corporate governance, risk management and bank performance using a sample of 51 Indonesian banks for the period 1999 – 2004. For the empirical study they used a Triangle Gap Model with primary data analysis and secondary data analysis. This study revealed that bank ownership affects both the relationship of corporate governance and bank performance and corporate governance and risk management. It is worth mentioning that the model used in this study found no linear effect of corporate governance on bank performance.

Sinha (2008), examines 40 Indian Commercial banks, both public and private using a Radial DEA model for the period 2000–2001 to 2005–2006 comparing two variables: Total Assets and Off Balance Sheet exposures in order to compare their performance. The results were that for the period 2000 – 2001, public banks outperformed the private ones, while for the period 2005 – 2006, private banks outperformed the public ones. The main disadvantage of this research is that it did not use any qualitative factors.

Hossain (2007) reveals the level and extent of the corporate governance disclosure of the banking sector in India. After collecting the annual reports of 38 Indian banks for the year 2002-2003, a regression model was adopted to investigate the relationship between corporate governance disclosure and various corporate attributes such as size, profitability, ownership, listing, status, age, etc. The conclusion was that Indian banks had very high level of compliance in corporate governance disclosure, showing that attempts made by the Indian authority to include Corporate Governance Reporting in the annual report were notable.

Kyereboah-Coleman and Biekpe’s (2006), study investigate the role of boards and CEOs in the performance of the Ghanaian banking sector, examining 18 banks, both listed and unlisted for the period 1997 – 2004 by adopting panel data to support their model. The conclusion was that, the more independent the board was, the worse the profitability of a bank. Also, the regression results showed a positive relationship between the board size and return on assets (ROA), while on the other hand, they showed that CEO's tenure largely indicated a negative impact on ROA.

Hoque *et al*. (2013) empirically investigate the influence of corporate governance mechanisms on financial performance of 25 listed banking companies in Bangladesh over the period 2003-2011. Estimated results demonstrate that the general public ownership and the frequencies of audit committee meetings are positively and significantly associated with return on assets (ROA), return on equity (ROE) and Tobin's Q. Directors' ownership and independent directors have significant positive effects on bank performance measured by Tobin's Q. The results indicate that a good number of companies do not comply with the mandatory requirements for board size, appointment of independent directors in the board, and holding audit committee meetings set forth by the central bank and the Securities and Exchange Commission (SEC) implying remarkable shortfall in corporate governance practice in Bangladeshi banking sector. The board is seen to have been prevalently dominated by the outside non-independent directors having multiple directorships and the companies are actually run by the independent managers having no ownership interest.

Goddard, Molyneux and Wilson (2004) investigate the profitability of European banks during the 1990s. They used data from 665 banks from the 6 European countries of Denmark, France, Germany, Italy, Spain and the UK, for the period 1992–1998. In their study, they created cross sectional, pooled cross-sectional time-series and dynamic panel models in order to identify selected determinants of profitability. The result was that despite the high competition, which is effective in eliminating abnormal profit, there is significant evidence of abnormal profit from year to year. However, there is some variation between countries in effectiveness of competition in eliminating abnormal profits.

TAŞKIN (2012), analyzes the relationship between corporate governance and bank performance. Return on assets (ROA), return on equity (ROE) and net interest margin (NIM) are considered as the measures of bank performance. Corporate governance is determined through the measures of internal governance mechanism which is measured by CEO duality and external governance mechanisms which are reflected by discipline exerted by shareholders, creditors and educated personnel and bank ownership. The analysis covered the period 1990-2000 and 2002-2011 which are the pre and post periods of the severe 2001 banking crisis. The results show that different governance characteristics are important in the pre and post crisis periods. Efficiency of banks is measured using Cobb-Douglas cost function for the year 2000-2002. It is evident from the results that on average, overall efficiency remains about 82 percent throughout the period of analysis. However, it is observed that public ownership show lowest efficiency among all the groups, i.e., 74 percent on average, which emphasizes on a competitive environment in the banking sector that may improve the efficiency of these institutions. Similarly, market share also affects the performance of banks negatively, suggesting that banks in a less competitive environment might feel less pressure to control their costs. Moreover, introduction of governance variables such as sound management and concentration have significant impact on banking efficiency.

Oghojafor *et al*. (2010), made use of copies of a structured questionnaire to elicit responses from conveniently selected respondents, comprising investment experts, academics, bank customers, public and policy analysts within Lagos metropolis. The study confirmed that poor governance culture and supervisory laxities were majorly responsible for the banking crises. The study recommended an adherence to the execution of the tenets of good corporate governance in the Nigerian banking sector and stressed that actions contrary to this should be dealt with appropriately by bringing offenders to book irrespective of their status in the society.

Okereke *et al*. (2011) examined the relationship between corporate governance practices in Nigerian Deposit Money Banks (DMBs) vis-a-vis their financial performances (2002-06). To accomplish this, data were collected through the use of questionnaire administered to Corporate Affairs Managers in twenty-four Deposit Money Banks (DMBs) and from the Central Bank of Nigeria (CBN) annual report and statement of accounts and the Nigeria Stock Exchange (NSE) Fact Books. The data were descriptively and quantitatively analysed and the hypotheses tested using Statistical Package for Social Sciences (SPSS). The regression result and test indicated a significant relationship and positive correlation between corporate governance and banks' performance. It therefore recommended, among others, that Deposit Money Banks (DMBs) in conjunction with the regulatory authorities should model various functions performed by banks and factor in all aspect of corporate governance variables as it may concern a highly regulated industry like the banking industry. The study stated that this will go a long way in the designing of an optimal governance mechanism for the Deposit Money Banks (DMBs) in Nigeria and beyond.

Muhammed (2012) considered the impact of corporate governance on the performance of banks in Nigeria. The study made use of secondary data obtained from the financial reports of nine (9) banks for a period of 2001- 2010. Data were analyzed using multiple regression analysis. The study supported the hypothesis that corporate governance positively affects performance of banks. In conclusion, the study 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 versa.

2.3.4 Gaps in the Literature

It is apparent that previous studies that have attempted to look into the corporate governance issue in the Nigerian banking sector have hardly considered corporate reporting as an important element of corporate governance problems, undermining its relevance.

Literature review establishes the potential strength of corporate reporting as a governance variable. The reporting games, which may be played by banks executives, were never considered as a governance laxity. Corporate governance can have a substantial contribution to effective corporate reporting practices which has the consequence to increase the value of firms in the banking sector. Existing research on corporate governance on banking in emerging markets was conducted in countries, such as Malaysia, Indonesia, Thailand, India and Taiwan, which are in the higher echelon of economic performance. Nigeria is a country in the Sub-Saharan region with a strategic geographical and economic significance and high potential for development. It is therefore important to understand how corporate governance practices affect bank performance in such markets. Strong performance of the Nigerian Stock Market has attracted local and foreign investors, which has resulted in increased interest in good corporate governance, providing improved access to sources of capital and resulting in the economic development of the country even in a volatile environment. The review also shows that extant literature for Nigeria adopted the use of multiple regression analysis, simple descriptive statistics or structured questionnaire to analyse data. Hardly has any literature on corporate governance of banks in Nigeria (to the best knowledge of the author) employed panel estimation technique to analyse data. The foregoing are major gaps that this study has attempted to fill.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses the methodology used to collect and analyse data for the results obtained.

3.1 Population of the Study

The population of this study consists of registered commercial banks otherwise called deposit money banks (DMBs) in Nigeria between 2000 and 2012. During this period, number of commercial banks in Nigeria in pre 2004 were 89. Consolidation policy of 2005 reduced number of banks to 25. The number reduced to 24 with merger of some banks shortly after. As at time of completing this study in 2015, number of registered commercial banks by CBN remained 21. (See appendix III for list of registered banks).

3.2 Sampling

A sample of 16 commercial banks was selected based on data availability from the list of registered banks in Nigeria. The purposively selected banks are First Bank Of Nigeria Plc, First City Monument Bank Plc (FCMB), Guaranty Trust Bank Plc (Gtb), Intercontinental Bank Plc, Skye Bank Plc, Access Bank Plc, Mainstreet Bank (Afribank Nigerian Plc), Diamond Bank Plc, Ecobank Nigeria Plc, Fidelity Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, Union Bank of Nigeria Plc, United Bank For Africa Plc, Wema Bank Plc And Zenith Bank Plc

3.3 Source and Method of Data Collection

Secondary data has been used. The data, which consist mainly of directors' shareholding, returns on assets, returns on equity, interest received and paid, book value of assets, etc, were extensively validated and are adequate for the purpose of this study. The banks are statutorily mandated to make their information public. The study covers period 2000-2012. The scope is to account for the pre and post consolidation issues.

Most of the data for the study were collected from an independent data source known as Financial and Governance (FINGOV) Database, a data resource firm based in Nigeria. This database contains comprehensive data across all sectors of the Nigerian economy and in particular spanning over corporate governance issues, Board Structure, Shareholders information and Financial and capital market data. This independent data source has been able to integrate, update and validate relevant data from the annual reports of companies. It should also be noted that information from banks' annual reports can be relied upon as they are audited by External Auditors, majority of who are of international repute as well as recognized and approved by both the NDIC and the CBN. In addition, the audited reports are statutorily reviewed by members of the audit committee. The financial statements in the annual reports have been certified to be in line with international financial reporting standards (IFRS) as well as in conformity with guidelines of the financial reporting Council of Nigeria (FRC).

3.4 Model Specification

To demonstrate the influence which corporate governance variables may have on banking sector via the selected performance measures, a functional form of model specification in line with previous empirical studies like Sanda *et al*. (2005), and Hasan *et al*. (2013) is modified.

The functional form of the model is specified thus:

BANKPERM = f(GOVERNANCE_VARIABLES, CONTROL_VARIABLES) (1)

i.e. Bankperm = f(concentration, dirshare, corp. reporting, boardsize, outsize, age_bk, banksize, liq, lns, dep, cap_adeq)

Where BANKPERM stands for bank performance measures.

Bank performance measures adopted for the study are Return on Assets (ROA) , Return on Equity (ROE), Net Interest Margin (NIM), and the Tobin's Q. The governance variables are ownership concentration, directors' shareholdings and corporate reporting (representing with dummy). Other control variables included are bank size, liquidity, loans, deposits and capital adequacy.

Table 3.1: Variable definitions and measurement

Variable	**Definition**	**Measurement**
Measures of Bank Performance (Dependent Variables)		
ROA	Return on Assets	Net Income/Total Assets

ROE	Return on Equity	Net Income/Shareholders' Equity
NIM	Net Interest Margin	Interest Income-Interest Expense/ Total assets
Tobin's Q	Tobin's Q	Ratio of the market value of the firm's asset to the replacement cost of the firm's assets. A measure of performance driving investment decisions. Q.= Total Market Value divided by Total Asset Value. A Q above 1 means stock is highly valued while a Q between 0 and 1 signals undervaluation.
Measures of Corporate Governance (Independent Variables)		
DIRSHARE	Directors shareholding	Total number of shares owned by directors of a given firm as a percentage of the outstanding shares of the firm (the higher the percentage, the greater the director shareholding).
DIRSHSQUARE	Quadratic term	Square of directors shareholdings
BOARDSIZE	Board size	Number of directors on the board.
BOARDSIZE^2	Quadratic term	Square of board size.
OUTSIDE	Number of outside directors on the board	Proportion of outside directors sitting on the board.
CONCENT	Ownership concentration	The proportion of shares owned by the largest shareholders divided by the number of largest shareholders.

CONCENTRA^2	Quadratic term	Square of ownership concentration.
DEBT	Leverage	The ratio of debt to share capital.
D1	Corporate Reporting1	A dummy variable that takes the value of 1 during the era of diverse reporting and 0 during the era of unified reporting
D2	Corporate Reporting2	A dummy variable that takes the value of 1 when reporting months change and 0 otherwise
Other Control Variables (Independent Variables)		
AGE_BK	Bank Age	Age of the bank
BANKSIZE	Bank size in terms of total assets owned	The natural log of total assets.
LIQ	Liquidity	Cash/Total Assets
LNS	Loans	Total Loans/Total Assets
DEP	Deposits	Total Deposits/Total Assets
CAP_ADEQ	Capital Adequacy	Shareholders' Equity/Total assets

The model specification is divided into four models or panels (1-4) with each panel presenting cases of Pooled OLS (P), Fixed effect (F) and Random effect (R) models for linear and non-linear specifications. Panel 1 presents the Pooled OLS, Fixed effect and Random effect models for a linear specification without control. In panel 2 the quadratic specification is presented. A linear specification with control is presented in panel 3 and panel 4 gives the quadratic specification with controls. The inclusion of quadratic term is to account for submission in certain studies like Sanda (2005) that there is a non-linear relationship between some corporate governance variables like directors' shareholdings, ownership concentration and bank size and firm's performance.

Sometimes we cannot obtain a set of numerical values for all the variables to be used in a model. This is owing to the fact that such variables cannot easily be quantified even when the dependent variables are influenced by such qualitative variables. Consequently, use of dummy variable was employed to capture corporate reporting.

More explicitly, the equation is re-specified as follows:

Model 1 (Linear without control variables)

Case 1: Pooled Regression

$$BANKPERM_i = \alpha_0 + \alpha_1 DIRSHARE_i + \alpha_2 BOARDSIZE_i + \alpha_3 OUTSIZE_i + \alpha_4 CONCENT_i +$$

$$\alpha_5 D1_i + \alpha_6 D2_i + \varepsilon_{1i} \qquad (2)$$

Case 2: Fixed-effect Regression

$$BANKPERM_{it} = \alpha_0 + \alpha_1 DIRSHARE_{it} + \alpha_2 BOARDSIZE_{it} + \alpha_3 OUTSIZE_{it} + \alpha_4 CONCENT_{it} +$$
$$\alpha_5 D1_i + \alpha_6 D2_i + \sum_{i=1}^{16} \gamma_{1i} DUM + \varepsilon_{2it} \qquad (3)$$

Case 3; Random effect Regression

$$BANKPERM_{it} = \alpha_0 + \alpha_1 DIRSHARE_{it} + \alpha_2 BOARDSIZE_{it} + \alpha_3 OUTSIZE_{it} + \alpha_4 CONCENT_{it} +$$
$$\alpha_5 D1_i + \alpha_6 D2_i + \mu_i + \varepsilon_{3it} \qquad (4)$$

Model 2 (Linear with control variables)

Case 4 : Pooled Regression

$$BANKPERM_i = \beta_0 + \beta_1 DIRSHARE_i + \beta_2 BOARDSIZE_i + \beta_3 OUTSIZE_i + \beta_4 CONCENT_i +$$
$$\beta_5 AGE\_BK_i + \beta_6 BANKSIZE_i + \beta_7 LIQ_i + \beta_8 LNS_i + \beta_9 DEP_i +$$
$$\beta_{10} CAP\_ADEQ_i + \beta_{11} D1_i + \beta_{12} D2_i + \varepsilon_{1i} \qquad (5)$$

Case 5: Fixed-effect Regression

$$BANKPERM_{it} = \beta_0 + \beta_1 DIRSHARE_{it} + \beta_2 BOARDSIZE_{it} + \beta_3 OUTSIZE_{it} + \beta_4 CONCENT_{it} +$$

[illegible]

$$\beta_{10} CAP\_ADEQ_{it} + \beta_{11} D1_{it} + \beta_{12} D2_i + \sum_{i=1}^{16} \gamma_{1i} DUM + \varepsilon_{2it} \qquad (6)$$

Case 6: Random effect Regression

$$BANKPERM_{it} = \beta_0 + \beta_1 DIRSHARE_{it} + \beta_2 BOARDSIZE_{it} + \beta_3 OUTSIZE_{it} + \beta_4 CONCENT_{it} +$$

[illegible]

$$\beta_{10} CAP\_ADEQ_{it} + \beta_{11} D1_{it} + \beta_{12} D2_i + \mu_i + \varepsilon_{3it} \qquad (7)$$

Model 3 (Non-linear without control variables)

Case 7 : Pooled Regression

$$BANKPERM_i = \theta_0 + \theta_1 DIRSHARE_i + \theta_2 BOARDSIZE_i + \theta_3 OUTSIZE_i + \theta_4 CONCENT_i +$$

[illegible] ε_{1it}

(8)

Case 8: Fixed-effect Regression

$$BANKPERM_{it} = \theta_0 + \theta_1 DIRSHARE_{it} + \theta_2 BOARDSIZE_{it} + \theta_3 OUTSIZE_{it} + \theta_4 CONCENT_{it} +$$

[illegible]

$$\sum_{i=1}^{16} \gamma_{1i} DUM + \varepsilon_{2it} \qquad (9)$$

Case 9: Random effect Regression

$$BANKPERM_{it} = \theta_0 + \theta_1 DIRSHARE_{it} + \theta_2 BOARDSIZE_{it} + \theta_3 OUTSIZE_{it} + \theta_4 CONCENT_{it} +$$
$$\theta_5 DIRSHARE_{it}^2 + \theta_6 CONCENTR_{it}^2 + \theta_7 BOARDSIZE_{it}^2 + \theta_8 D1_i + \theta_9 D2_i + \mu_i + \varepsilon_{3it} \qquad (10)$$

Model 4 (Non-linear with control variables)

Case 10: Pooled Regression

$$BANKPERM_i = \phi_0 + \phi_1 DIRSHARE_i + \phi_2 BOARDSIZE_i + \phi_3 OUTSIZE_i + \phi_4 CONCENT_i +$$

[illegible]

[illegible]

$$\phi_{15} D2_{it} + \varepsilon_{1i} \qquad (11)$$

Case 11: Fixed-effect Regression

$$BANKPERM_{it} = \phi_0 + \phi_1 DIRSHARE_{it} + \phi_2 BOARDSIZE_{it} + \phi_3 OUTSIZE_{it} + \phi_4 CONCENT_{it} +$$
$$\phi_5 LNDIRSHARE_{it}^2 + \phi_6 CONCENTR_{it}^2 + \phi_7 BOARDSIZE_{it}^2 + \phi_8 AGE\_BANK_{it}$$

[illegible]

$$\phi_{14}D1_i + \phi_{I5}D2_i + \sum_{i=1}^{16}\gamma_{1i}DUM + \varepsilon_{2it} \quad (12)$$

Case 12: Random effect Regression

$$BANKPERM_{it} = \phi_0 + \phi_1 DIRSHARE_{it} + \phi_2 BOARDSIZE_{it} + \phi_3 OUTSIZE_{it} + \phi_4 CONCENT_{it} +$$

[illegible]

[illegible]

$$\phi_{14}D1_i + \phi_{I5}D2_i + \mu_i + \varepsilon_{3it} \quad (13)$$

Where:

$\alpha_{0,}$ $\beta_{0,}$ Θ_0 and $\varnothing_0$ are intercepts or constants

α_1 to α_6, $\beta_1 - \beta_{12,}$ $\Theta_1 - \Theta_9$ and $\varnothing_1 - \varnothing_{15}$ are co-efficients of the estimated parameters i.e. Independent Variables.

μ_i are unobservable individual specific effect.

ε_1 to ε_3 are error terms.

3.5: Estimation Technique

Method of Data Analysis

Data analysis was carried out within a panel data estimation framework for multiple regression. The preference of this estimation method is not only because it enables a cross-sectional time series analysis which usually makes provision for broader set of data points, but also because of its ability to control for heterogeneity and endogeneity issues. Hence panel data estimation allows for the control of individual-specific effects usually unobservable which may be correlated with other explanatory variables included in the specification of the relationship between dependent and explanatory variables (Hausman and Taylor, 1981). The basic framework for panel data regression takes the form:

$$Y_{it} = \beta X_{it}^{'} + \alpha Z_i^{'} + \varepsilon_{it} \quad \textbf{(14)}$$

The case for multiple regression arises from the consideration of more than one independent variables (estimated parameters) used to produce the dependent variables.

In equation 14 above, the heterogeneity or individual effect is Z'_i which may represent a constant term and a set of observable and unobservable variables. When the individual effect Z'_i contains only a constant term, OLS estimation provides a consistent and efficient estimates of the underlying parameters (Kyereboah-Coleman, 2007); but if Z'_i is unobservable and correlated with X_{it} , then emerges the need to use other estimation method because OLS will give rise to biased and inconsistent estimates. Similarly for endogeneity issues, it is generally assumed that the explanatory variables located on the right hand side of the regression equation are statistically independent of the disturbance ε_{it} such that the disturbance term ε_{it} is assumed to be uncorrelated with columns of the parameters X_{it} and Z_{it} as stated in equation (14), and has zero mean and constant variance $\sigma^2\eta$ (Hausman and Taylor, 1981; Nakamura and Nakamura, 1981). If this assumption is violated, then OLS estimation will yield biased estimates of the underlying parameters of β (Mayston, 2002). This condition is also applicable regardless of the infinite large sample of observations taken during the estimation process, because the OLS estimation will not be a consistent estimator of the true underlying values (Gujarati, 1995; Johnston, 1984). Hence, endogeneity problems arise when the explanatory variables are correlated with the disturbance term ε_{it} (Mayston, 2002; Nakamura and Nakamura, 1981; Hausman and Taylor, 1981). In order to circumvent these problems, panel estimation techniques of fixed and random effects will be adopted in this study. This is in addition to the traditional pooled regression estimation.

Common constant method is quite restrictive so more insight can be achieved through inclusion of fixed effect and random effect models in the method of estimation. In the fixed effect method the constant is treated as section-specific so fixed effect model allows for different constants for each section. The available estimation technique for the fixed effect model are least square dummy variable (LSDV); within estimator otherwise called entity demeaning technique; between estimator and first technique. The known available technique for the random effect model is generalized least square (GLS). For this study, the entity demeaning technique and the GLS techniques will be used to estimate the fixed effect and the random effect models respectively. The applicability of fixed effect model has been tested by using Standard F test. The null hypothesis is that all the constants are same and therefore common constant model can be used.

$$F = \left\{(R_{FE}^2 - R_{CC}^2)/N - 1\right\} / \left\{(1 - R_{FE}^2)/(NT - N - K)\right\} \qquad (15)$$

If calculated value is greater than F critical value, we reject the hypothesis that all constants are same. In fixed effect model, the cross sectional effect is captured through dummy Di which represents the banks. An alternative method of estimation is random effect model which assumes that the constants for each section are not fixed but are random. Fixed effect model assumes that each bank differs in its intercept term whereas random effect model assumes that each bank differs in error term. The choice between fixed effect and random effect model is made through Hausman Test (1978). That is based on the idea that under the hypothesis of no correlation, both OLS and GLS are consistent and OLS is inefficient, while under the alternative, OLS is consistent but GLS is not.

$$H = (\beta^{FE} - \beta^{RE})' \left[(Var(\beta^{FE}) - Var(\beta^{RE})\right]^{-1} (\beta^{FE} - \beta^{RE}) \rightarrow \chi^2(k) \qquad (16)$$

If the value of H statistic is large, the difference between estimates is significant, so null hypothesis that random effect model is consistent is rejected and fixed effect estimators are used. If the value of H statistics is small, then random effect estimators is more appropriate.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESULTS

This chapter presents the descriptive statistics as well as the results of the panel data models.

4.1 Presentation of Descriptive Statistics. (See appendix IV for each bank's detailed descriptive statistics)

From Table 4.1, the directors' shareholding ranges from as low as 427,501 units (Diamond Bank Plc) to as high as 10,416,119,676.00 units (Sterling Bank Plc) with the mean and standard deviation of 1,064,983,716.00 and 1,628,426,507.00 respectively. Ownership concentration ranges from zero to 90% (WEMA Bank has the highest) with a mean of 35.95% and standard deviation of 28.94% respectively. Further, the age of bank ranges from 7 (with the Diamond Bank having the lowest in terms of incorporation) to 67 years as at 2012, (with WEMA being the first indigenous bank to be incorporated). On the average however, the ages of the banks are 31years and standard deviation of about 15years. The bank's size ranges from 15.90 to 22.36 with a mean of 19.59 and standard deviation of 1.37 while the board size ranges from 5 (WEMA Bank has the least number of directors) to 25 (United Bank of Africa has the highest number of directors on the board) with a mean value of 14.04 and standard deviation of 3.65 respectively. The Modified Tobin's Q ranges from 0.07 to 1,183.44 with a mean and standard deviation of 245.82 to 199.53 respectively. The return on assets ranges from -24.24% to 10.64% with a mean of 1.52% and standard deviation of 3.07%. Also, the return on equity ranges from -87.35% to 203.65% with a mean and standard deviation of 15.05% and 27.73%. The Net Interest Margin (NIM) ranges from 0.10% to 24.68% with mean of 11.98% and standard deviation of 4.01%. It is note worthy here that in terms of measures of financial performance, available data indicate that the Stanbic IBTC, GTBank Plc and First Bank are soaring higher over and above other banks in Tobin Q and Return on Assets, Return on Equity and Net Interest Margin respectively while Union Bank Plc returns negative Return on Assets. The liquidity ranges from 0.01% to 65.8% with a mean of 25.3% and standard deviation of 18.19%. The emanating implication of the foregoing is that Zenith Bank Plc is the most liquid of the considered banks while Intercontinental Bank Plc is the most illiquid as indicated on the results.

Further, the loan ranges from 0.03% (Stanbic IBTC) to 60.70% (First City Monumental Bank) with a mean of 32.53% and standard deviation of 11.58%. Capital adequacy ranges from -29.81% to 39.98% with a mean and standard deviation of 13.72% and standard deviation of 9.13%. The ratio of debt to share capital ranges from 0.36 to 1,478.87 with mean and standard deviation of 157.85 and 230.37 respectively. The deposit ranges from 0.08% to 87.78% with a mean of 63.89% and standard deviation of 14.04%. This means that the ratio of deposits to total assets is highest in United Bank for Africa and lowest in Intercontinental Bank Plc, respectively. Also, the number of outside director on board ranges from zero to 92.31 with a mean and standard deviation of 18.19 and 20.70 respectively. Of the banks, Fidelity has the highest number of outside directors sitting on the board. It is important to note that quite a number of banks are without outside directors sitting on their board. Examples include Access, Afribank, Diamond and Sterling. The foreign shareholding ranges from 0.43% (First Bank Plc) to 85% (ECOBANK PLC) with a mean and standard deviation of 27.98% and 20.74% respectively.

Table 4.1: Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
DIRECTORS SHARES (TOTAL NO IN UNITS)	427501	10,416,119,676	1,064,983,716	1,628,426,507
DIRSHARE SQUARE	182,757,105,001	108,495,549,104,754,000,000	3,793,886,995,257,260,000	11,718,309,825,498,400,000
CONCENTRATION(%)	-	90	35.95	28.94
CONCENTR²(%)	-	8,100.00	2,092.10	2,436.35
AGE of Banks in Years	7	67	31.21	14.96

BANK SIZE	15.9	22.36	19.59	1.37
Tobin_Q	0.07	1,183.44	246.91	199.99
BOARD SIZE	5	25	14.08	3.63
ROA (%)	-24.24	10.64	1.52	3.07
ROE (%)	-87.35	203.65	15.05	27.73
NIM(%)	0.1	24.68	11.98	4.01
LIQ (%)	0.01	65.79	25.32	18.19
LNS (%)	0.03	60.7	32.53	11.58
CAP_ADEQ (%)	-29.81	39.98	13.72	9.13
DEBTS	0.36	1478.87	157.85	250.37
DEP (%)	0.08	87.78	63.89	14.04
BOARDSIZE^2	25	625	211.42	107.88
OUTSIDE (%)`	-	92.31	18.19	20.72
FOREIGN_ SHARE HOLDINGS (%)	0.43	85	27.98	20.74

Source: *Computed from the underlying data of the banks' various annual reports of the period under review.*

4.2 Correlation Analysis Results

Table 4.2 summarises the results of preliminary correlation analysis among the variables. This exercise serves two important purposes. First is to determine whether there are bivariate relationship between each pair of the dependent and independent variables. The second is to ensure that the correlations among the explanatory variables are not so high to the extent of posing multi-collinearity problems. However, directors' share squared is not included because it is perfectly correlated with directors' share.

The result shows that return on assets is significantly and negatively related to debt and deposit with the coefficient -0.270 and 0.169 respectively. Also, there exists a direct and positive relationship between capital adequacy and return on assets. The Net Interest Margin (NIM) is not statistically significant with other explanatory variables except for board size that was negatively significant at 1% level. The modified Tobin Q is significantly and negatively related with board size and deposit with the coefficient -0.334 and – 0.221 while it is significantly and positively related with capital adequacy.

From the result, it also shows that ownership concentration is negative and significantly related to directors' shareholdings, loans and capital adequacy with the co-efficient -0.535, -0.251 and -0.229 respectively while ownership concentration is positively related and significant with age of bank, number of outside directors on board and foreign shareholdings. Directors Shareholding is positively related with bank size, loan and capital adequacy while it has a negative relationship with the age of bank, liquidity, number of outside directors on the board and foreign shareholdings.

Further, the board size is significantly and negatively related to Net Interest Margin which implies that a decrease in interest income/expense will bring about an increase in the number of directors on board and vice versa. In summary, apart from establishing the theoretical a priori expectation between the dependent and explanatory variables, on the one hand, it is also established that the models are purged of problems of multicollinearity, as indicated by the low level of correlation among the variables of interests, on the other hand.

Table 4.2: Correlation Analysis Results

	CONCEN TRA TION	DIR SHARE	DIR SHARE SQ	Concentration square	Dummy1	Dummy3	AGE_BK	BANK SIZE	Tobin_Q	BOARD SIZE	ROA	ROE	NIM	LIQ	LNS	CAP_ ADE Q	DEBTS	DEP	BOARD SIZE SQUARE	OUT SIDE	FOREIG N _SHARE HOLDIN GS
CONCEN TRATION	1																				
DIR SHARE	-.535**	1																			
DIR SHARE SQ	-.535**	1.000**	1																		
CONCENTR²	.947**	-.531**	-.531**	1																	
dummy1	.030	.125	.125	-.024	1																
dummy3	-.310**	.174*	.174*	-.288**	-.089	1															
AGE_BK	.504**	-.386**	-.386**	.428**	.010	-.166*	1														
BANK SIZE	-.139	.239**	.239**	-.084	.567**	-.077	-.102	1													
Tobin_Q	.026	.151	.151	.050	-.347**	.210*	-.206*	-.212*	1												
BOARD SIZE	-.033	.124	.124	-.054	.228**	-.100	.017	.514**	-.334**	1											
ROA	-.172	.109	.109	-.181	-.247**	-.100	-.178*	-.125	.197*	-.004	1										
ROE	-.147	.039	.039	-.116	-.097	.065	-.112	-.022	-.043	.002	-.007	1									
NIM	.074	-.180	-.180	.078	.011	.000	.051	-.483**	-.032	-.281**	.000	-.027	1								
LIQ	.114	-.223*	-.223*	.134	-.550**	-.119	.119	-.421**	-.051	-.106	.128	.134	.109	1							
LNS	-.251**	.330**	.330**	-.279**	.416**	.120	-.184*	.142	.023	-.045	-.079	.033	.115	-.363**	1						
CAP_ADEQ	-.229*	.379**	.379**	-.228*	-.046	.111	-.387**	-.023	.420**	-.009	.323**	-.241**	-.058	-.116	.300**	1					

DEBTS	.148	-.168	-.168	.232*	.002	-.021	.005	.117	.007	-.060	-.270**	.021	-.065	-.053	-.171	-.349**	1				
DEP	.131	-.104	-.104	.111	.230**	-.023	.279**	.109	-.221*	.160	-.169*	.099	.140	.115	.209*	-.283**	.030	1			
BOARDSIZE^2	-.005	.119	.119	-.034	.203*	-.113	.066	.467**	-.327**	.982**	-.010	.003	-.260**	-.079	-.063	-.032	-.095	.164	1		
OUTSIDE	.302**	-.324**	-.324**	.243**	.204*	-.095	.198*	-.072	-.133	.172*	-.103	-.069	-.043	-.037	-.108	-.163	.135	.018	.157	1	
FOREIGN_ SHARE HOLDINGS	.578**	-.353**	-.353**	.525**	-.057	-.236*	-.373**	-.153	.243	-.060	.019	-.022	.146	.267*	-.368**	.114	.111	-.217	-.043	.464**	1

**(**). Correlation is significant at the 0.05 and 0.01 levels (2-tailed).*

4.3 Estimation Result on Corporate Governance and Bank Performance.

Bank performance measures adopted for the study are Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and the Tobin's Q. The effect of corporate governance on bank performance using the identified performance measures is presented in Tables 4.3-4.6 below.

Table 4.3 presents the estimation result of relationship between corporate governance and the Nigerian Banking Performance using ROA as a measure of banking performance. The sample period spans 2000 to 2012. The Table is divided into four panels. Panels 1-4 present the Pooled OLS, Fixed effect and Random effect models for linear and non-linear specifications. Panel 1 presents the Pooled OLS, Fixed effect and Random effect models for a linear specification without control, in panel 2 the quadratic specification is presented, a linear specification with control is presented in panel 3 and panel 4 gives the quadratic specification with controls.

Panel 1 presents the impact of corporate governance on banking sector performance (proxied by returns on assets). The R-square values of 0.234, 0.218 and 0.234 show that the explanatory variables jointly account for about 23.4%, 21.8% about 23.4% variation in bank performance in the Pooled, Fixed and Random effect estimates. The LM statistic value of 0.5 ($P>0.05$) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 2.73 ($P>0.05$) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 3.86 ($P<0.05$) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance. The regression estimate shows that only leverage and the corporate financial reporting are significant determinants of bank performance. Specifically, there exists a negative relationship between debt and bank performance. A 100% increase in debt will reduce bank performance by 0.4%. Also, banks will experience a fall in performance given a change in reporting month or in era of diverse reporting. Other corporate governance mechanism variables are not significant in explaining changes in bank performance.

Panel 2 presents the impact of corporate governance on banking sector performance (measured by ROA) using a quadratic specification without control variables. The R-square value of 0.235 shows that corporate governance mechanisms account for about 23.5% variations in banking performance. The LM statistic value of 0.5 (P>0.05) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 3.24(P>0.05), indicates that the Random effect model is better thus we choose the Random effect estimates. The F- statistics value of 26.45 (P<0.05) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance.

Considering each variable, there is a negative and significant relationship between leverage and bank performance, specifically, a 100% increase in debt will lead to about 0.4% decrease in bank performance. In addition dummies for era of corporate financial reporting and change of reporting month negatively affect bank performance. This implies that the era of diverse corporate financial reporting and changes in the month of reporting significantly reduces bank performance.

The third panel presents the impact of corporate governance on banking sector performance (proxied by ROA) using a linear specification and augmented with bank specific control variables. From the result, the LM statistics of 0.54 (P>0.05) shows that the Pooled regression estimate is not better compared to the Fixed Effect regression estimate. The R-square value of 0.297 shows that corporate governance mechanisms account for about 29.7% variations in bank performance. Comparing the Fixed and the Random effect estimates, the Hausman statistics value of 4.74(P>0.05), indicates that the Random effect model is better thus we choose the Random effect estimates. The F-statistics value of 28.83 (P<0.05) shows that the corporate governance mechanisms are jointly statistically significant in explaining variations in bank performance. Suffice to say, each of the corporate governance mechanisms is not statistically significant in explaining changes in bank performance except corporate financial reporting. There exists a negative relationship between change of reporting month and bank performance. This implies that change of financial month would reduce bank performance.

Panel 4 presents the impact of corporate governance on banking performance (proxied by ROA) using a non-linear specification and augmented with some bank specific variables. The R-square value of 0.301, 0.020 and 0.301 show that the explanatory variables jointly account for about 30.1%, 2.0% about 30.1 % variation in bank performance in the pooled, fixed and random effect estimates. The LM statistic value of 0.54 ($P>0.05$) shows that the Fixed effect is better compared to the Pooled regression estimate.

From the panel, the Hausman statistics value of -4.84($P>0.05$) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 28.48 ($P<0.05$) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance. The R-square value of 0.301, 0.02 and 0.301 shows that the explanatory variables account for about 30.1%, 2% and 30.1% variation in bank performance.

Controlling for bank specific variables, only loans and capital adequacy and change in financial reporting month are significant determinants of bank performance. This shows that with control, the impact of corporate governance mechanisms on bank performance does not change much.

Table 4.3: Regression Analysis for Return on Assets (ROA) (2000 to 2012)

	Panel 1			Panel 2			Panel 3			Panel 4		
	Linear without control			Quadratic without control			Linear with control			Quadratic with control		
	P	F	R	P	F	R	P	F	R	P	F	R
DIRSHARE	0.13 (0.66)	0.15 (0.51)	0.13 (0.66)	0.13 (0.65)	0.18 (0.59)	0.13 (0.65)	-0.09 (-0.37)	-0.15 (-0.39)	-0.09 (-0.37)	-0.11 (-0.44)	-0.12 (-0.31)	-0.11 (-0.44)
BOARDSIZE	-0.06(- 0.61)	-0.1 (-0.66)	-0.06 (-0.61)	0.05 (0.09)	-0.1 (-0.15)	0.05 (0.09)	-0.12 (-0.9)	-0.22 (-1.2)	-0.12 (-0.9)	-0.44 (-0.77)	-0.54 (-0.72)	-0.44 (-0.77)
OUTSIDE	0.01 (0.49)	0.01 (0.47)	0.01 (0.49)	0.01 (0.43)	0.01 (0.46)	0.01 (0.43)	0.004 (0.16)	-0.0003 (-0.01)	0.004 (0.16)	0.004 (0.17)	0.001 (0.04)	0.004 (0.17)
CONCENTRAT~N	-0.02 (-1.61)	-0.01 (-0.26)	-0.02 (-1.61)	-0.02 (-0.47)	0.03 (0.33)	-0.02 (-0.47)	-0.02 (-1.11)	-0.001 (-0.02)	-0.02 (-1.11)	-0.02 (-0.47)	0.06 (0.57)	-0.02 (-0.47)
DEBTS	-0.004*** (-3.13)	-0.01*** (-2.82)	-0.004*** (-3.13)	-0.004*** (-2.79)	-0.01*** (-2.65)	-0.004*** (-2.79)	-0.003 (-1.42)	-0.003 (-1.38)	-0.003 (-1.42)	-0.002 (-1.19)	-0.003 (-1.12)	-0.002 (-1.19)
BOARDSIZE²				-0.004 (-0.21)	-0.0008 (-0.04)	-0.004 (-0.21)				0.01 (0.58)	0.01 (0.4)	0.01 (0.58)
CONCENTR²				0.00004	-0.0005	-0.0004				0.0003	-0.0007	0.00003

				(-0.09)	(-0.46)	(-0.09)				(0.06)	(-0.63)	(0.06)
AGE_BK							-0.01 (-0.24)	0.23 (0.54)	-0.01 (-0.24)	-0.01 (-0.26)	0.27 (0.62)	-0.01 (-0.26)
BANKSIZE							0.16(0.34)	-0.36 (-0.32)	0.16(0.34)	0.19 (0.39)	-0.42 (-0.36)	0.19 (0.39)
LIQ							0.004 (0.16)	-0.0008 (-0.02)	0.004(0.16)	0.004(0.15)	0.002 (0.08)	0.004 (0.15)
LNS							-0.07* (-1.71)	-0.11* (-1.84)	-0.07* (-1.71)	-0.07* (-1.68)	-0.11* (-1.79)	-0.07* (-1.68)
DEP							0.0004 (0.01)	0.005(0.11)	0.0004(0.01)	0.001(0.04)	0.01(0.18)	0.001 (0.04)
CAP_ADEQ							0.14*** (2.62)	0.18*** (2.61)	0.14*** (2.62)	0.14*** (2.65)	0.19*** (2.65)	0.14*** (2.65)
dummy1	-1.92*** (-2.75)	-2.17*** (-2.56)	-1.92*** (-2.75)	-1.95*** (-2.69)	-2.4** (-2.39)	-1.95*** (-2.69)	-0.88 (-0.75)	-1.01 (-0.59)	-0.88 (-0.75)	-0.85 (-0.68)	-1.49 (-0.8)	-0.85 (-0.68)
dummy2	-1.86** (-2.4)	-2.09** (-2.27)	-1.86** (-2.4)	-1.86** (-2.37)	-2.09** (-2.23)	-1.86** (-2.37)	-1.93** (-2.22)	-1.91* (-1.85)	-1.93** (-2.22)	-1.92** (-2.19)	-1.91* (-1.79)	-1.92** (-2.19)
_cons	2.34	2.39	2.34	1.55	1.62	1.55	4.52	9.29	4.52	6.53	9.84	6.53

	(0.57)	(0.39)	(0.57)	(0.28)	(0.22)	(0.28)	(0.48)	(0.79)	(0.48)	(0.64)	(0.82)	(0.64)
Number of Obs	96	96	96	96	96	96	82	82	82	82	82	82
F-Statistics (Wald-Chi²)	3.86 (0.00)	3.1 (-0.01)	26.99 (0.00)	2.94 (0.00)	2.37 (-0.02)	26.45 (0.00)	2.22 (-0.02)	2.12 (-0.03)	28.83 (0.01)	1.9 (-0.04)	1.83 (-0.06)	28.48 (-0.02)
R-Squared	0.2347	0.218	0.2347	0.2352	0.2082	0.2352	0.2978	0.0328	0.2978	0.3014	0.0209	0.3014
Hausman		2.73 (-0.91)			3.24 (-0.95)			4.74 (-0.98)			4.84 (-0.99)	
LM Statistics	0.5 (-0.93)			0.5 (-0.93)			0.54 (-0.89)			0.54 (-0.89)		

Note: *,** and *** represent 10%, 5% and 1% level of significance and t-statistics in bracket

Table 4.4 presents the relationship between corporate governance and the Nigerian Banking sector performance using ROE as a measure of banking performance. The sample period spans from 2000 to 2012. The table is divided into four panels. Panel 1-4 presents the Pooled, Fixed and Random effect model for linear and non-linear specifications. Panel 1 presents the Pooled, Fixed and Random effect model for a linear specification, in panel 2 the quadratic specification is presented, a linear specification with no control is presented in panel 3 and panel 4 gives the quadratic specification with controls.

Panel 1 shows the impact of corporate governance on bank performance (proxied by returns on equity). The R-square values of 0.0287, 0.0081 and 0.0283 show that the explanatory variables jointly account for about 2.8%, 0.8% about 2.8% variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The LM statistic value of 0.85 (P>0.05) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 3.11 (P>0.05) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 2.24 (P>0.05) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. The regression estimate shows that none of the corporate governance measures can explain changes in bank performance.

Panel 2 presents the impact of corporate governance on banks performance (measured by ROE) using a non-linear specification. The R-square value of0.038,0.0002 and 0.036show that corporate governance mechanisms account for about 3.8%, 0.02% and 3.6% variation in banking performance in the Pooled, Fixed and Random estimates respectively. The LM statistic value of 0.84 (P>0.05) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 3.43(P>0.05) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F-statistics value of 2.51 (P>0.05) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. Considering each variable, all corporate governance measures are not statistically significant, thus there is no significant relationship between corporate governance mechanisms and bank performance.

The third panel presents the impact of corporate governance on bank performance (proxied by ROE) using a linear specification and augmented with bank specific control variables. From the result, the LM statistics of 0.56 ($P>0.05$) shows that the Pooled regression estimate is not better compared to the Fixed Effect regression estimate. The R-square values of 0.177, 0.068 and 0.177 show that corporate governance mechanisms account for about 17.7%, 6.8% and 17.7% variations in bank performance in the Pooled, Fixed and Random effect regression respectively.

Comparing the Fixed and the Random effect estimates, the Hausman statistics value of 3.51 ($P>0.05$), indicates that the Random effect model is better. Thus we choose the Random effect estimates. The F-statistics value of 14.63 ($P>0.05$) shows that the corporate governance mechanisms are not jointly statistically significant in explaining variations in bank performance.

Suffice to say, most of the corporate governance mechanism is not statistically significant in explaining changes in bank performance. However, only capital adequacy is statistically significant in explaining changes in bank performance. A negative relationship exists between capital adequacy and bank performance. A 1% increase in capital adequacy will reduce bank performance by 1.34%.

Panel 4 presents the impact of corporate governance on bank performance (proxied by ROE) using a non-linear specification and augmented with some bank specific variables. The R-square value of 0.181, 0.0495 and 0.181 show that the explanatory variables jointly account for about 18.1%, 4.9% about 18.1 % variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The LM statistic value of 0.6 ($P>0.05$) shows that the Fixed effect is better compared to the Pooled regression estimate.

From the panel, the Hausman statistics value of 4.55 ($P>0.05$) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 14.68 ($P>0.05$) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. Controlling for bank specific variables, only capital adequacy is significant in explaining changes bank performance. Corporate governance mechanisms and other control variables are not significant in explaining changes in bank performance. This shows that with control, the impact of corporate governance mechanisms on bank performance does not change much.

Table 4.4: Panel Estimates of Banking Performance; Dependent Variable-Return on Equity (ROE)

	Linear with no control			Quadratic with no control			Linear with control			Quadratic with control		
	P	F	R	P	F	R	P	F	R	P	F	R
DIRSHARE	-1.35 (-0.63)	-1.56 (-0.51)	-1.24 (-0.54)	-1.33 (-0.61)	-1.02 (-0.32)	-1.22 (-0.51)	-0.84 (-0.34)	-3.88 (-1.05)	-0.84 (-0.34)	-0.9 (-0.36)	-4.19 (-1.08)	-0.9 (-0.36)
BOARDSIZE	0.04 (0.04)	-0.67 (-0.42)	-0.09 (-0.08)	-3.42 (-0.66)	-4.63 (-0.71)	-2.88 (-0.53)	-0.56 (-0.44)	-0.25 (-0.14)	-0.56 (-0.44)	-3.08 (-0.55)	-7.13 (-0.99)	-3.08 (-0.55)
OUTSIDE	-0.06 (-0.33)	0.02 (0.08)	-0.05 (-0.24)	-0.04 (-0.21)	0.03 (0.13)	-0.02 (-0.12)	-0.01 (-0.05)	-0.13 (-0.48)	-0.01 (-0.05)	-0.0007 (-0.00)	-0.11 (-0.41)	-0.0007 (-0.00)
CONCENTRAT~N	-0.19(-1.28)	-0.07(-0.2)	-0.19(-1.18)	-0.44(-1.03)	0.66(0.67)	-0.35(-0.69)	-0.1(-0.59)	-0.28(-0.64)	-0.1(-0.59)	-0.3(-0.63)	0.08(0.08)	-0.3(-0.63)
DEBTS	0.0008 (0.06)	0.003 (0.21)	0.0007 (0.05)	0.0000003 (0.00)	0.01 (0.45)	0.0007 (0.05)	-0.01 (-0.69)	-0.003 (-0.13)	-0.01 (-0.69)	-0.01 (-0.62)	0.001 (0.05)	-0.01 (-0.62)
BOARDSIZE^2				0.12(0.68)	0.13(0.58)	0.09(0.51)				0.08(0.47)	0.24(0.97)	0.08(0.47)
CONCENTR^2				0.003(0.58)	-0.01(-0.77)	0.002(0.31)				0.002(0.42)	-0.004	0.002(0.42)

											(-0.35)	
AGE_BK							-0.4(-1.24)	0.55(0.13)	-0.4(-1.24)	-0.39(-1.15)	0.61(0.14)	-0.39(-1.15)
BANKSIZE							4.23(0.93)	5.24(0.49)	4.23(0.93)	4.16(0.89)	6.94(0.61)	4.16(0.89)
LIQ							0.19(0.7)	0.29(0.92)	0.19(0.7)	0.19(0.72)	0.32(0.99)	0.19(0.72)
LNS							0.5(1.27)	0.54(0.96)	0.5(1.27)	0.51(1.26)	0.45(0.78)	0.51(1.26)
DEP							0.21(0.7)	0.33(0.78)	0.21(0.7)	0.21(0.68)	0.41(0.95)	0.21(0.68)
CAP_ADEQ							-1.34*** (-2.64)	-1.18* (-1.78)	-1.34*** (-2.64)	-1.29** (-2.45)	-1.13 (-1.65)	-1.29*** (-2.45)
dummy1	-2.75 (-0.36)	-9.1 (-0.95)	-3.51 (-0.45)	-1.29 (-0.16)	-14.09 (-1.24)	-3.18 (-0.38)	-10.3 (-0.9)	-19.47 (-1.17)	-10.3 (-0.9)	-8.6 (-0.7)	-24.11 (-1.34)	-8.6 (-0.7)
dummy2	1.69 (0.21)	3.45 (0.38)	2.05 (0.25)	1.68 (0.2)	3.44 (0.37)	2.4 (0.29)	3.18 (0.37)	2.54 (0.25)	3.18 (0.37)	3.24 (0.38)	3.83 (0.37)	3.24 (0.38)
_cons	50.71 (1.15)	59.88 (0.96)	50.48 (1.08)	76.51 (1.31)	69.65 (0.94)	71.01 (1.15)	-34.73 (-0.38)	-33.92 (-0.3)	-34.73 (-0.38)	-14.73 (-0.15)	-25.58 (-0.22)	-14.73 (-0.15)
Number of Obs	89	89	89	89	89	89	82	82	82	82	82	82
F-Statistics	0.34	0.36	2.24	0.35	0.37	2.51	1.13	0.76	14.63	0.98	0.72	14.68

(Wald-Chi^2)	(0.93)	(0.92)	(0.95)	(0.96)	(0.95)	(0.98)	(0.35)	(0.69)	(0.33)	(0.49)	(0.76)	(0.47)
R-Squared	0.0287	0.0081	0.0283	0.038	0.0002	0.0362	0.177	0.0687	0.177	0.1819	0.0495	0.1819
Hausman		3.11 (0.87)			3.43 (0.94)			3.51 (1.00)			4.55 (0.99)	
LM Statistics	0.85 (0.61)			0.84 (0.62)			0.56 (0.87)			0.6 (0.84)		

Note: *,** and *** represent 10%, 5% and 1% level of significance and t-statistics in bracket

Table 4.5 presents the relationship between corporate governance mechanism and the Nigerian Banking Performance using NIM as a measure of banking performance. The sample period spans from 2000 to 2012. The Table is divided into four panels. Panel 1-4 presents the Pooled, Fixed and Random effect model for linear and non-linear specifications. Panel 1 presents the Pooled, Fixed and Random effect model for a linear specification, in panel 2 the quadratic specification is presented, a linear specification with no control is presented in panel 3 and panel 4 gives the quadratic specification with controls.

Panel 1 shows the impact of corporate governance on bank performance (proxied by NIM). The R-square value of 0.122, 0.0672 and 0.1174 show that the explanatory variables jointly account for about 12,2%, 6.7% about 11.74% variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The Hausman statistics value of 33.3 ($P<0.05$) fails to reject the null hypothesis that differences in the coefficient is systematic, thus we accept and interpret the Fixed effect estimate. The F- statistics value of 0.97 ($P>0.05$) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. The regression estimate shows that most of the corporate governance measures are not significant in explaining changes in bank performance. However, only director's share is significant in influencing changes in bank performance. Bank performance tends to fall by about 74% given a 100% increase in director's share.

Panel 2 presents the impact of corporate governance on banks performance (measured by NIM) using a non-linear specification. The R-square value of 0.1276, 0.0454 and 0.1054 show that corporate governance mechanisms account for about 12.7%, 4.5%, 10.5% variation in bank performance in the Pooled, Fixed and Random effect estimates. The Hausman statistics value of 7.02 ($P>0.05$) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 7.77 ($P>0.05$) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. Considering each variable, all corporate governance measures are not statistically significant, thus there is no significant relationship between corporate governance mechanisms and bank performance.

The third panel presents the impact of corporate governance on bank performance (proxied by NIM) using a linear specification and augmented with bank specific control variables. From the result, the LM statistics of 1.17 (P>0.05) shows that the Pooled regression estimate is not better compared to the Fixed Effect regression estimate. The R-square value of 0.295, 0.002 and 0.2954 show that corporate governance mechanisms account for about 29.5%, 0.2% and 29.5% variations in bank performance in the Pooled, Fixed and Random effect estimates respectively.

Comparing the Fixed and the Random effect estimates, the Hausman statistics value of 14.94 (P>0.05), indicates that the Random effect model is better thus we choose the Random effect estimates. The F-statistics value of 22.64 (P<=0.05) shows that the corporate governance mechanisms are jointly statistically significant in explaining variations in bank performance. Suffice to say, most of the corporate governance mechanism is not statistically significant in explaining changes in bank performance, however, only bank size. However, only bank size is statistically significant in explaining changes in bank performance. A negative relationship exists between bank size and bank performance.

Panel 4 presents the impact of corporate governance on bank performance (proxied by NIM) using a non-linear specification and augmented with some bank specific variables. The R-square value of 0.325, 0.0031 and 0.3258 show that the explanatory variables jointly account for about 32.5%, 0.31% about 32.5% variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The LM statistic value of 1.14 (P>0.05) shows that the Fixed effect is better compared to the Pooled regression estimate.

From the panel, the Hausman statistics value of 13.38 (P>0.05) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 25.12 (P>0.05) shows that the corporate governance mechanism are not jointly statistically significant in explaining variations in banking performance. The R-square value of 0.181, 0.049 and 0.181 shows that the explanatory variables accounts for about 18.1%, 4.9% and 18.1% variation in bank performance in the Pooled, Fixed and Random effect regression respectively. Controlling for bank specific variables, only bank size and era of corporate financial reporting significantly affect bank performance. Other measures of corporate governance mechanism and controls variables are not major determinants of bank performance.

Table 4.5: Panel Estimates of Banking Performance; Dependent Variable-Net Interset Margin (NIM)

	Linear with no control			Quadratic with no control			Linear with control			Quadratic with control		
	P	F	R	P	F	R	P	F	R	P	F	R
DIRSHARE	-0.36 (-1.25)	-0.74* (-1.71)	-0.43 (-1.35)	-0.33 (-1.13)	-0.86** (-1.97)	-0.47 (-1.42)	0.002 (0.01)	0.08 (0.15)	0.002 (0.01)	0.06 (0.19)	0.05 (0.09)	0.06 (0.19)
BOARDSIZE	-0.3**(-2.27)	-0.14 (-0.67)	-0.24 (-1.6)	-0.27 (-0.39)	-0.48 (-0.64)	-0.42 (-0.63)	-0.09 (-0.61)	-0.27 (-1.29)	-0.09 (-0.61)	0.11 (0.17)	-0.13 (-0.16)	0.11 (0.17)
OUTSIDE	0.01 (0.4)	-0.01 (-0.34)	0.001 (0.03)	0.01 (0.52)	-0.01 (-0.39)	0.001 (0.05)	-0.01 (-0.31)	-0.003 (-0.09)	-0.01 (-0.31)	-0.01 (-0.29)	-0.01 (-0.22)	-0.01 (-0.29)
CONCENTRAT~N	-0.01 (-0.43)	0.01 (0.2)	-0.01 (-0.47)	-0.04 (-0.76)	-0.14 (-1.27)	-0.08 (-1.21)	0.001 (0.06)	0.01 (0.16)	0.001 (0.06)	-0.08 (-1.31)	-0.14 (-1.21)	-0.08 (-1.31)
DEBTS	-0.002 (-1.35)	-0.001 (-0.52)	-0.002 (-1.14)	-0.003(-1.46)	-0.001 (-0.62)	-0.002(-1.22)	-0.0007 (-0.35)	-0.0006 (-0.26)	-0.0007(-0.35)	0.002 (-0.8)	0.002 (-0.68)	0.002 (-0.8)
BOARDSIZE^2				-0.001 (-0.05)	0.01 (0.57)	0.01 (0.33)				-0.01 (-0.31)	-0.003 (-0.12)	-0.01 (-0.31)
CONCENTR^2				0.0004 (0.66)	0.001 (1.5)	0.0009 (1.11)				0.001 (1.47)	0.002 (1.42)	0.001 (1.47)

AGE_BK							0.0006 (0.01)	-0.98* (-1.87)	0.0006 (0.01)	0.01 (0.16)	-1.17** (-2.15)	0.01 (0.16)
BANKSIZE							-1.68*** (-2.97)	0.13 (0.1)	-1.68*** (-2.97)	-1.75*** (-3.03)	0.73 (0.51)	-1.75*** (-3.03)
LIQ							-0.02 (-0.63)	-0.03 (-0.75)	-0.02 (-0.63)	-0.01 (-0.36)	-0.04 (-0.96)	-0.01 (-0.36)
LNS							0.01 (0.12)	0.02 (0.32)	0.01 (0.12)	-0.003 (-0.06)	0.01 (0.12)	-0.003 (-0.06)
DEP							0.01 (0.22)	-0.01 (-0.14)	0.01 (0.22)	0.01 (0.26)	-0.01 (-0.13)	0.01 (0.26)
CAP_ADEQ							-0.04 (-0.66)	-0.02 (-0.25)	-0.04 (-0.66)	-0.04 (-0.68)	-0.05 (-0.63)	-0.04 (-0.68)
dummy1	0.85 (0.87)	-0.12 (-0.11)	0.66 (0.68)	0.96 (0.95)	0.72 (0.58)	0.92 (0.89)	1.99 (1.43)	3.64* (1.95)	1.99 (1.43)	2.75* (1.86)	4.69** (2.34)	2.75* (1.86)
dummy2	-0.18 (-0.16)	0.93 (0.79)	0.11 (0.1)	-0.25 (-0.23)	0.94 (0.8)	0.2 (0.19)	0.02 (0.02)	0.37 (0.32)	0.02 (0.02)	-0.09 (-0.09)	0.48 (0.41)	-0.09 (-0.09)
_cons	23.46*** (4.05)	28.37*** (3.3)	24.32*** (3.73)	23.02*** (3.02)	33.53*** (3.44)	26.85*** (3.3)	45.68*** (3.84)	42.84*** (2.74)	45.68*** (3.84)	44.9*** (3.72)	39.1** (2.46)	44.9*** (3.72)

Number of Obs	78	78	78	78	78	78	68	68	68	68	68	68
F-Statistics (Wald-Chi^2)	1.39 (0.22)	0.97 (0.46)	6.9 (0.44)	1.11 (0.37)	1.08 (0.39)	7.77 (0.56)	1.74 (0.08)	1.41 (0.19)	22.64 (0.05)	1.67 (0.09)	1.36 (0.21)	25.12 (0.05)
R-Squared	0.122	0.0672	0.1174	0.1276	0.0454	0.1054	0.2954	0.002	0.2954	0.3258	0.0031	0.3258
Hausman		33.3 (0.00)			7.02 (0.64)			14.94 (0.31)			13.38 (0.50)	
LM Statistics	1.82 (0.06)			2.01 (0.03)			1.17 (0.33)			1.14 (0.36)		

Note: *,** and *** represent 10%, 5% and 1% level of significance and t-statistics in bracket

Table 4.6 as shown below presents the relationship between corporate governance mechanism and the Nigerian Banking Performance using Tobins'Q as a measure of banking performance. The sample period spans from 2000 to 2012. The table is divided into four panels. Panel 1-4 presents the Pooled, Fixed and Random effect model for linear and non-linear specifications. Panel 1 presents the Pooled, Fixed and Random effect model for a linear specification with no control, in panel 2 the quadratic specification without control is presented, a linear specification is presented in panel 3 and panel 4 gives the quadratic specification with controls.

Panel 1 shows the impact of corporate governance on bank performance (proxied by Tobin's Q). The R-square value of 0.1938, 0.1509 and 0.1649 show that the explanatory variables jointly account for about 19.4%, 15.1% and 16.5% variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The LM statistic value of 3.09 (P<0.05) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 1.43 (P>0.05) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of (P>0.05) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance. Specifically, director's share, board size, concentration and the era of corporate reporting are significant determinants of bank performance.

Panel 2 presents the impact of corporate governance on banks performance (measured by Tobins' Q) using a non-quadratic specification. The R-square value of 0.1947, 0.137 and 0.1564 shows that corporate governance mechanisms account for about 19.5%, 13.7% and 15.6% variation in banking performance. The LM statistic value of 3.04 (P<0.05) shows that the Fixed effect is better compared to the Pooled regression estimate. The Hausman statistics value of 1.33(P>0.05) fails to reject the null hypothesis that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F- statistics value of 31.64 (P<0.05) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance. Considering each variable, directors' share, and the era of corporate reporting are significant determinants of bank performance.

The third panel presents the impact of corporate governance on bank performance (proxied by Tobin's Q) using a linear specification and augmented with bank specific control variables. From the result, the LM statistics of 3.48 ($P<0.05$) shows that the Pooled regression estimate is not better compared to the Fixed Effect regression estimate. The R-square values of 0.395, 0.0006 and 0.395 show that corporate governance mechanisms account for about 39.5%, 0.06% and 39.5% variations in bank performance in the Pooled, Fixed and Random effect regression respectively. Comparing the Fixed and the Random effect estimates, the Hausman statistics value of 7.35($P<0.05$), indicates that differences in the coefficient is not systematic, thus we accept and interpret the Random effect model. The F-statistics values show that the corporate governance mechanisms are jointly statistically significant in explaining variations in bank performance. Considering each variable, board size, concentration, age of bank, board size, capital adequacy and era of corporate reporting are significant determinants of bank performance

Panel 4 presents the impact of corporate governance on bank performance (proxied by Tobins Q) using quadratic specification and augmented with some bank specific variables. The R-square value of 0.4077, 0.0006 and 0.4077 show that the explanatory variables jointly account for about 40.8%, 0.06% about 40.8 % variations in bank performance in the Pooled, Fixed and Random effect estimates respectively. The LM statistic value of 3.28 ($P<0.05$) shows that the Fixed effect is better compared to the Pooled regression estimate.

From the panel, the Hausman statistics value of -4.69($P>0.05$) fails to reject the null hypothesis that differences in the coefficient is systematic. The F- statistics value of 45.42 ($P>0.05$) shows that the corporate governance mechanism are jointly statistically significant in explaining variations in banking performance. Controlling for bank specific variables board size, bank size, LIQ, capital adequacy and the era of corporate reporting are significant determinants of bank performance.

Table 4.6 Panel Estimates of Banking Performance; Dependent Variable- Tobin's Q

	Linear with no control			Quadratic with no control			Linear with control			Quadratic with control		
	P	F	R	P	F	R	P	F	R	P	F	R
DIRSHARE	26.39** (2.26)	35.9*** (2.52)	36.18*** (2.86)	26.74** (2.25)	36.27** (2.47)	36.44*** (2.83)	17.31 (1.34)	37.05** (2.39)	17.31 (1.34)	14.67 (1.12)	37.07** (2.29)	14.67 (1.12)
BOARDSIZE	-13.46** (-2.42)	-11.48 (-1.54)	-12.74** (-1.93)	-4.99 (-0.17)	-30.27 (-0.98)	-22.54 (-0.8)	-21.43*** (-3.14)	-9.63 (-1.27)	-21.43*** (-3.14)	-51.56* (-1.76)	-28.48 (-0.94)	-51.56* (-1.76)
OUTSIDE	0.19 (0.19)	1.61 (1.34)	1.44 (1.35)	0.22 (0.21)	1.65 (1.36)	1.47 (1.35)	1.25 (1.11)	2.5** (2.17)	1.25 (1.11)	1.2 (1.05)	2.56** (2.19)	1.2 (1.05)
CONCENTRAT~N	1.33* (1.66)	3.1* (1.91)	2.7** (2.32)	1.2 (0.52)	3.9 (0.9)	3.41 (1.05)	2.33*** (2.62)	2.61 (1.44)	2.33*** (2.62)	3.47 (1.4)	4.57 (1.04)	3.47 (1.4)
DEBTS	0.01 (0.12)	-0.03 (-0.35)	-0.03 (-0.38)	0.0004 (0.00)	-0.02 (-0.2)	-0.02 (-0.27)	0.02 (0.17)	0.02 (0.18)	0.02 (0.17)	0.05 (0.56)	0.03 (0.34)	0.05 (0.56)
BOARDSIZE²				-0.29 (-0.3)	0.67 (0.63)	0.35 (0.36)				0.99 (1.05)	0.64 (0.62)	0.99 (1.05)
CONCENTR²				-0.002	-0.01	-0.01				-0.02	-0.02	-0.02

				(0.08)	(-0.17)	(-0.21)				(-0.55)	(-0.47)	(-0.55)
AGE_BK							-1.58(-0.92)	53.16*** (3.09)	-1.58 (-0.92)	-1.88 (-1.07)	54.15*** (3.05)	-1.88 (-1.07)
BANKSIZE							35.55 (1.48)	-105.1** (-2.34)	35.55 (1.48)	40.74* (1.66)	-103.4** (-2.15)	40.74* (1.66)
LIQ							-3.04** (-2.17)	-2.01 (-1.53)	-3.04** (-2.17)	-3.12** (-2.22)	-1.89 (-1.4)	-3.12** (-2.22)
LNS							-1.17 (-0.56)	2.72 (1.16)	-1.17 (-0.56)	-1.14 (-0.54)	2.55 (1.05)	-1.14 (-0.54)
DEP							0.4 (0.24)	1.4 (0.8)	0.4 (0.24)	0.54 (0.33)	1.63 (0.9)	0.54 (0.33)
CAP_ADEQ							6.52** (2.42)	5.58** (2.01)	6.52** (2.42)	7.06*** (2.56)	5.86** (2.04)	7.06*** (2.56)
dummy1	-114.95*** (-2.87)	-165.8*** (-4.14)	-150.73*** (-4.02)	-115.19*** (-2.78)	-172.22*** (-3.65)	-157.73*** (-3.76)	-210.2*** (-3.46)	-341.79*** (-4.92)	-210.2*** (-3.46)	-220.97*** (-3.43)	-360.05*** (-4.78)	-220.97*** (-3.43)
dummy2	41.27 (0.93)	54.11 (1.25)	51 (1.26)	41.04 (0.91)	56.94 (1.29)	52.45 (1.28)	31.77 (0.71)	52.83 (1.26)	31.77 (0.71)	32.2 (0.71)	55.29 (1.28)	32.2 (0.71)

_cons	-99 (-0.42)	-375.59 (-1.31)	-334.69 (-1.29)	-163.47 (-0.51)	-271.56 (-0.79)	-282.16 (-0.88)	-495.07 (-1.02)	-322.12 (-0.67)	-495.07 (-1.02)	-347.14 (-0.67)	-295.9 (-0.61)	-347.14 (-0.67)
Number of Obs	95	95	95	95	95	95	82	82	82	82	82	82
F-Statistics (Wald-Chi²)	2.99 (0.01)	4.13	31.59	2.28 (0.02)	3.19	31.62	3.41	4.82	44.39	3.03	4.11	45.42
R-Squared	0.1938	0.1509	0.1649	0.1947	0.137	0.1564	0.395	0.0006	0.395	0.4077	0.0006	0.4077
Hausman		1.43 (0.98)			1.33 (1.00)			7.35 (0.88)			-4.69 ( )	
LM Statistics	3.09			3.04			3.48			3.28		

Note: *,** and *** represent 10%, 5% and 1% level of significance and t-statistics in bracket

4.4 Alignment of Results with Stated Objectives

4.4.1 Test of Hypotheses

In line with the objectives, the hypotheses earlier stated are tested in Tables 4.3, 4.4, 4.5 and 4.6.

Hypothesis One: There is no significant relationship between ownership concentration and banking sector performance in Nigeria.

This is tested in tables 4.3, 4.4, 4.5 and 4.6. respectively. In Tables 4.3, 4.4, 4.5 and 4.6 ownership concentration does not significantly affect banks' performance in terms of return on asset, return on equity and net interest margin. This is consistent with finding in Barako and Tower (2007). However, it is found to significantly affect banks' market valuation in terms of Tobin's Q in Table 4.6. This shows that increase in the ratio of block holder shareholdings affects bank performance. This validates the conclusion of studies like Sanda *et al*. (2005) that high concentration of shares tend to create pressure on managers to behave in ways that are value maximising. The major investors have the incentive to closely monitor their investments and prevent discretionary capability of the managers for opportunism, thus resolving agency problem. On the other hand, the institutional investors may influence managers to take actions that are not good for the non-controlling interests. Based on the findings from table 4.6, we therefore reject the hypothesis.

Hypothesis Two: There is no significant relationship between directors' shareholdings and banking sector performance in Nigeria.

This is tested in Tables 4.3, 4.4, 4.5, and 4.6. Directors' shareholdings do not significantly impact on banks' performance as can be observed in return on assets, and return on equity, but significantly impact on net interest margin and Tobin's Q. This is a validation of results in studies like Hoque (2013) and Chou (2015). Based on findings from Tables 4.5 and 4.6, we reject the hypothesis. The negative impact on NIM indicates that the banks may not be making optimal decisions on investment as interest expense may be greater than amount of interest income. This may portend a problem of solvency in the long run. The result here is in agreement with literature. When bank insiders utilise their discretionary benefits to exploit the bank for their own purposes, there could be likelihood of bank failures and impairment of corporate finance and economic growth following their inability to provide the liquidity required for the economy to stimulate growth, productivity and employment and enhance social life (see Macey and O. Hara, 2003). An insider dominated board may signal a key corporate governance challenge.

Hypothesis Three: Corporate reporting does not significantly affect banking sector performance in Nigeria

This is tested in Tables 4.3, 4.4, 4.5, and 4.6. Corporate reporting is found to be a major corporate governance dimension that significantly affects banks' performance. This cuts across all measures of bank performance. Corporate reporting disclosures are very essential to the shareholders of a bank because they frequently use these disclosures for their economic decisions about the business enterprise. Board of directors and corporate management may influence corporate reporting disclosures to reflect stakeholders' expectation. Banks that communicate higher earning power to the public may experience favourable influence on their share prices. A higher share price increases market valuation and reduces cost of capital. For mangers with profit based bonuses, a higher profit figure increases their personal wealth. Therefore playing the reporting game in corporate reporting disclosures may be one way to communicate to investors that a firm has earning power potential. From this perspective, the study investigated the influence of corporate governance on corporate reporting disclosures. The results show that corporate governance is significantly associated with the extent of corporate reporting disclosures. We therefore reject the hypothesis.

4.5 Discussion of Findings

Generally, factors affecting bank performance through Tobin's Q can be tied to corporate governance as was found through the results. Tobin's Q being a capitalisation index, is forward looking and reflects shareholders expectation regarding the future performance of banks as corporate firms based on past and current performance. The board of directors and management given the discretion may engage in reporting games, and creative accounting or abusive earnings to influence corporate reporting disclosure to reflect the market expectation of higher share prices even at the expense of long term sustainability. The implication of this is that corporate governance has the capability to influence the development and functioning of capital market and consequently, may influence strongly on resource allocation.

Considering the circumstance of the globalised economy characterised by capital mobility, this may become a major framework condition affecting banking sector competiveness.

For a business, financial returns are a perfectly legitimate measure of performance (Collins, 2005). The need therefore to meet the capital market expectation of a high value of the banks become a consuming pre-occupation of Chief Executive Officer's and Boards of banks' Management. Reported earnings have a powerful influence on the full range of a bank's performance measurements. In response to this prospect, managers of banks may see it as a worthy responsibility to manage earnings such that the capital market expectation is met or exceeded. They often resort to abusive earnings management, involving the use of various forms of gimmickry to distort a company's true financial performance in order to achieve a desired result. Various techniques, such as recognising fictitious revenue on obviously delinquent loans, window-dressed capitalisation of expenses, deliberate poor classification of risk assets and failure to make provision for them, and overstating assets or understating liabilities, are resorted to. Kasznik (2002) maintains that managers use positive discretionary accruals to manage reported earnings upwards when earnings would, otherwise, fall below forecasts. What starts, as an aggressive application of accounting principles, may later become fraudulent corporate reporting, if it continues and is found to contain material amount.

Prior to uniform reporting dates for banks in 2009, a number of them were alleged by the regulatory authorities to be notorious for game playing at year end to create a pseudo-healthy score card in their balance sheets. This is made possible with the window of opportunity of different reporting dates. The different corporate reporting dates of banks made it possible for banks to play games of assets and liability swapping. A bank with risky assets that are non-performing could enter into arrangement with another friendly or related bank to sell off the non-performing loan for cash at balance sheet date. The bank, owning the loan receives cash to look as if the loan has been paid. The position is immediately reversed after the balance sheet date of reporting. Similarly, liabilities may be obtained from a helping bank for the purpose of boosting the deposit as at balance sheet date. Another reason for assets and liability swap is to achieve or meet with critical regulatory ratio. This is in addition to giving a false presentation of size of the bank.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of findings, conclusion drawn there from as well as recommendations for policy applications, made in the light of the conclusion.

5.1 Summary of Findings

Firstly, director shareholdings, and the large block holders, which represent the ownership concentration, are not statistically significant in measuring the corporate performance through return on assets. Corporate financial reporting dummies (both in an era of diverse reporting and changes in the month of corporate reporting) appear to negatively affect return on assets, both in linear and quadratic specifications. Similar results are obtained, even when control variables are accounted for in both specifications, but with the exception of debts that cease to be significantly statistic at 5% and 10% levels. More importantly, changes in the month of reporting significantly reduce the banks' return on assets at 5% level.

Secondly, it is observed that none of the corporate mechanism variables are statistically significant in explaining corporate performance of the Nigerian banks through return on equity. This is further corroborated by the joint test of F-statistics and by the negligible values of coefficients of determination. This runs through all specifications. By implication, the factors that explain return on equity cannot necessarily be tied to corporate governance mechanism variables.

Thirdly, director shareholdings exert negative impact on net interest margin of the Nigerian Banking Industry but are significantly statistic only under fixed effect column. This can only be found in linear and quadratic specifications (without control). In addition, none of the variables, like director shareholdings, and ownership concentration, appear as statistically significant in both linear and quadratic terms when other control variables are well accounted for. In terms of corporate financial reporting, the era of diverse reporting seems to exert positive effects on net interest margins of the Nigerian Banks. This became pronounced under linear and quadratic specification when control variables were considered.

Lastly, director shareholdings have a direct and positive correlation with Tobin-Q, both in linear and quadratic specifications, but occurring without necessarily accounting for the contributory roles of control variables. By implication, the number of shares held by the directors significantly impact positively on the banks' market capitalisation, and vice versa. It is the same for the ownership concentration. In terms of corporate financial reporting, it is only the era of diverse corporate reporting that appears to exert negative impact on banks' market capitalisation in both specifications. This occurs at the highest level of significance of 1%. It is important to note that significant changes are, however, observed in both linear and quadratic specifications when control variables are accounted for. Director shareholdings, and ownership concentration (only in linear with control variables) exert positive impacts on banks' market capitalisation. Of the corporate reporting dummies, the role of era of diverse corporate reporting appears to have significantly reduced the impact of banks' market capitalisation in Nigeria.

5.2 Conclusions

The prevalence of corporate governance abuses, both in the financial and non-financial institutions, with its attendant liquidation problems, have necessitated the need to further seek to understand the nitty-gritty of the subject matter, with a special emphasis on the Nigerian banking industry. The Nigerian financial landscape has witnessed several turbulent periods, occasioned by spates of corporate governance abuses, engineered mostly by corporate managers, in conjunction with equity shareholders of the organisation concerned. As a way of informed policy application, the thesis investigated the impact of corporate governance on bank performance in Nigeria over the period spanning 2000 to 2012. For the objective to be achieved, the study employed a battery of panel data estimators, like pooled regression, fixed and random effect models, respectively. Various factors were identified as affecting financial performances of banks in Nigeria. In terms of return on assets (ROA), return on equity (ROE), and net interest margin (NIM), dummies, capturing era of diverse corporate reporting and changes in the month of reporting, constitute the key predictors affecting Nigeria's banking financial performance. Tobin-Q appears to be affected by sizable number of variables which include director shareholdings, ownership concentration, as well as era of diverse reporting. By and large, the only corporate governance variable, that seems to wield the greatest weight on the financial performance of Nigerian banks, is corporate financial reporting. On the basis of the foregoing, the issue of liquidation that characterises the Nigerian financial landscape may be curtailed as well as minimized, if unified corporate reporting is adopted forthwith.

Several anecdotal reports though mostly qualitative, abound to substantiate incidence of financial reporting games within the banking industry which had consequently led to the untimely collapse of many of them.

Various reports indicate that Nigerian Banks lost colossal billions of money to fraud and forgeries alleged to have originated from fraudulent and self-serving practices among members of the board, management and staff, overbearing influence of chairman or MD/CEO, especially in family-controlled businesses, weak internal control, passive shareholders, sit-tight directors, non-compliance with laid down internal controls and operation proceedings and abuses in lending.

5.3 Recommendations

Arising from the foregoing are a few policy suggestions, as follows:

1. It has been observed from the results that there is a significant positive relationship between ownership concentration and banking performance in terms of Tobin's Q. This arises from the fact that major investors have the incentive to closely monitor their investments and prevent discretionary capability of the managers for opportunism. Having high proportion of shareholders equity in total assets tends to encourage discretionary manipulation of banks' resources to achieve a desired market capitalisation at the expense of other innocent stakeholders. Therefore adequate and stringent conditions should be put in place by regulatory authorities to limit the discretion by statute, of institutional investors as well as protect the minority interest holders.

2. To avoid situations, where bank directors or insiders use their discretionary benefits to exploit the bank for their own purposes given the fact that the findings indicated a relationship between shareholders and banking sector performance in terms of NIM and Tobin's Q, insider-dominated boards should be strongly discouraged through appropriate regulations by the supervisory institutions. With this in place, impairment of corporate

finance can be avoided and banks will be able to provide the liquidity required for the economy to stimulate growth, productivity and employment and enhance social life.

3. Findings from hypothesis three revealed that diverse corporate financial reporting as well as frequent changes in the month of corporate reporting exerts negative impacts on all the measures of financial performance of the banks in Nigeria. Banks appear to have used diverse reporting dates and frequent changes in the date of corporate reporting, as pervasive methods, to fraudulently amass wealth at the expense of innocent stakeholders. To this end, the following will be very important to checkmate negative use of discretion by bank operators:

    (a) The current unified rule of corporate financial reporting that enables a comparable assessment among the banks to be done should be strictly enforced in order to prevent sharp practices, insider abuse and engender healthy competition among banks for the growth of the economy.

    (b) Banks should be compelled to adopt the wide practice and application of IFRS, CAMA, BOFIA, as well as enforcement of their compliance by the Financial Reporting Council of Nigeria (FRCN) and other relevant regulatory agencies so as to make reported earnings, cash flows, and statement of financial position more reliable and contribute to more disclosures, thus protecting the investing public from trading in the securities of banks with no current or weak information disclosure regarding their financial status.

    (c) Enforcement of codes, rules and regulations should be promoted on the basis of "comply or get sanctioned" approach, thus creating enhanced investors' confidence, accountability, and corporate governance.

    (d) The regulatory agencies should consider the adoption of Integrated Reporting (IR) (a new model of reporting being championed by World Accounting Bodies) by all banking institutions. IR will connect both financial and non-financial information about bank to create better holistic performance management and consequently increase the trust and confidence of its stakeholders.

5.4 Recommendations for Further Studies

Emerging from this study is a number of recommendations for further study.

1. A study of corporate governance and bank performance using other independent variables like board size, ownership structure, board composition, debt and capital structure could be undertaken. This is to show the influence if any, these may have on banking performance.
2. Development in the banking sector is a continuum in Nigeria. A lot of developments have taken place in the banking sector after 2012. A study of corporate governance and banking performance for period beyond 2012 could be undertaken to evaluate the effects if any, of such reforms on bank performance.
3. Lastly, it is also suggested as a study, how corporate governance framework of banking sector regulatory authorities influence performance of banks in Nigeria.

5.5 Contributions to Knowledge

In view of its findings, conclusions and recommendations, this thesis has made contributions to knowledge in the following ways:

1. The thesis extended empirical literature in Nigeria by capturing corporate reporting as a governance variable having a significant impact on banking sector performance.

2. The thesis used data from 2000 to 2012, with analysis carried out in the context of the panel data estimation technique. This enabled valid conclusions to be drawn. The principal contribution lies in the methodology which may be usefully applied in further studies. Hardly have studies on corporate governance of banks in Nigeria (to the best knowledge of the researcher) used a battery of panel data estimators.

3. Most studies, that have been conducted on corporate governance in Nigeria, focused mainly on the non-financial sector. This study has examined corporate governance of banks, using recent data, including pre- and post-consolidation era. This study makes an important addition to the literature in the area of knowledge having extended its scope to include pre- and post-consolidation eras, as against the achievements of previous studies.

4. The thesis also contributed to knowledge with the use of more than one estimated parameters in one study to predict the influence of corporate governance on banking performance. Previous studies known to the author have been considered on single estimated parameter dimension.

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APPENDIX I

Banking Crises Dates, 1970–2011		
Country	**Start**	**End**
Albania	1994	1994
Algeria	1990	1994
Argentina	1980	1982
Argentina	1989	1991
Argentina	1995	1995
Argentina	2001	2003
Armenia	1994	1994
Austria	2008	…
Azerbaijan	1995	1995
Bangladesh	1987	1987
Belarus	1995	1995
Belgium	2008	…
Benin	1988	1992
Bolivia	1986	1986
Bolivia	1994	1994
Bosnia and Herzegovina	1992	1996
Brazil	1990	1994
Brazil	1994	1998
Bulgaria	1996	1997
Burkina Faso	1990	1994
Burundi	1994	1998
Cameroon	1987	1991
Cameroon	1995	1997

Cape Verde	1993	1993
Central African Rep	1976	1976
Central African Rep	1995	1996
Chad	1983	1983
Chad	1992	1996
Chile	1976	1976
Chile	1981	1985
China, Mainland	1998	1998
Colombia	1982	1982
Colombia	1998	2000
Congo, Dem Rep	1983	1983
Congo, Dem Rep	1991	1994
Congo, Dem Rep	1994	1998
Congo, Rep	1992	1994
Costa Rica	1987	1991
Costa Rica	1994	1995
Cote d'Ivoire	1988	1992
Croatia	1998	1999
Czech Republic	1996	2000
Denmark	2008	…
Djibouti	1991	1995
Dominican Rep	2003	2004
Ecuador	1982	1986
Ecuador	1998	2002
Egypt	1980	1980
El Salvador	1989	1990

Equatorial Guinea	1983	1983
Eritrea	1993	1993
Estonia	1992	1994
Finland	1991	1995
France	2008	…
Georgia	1991	1995
Germany	2008	…
Ghana	1982	1983
Greece	2008	…
Guinea	1985	1985
Guinea	1993	1993
Guinea-Bissau	1995	1998
Guyana	1993	1993
Haiti	1994	1998
Hungary	1991	1995
Hungary	2008	…
Iceland	2008	…
India	1993	1993
Indonesia	1997	2001
Ireland	2008	…
Israel	1977	1977
Italy	2008	…
Jamaica	1996	1998
Japan	1997	2001
Jordan	1989	1991
Kazakhstan	2008	…

Kenya	1985	1985
Kenya	1992	1994
Korea	1997	1998
Kuwait	1982	1985
Kyrgyz Rep	1995	1999
Latvia	1995	1996
Latvia	2008	…
Lebanon	1990	1993
Liberia	1991	1995
Lithuania	1995	1996
Luxembourg	2008	…
Macedonia, FYR	1993	1995
Madagascar	1988	1988
Malaysia	1997	1999
Mali	1987	1991
Mauritania	1984	1984
Mexico	1981	1985
Mexico	1994	1996
Mongolia	2008	…
Morocco	1980	1984
Mozambique	1987	1991
Nepal	1988	1988
Netherlands	2008	…
Nicaragua	1990	1993
Nicaragua	2000	2001
Niger	1983	1985

Nigeria	1991	1995
Nigeria	2009	…
Norway	1991	1993
Panama	1988	1989
Paraguay	1995	1995
Peru	1983	1983
Philippines	1983	1986
Philippines	1997	2001
Poland	1992	1994
Portugal	2008	…
Romania	1990	1992
Russia	1998	1998
Russia	2008	…
São Tomé & Príncipe	1992	1992
Senegal	1988	1991
Sierra Leone	1990	1994
Slovak Rep	1998	2002
Slovenia	1992	1992
Slovenia	2008	…
Spain	1977	1981
Spain	2008	…
Sri Lanka	1989	1991
Swaziland	1995	1999
Sweden	1991	1995
Sweden	2008	…
Switzerland	2008	…

Tanzania	1987	1988
Thailand	1983	1983
Thailand	1997	2000
Togo	1993	1994
Tunisia	1991	1991
Turkey	1982	1984
Turkey	2000	2001
Uganda	1994	1994
Ukraine	1998	1999
Ukraine	2008	…
United Kingdom	2007	…
United States	1988	1988
United States	2007	…
Uruguay	1981	1985
Uruguay	2002	2005
Venezuela	1994	1998
Vietnam	1997	1997
Yemen	1996	1996
Zambia	1995	1998
Zimbabwe	1995	1999
Source: Laeven and Valencia (2012).		

APPENDIX II

CENTRAL BANK OF NIGERIA CORPORATE GOVERNANCE CODES FOR BANKS

EQUITY OWNERSHIP

Q1. Government direct or indirect equity ownership limited to 10%

Q2. Any investor holds more than 10% equity

Q3. Any prior approval by the CBN acknowledging such

ORGANISATIONAL STRUCTURE –EXECUTIVE DUALITY

Q4. The role of chairman and the MD/CEO clearly separated

Q5. Any two members of the same extended family occupy same position of chairman and that of executive officer or executive director of a bank at the same time

QUALITY OF BOARD MEMBERSHIP

Q6. Institutions headed by an effective board composed of qualified individuals that are conversant with its oversight functions.

Q7. Only people of proven integrity who are knowledgeable in business and financial matters are appointed to the board.

Q8. Regular training and education of board members on issues pertaining to oversight functions are institutionalised and budgeted annually for the banks.

Q9. The board hired independent consultants to advice on certain issues and the cost are borne by the banks.

Q10. The numbers of non-executive directors are more than that of the executive directors which are also subject to a maximum board size of twenty (20) directors.

Q11. At least (2) non-executive board member are independent directors (who do not represent any particular shareholder interest and hold no special business interest with the bank) are appointed by the bank.

Q12. A committee of non-executive directors determines the remuneration of executive directors.

Q13. There are strict adherences to the existing code of conduct for bank directors, failing which the regulatory imposes appropriate sometimes including removal of the erring director from the board.

Q14.Non-executive directors' remuneration is limited to sitting allowances, director's fees and reimbursable travel and hotel expenses.

Q15. For fresh ideas and continuity, non-executive directors are not to remain on the board of the bank continuously for more than 3 terms of 4 years each, i.e. 12 years.

Q16. Banks have clear succession plans for their top executives.

Q17. As minimum, the bank has the following committees- Risk management committee, Audit committee and the Credit committee.

Q18. The bank has more than the following committees – Risk management committee, Audit committee and the credit committee.

Q19. Board chairman does not serve simultaneously as chairman/member of any of the board committees.

BOARD PERFORMANCE APPRAISAL

Q20. Each board in the bank adopt and identify, in the light of the company's future strategy, its critical success factor or key strategic objectives.

Q21. Boards do determine the skills, knowledge and experience that members require to achieve those objectives.

Q22. Boards do work effectively as team towards their strategic objectives.

Q23. There are annual board and directors' review/appraisal covering all aspects of the boards structure and composition, responsibilities, process and relationships, as well as individual member competencies and respective roles in the board's performance.

Q24. The review is carried out by an outside consultant.

Q25. The review report is presented at the AGM and a copy sent to the CBN.

QUALITY OF MANAGEMENT

Q26. Appointments to top management positions is based on merit rather than some other considerations

Q27. Existing guidelines on appointments to top management of banks are continuously observed.

Q28. Track records of appointees are additional requirement. Such records cover both integrity ('fit and proper' as revealed by the CBN 'black book', CRMS etc.) and past performance (visible achievements in previous place(s) of work).

REPORTING RELATIONSHIP

Q29. Officers are held accountable for duties and responsibilities attached to their respective offices.

Q30. The structure of the bank reflects clearly defined and acceptable lines of responsibility and hierarchy.

INDUSTRY TRANSPARENCY, DUE PROCESS, DATA INTEGRITY AND

DISCLOSURE REQUIREMENTS

Q31. Full disclosure of interests is made where board directors and companies/entities/persons related to them are engaged as service providers or suppliers to the bank.

Q32. Chief executive officers and chief finance officers of the banks can continue to certify in each statutory return submitted to the CBN.

Q33. There are due processes in all the procedures of the banks

Q34. All insider credit applications pertaining to directors and top management staff

(i.e. AGM and above) and parties related to them, irrespective of size, are sent for consideration/approval to the board credit committee.

Q35. The board credit committees have neither the chairman of the board nor the MD as its chairman.

Q36. The board credit committees are composed of members knowledgeable in credit analysis.

Q37. Bank's chief compliance officers (CCO), in addition to monitoring compliance with money laundering requirements, monitor the implementation of the corporate governance code.

Q38. Bank established a 'whistle blowing' procedure that encourage (including by assurance of confidentiality) all stakeholders (staff, customers, suppliers, applicants etc.) to report any unethical activity/breach of the corporate governance code using, among others, a special e-mail or hotline to both the bank and the CBN.

Q39. The CCO make monthly returns to the CBN on all whistle blowing reports and corporate governance related breaches.

Q40. The CCO together with the CEO of the bank do certify in the year to the CBN that they are not (apart from 6.1.1.14 of the code) aware of any other violation of the corporate governance code.

Q41. The corporate governance compliance status report included in the audited financial statements.

RISK MANAGEMENT

Q42. The board/board risk management committee establishes policies on risk oversight and management.

Q43. There is a risk management framework including a risk management unit headed by a senior executive put in place by the bank in line with the directive of the board risk management committee.

Q44. The internal control system are documented and designed to achieve efficiency and effectiveness of operations; reliability of financial reporting and compliance with applicable laws and regulations at all levels of the bank.

Q45. External auditors do render reports to the CBN on banks' risk management practices, internal controls and levels of compliance with regulatory directives.

ROLE OF AUDITORS

Q46. Internal auditor of the bank is largely independent, highly competent and people of integrity.

Q47. The head of internal audit is not below the rank of AGM and is a member of a relevant professional body.

Q48. The Head of internal audit report directly to the Board Audit committee but forward copy of the report of the MD/CEO of the bank. Quarterly reports of the audit is made to the Audit committee, and made available to examiners on field visits.

Q49. Member of the board audit committee are non-executive directors and ordinary shareholders appointed at AGM and some are knowledgeable in internal control processes; one of such appointed ordinary shareholders serve as the chairman of the committee.

Q50. The audit committee is responsible for the review of the integrity of the banks' financial reporting and oversees the independence and objectivity of the external auditors.

Q51. The committee has access to external auditors to seek for explanations and additional information without management presence.

Q52. Internal audit unit is adequately staffed.

EXTERNAL AUDITORS

Q53. External auditor maintains arms-length relationship with the bank.

Q54. Appointment of external auditor is viewed to be continually approved by the CBN.

Q55. The tenure of the auditors in the bank is for a maximum period of ten years after which the audit firm shall not be reappointed in the bank for another period of ten years.

APPENDIX III

List of Registered Commercial Banks (Deposit Money Banks) in Nigeria as at 2015

1 Access Bank Plc

2 Citibank Nigeria Limited

3 Diamond Bank Plc

4 Ecobank Nigeria Plc

5 Enterprise Bank

6 Fidelity Bank Plc

7 First Bank of Nigeria Plc

8 First City Monument Bank Plc

9 Guaranty Trust Bank Plc

10 Heritage Banking Company Ltd.

11 Key Stone Bank

12 MainStreet Bank

13 Skye Bank Plc

14 Stanbic IBTC Bank Ltd.

15 Standard Chartered Bank Nigeria Ltd.

16 Sterling Bank Plc

17 Union Bank of Nigeria Plc

18 United Bank For Africa Plc

19 Unity Bank Plc

20 Wema Bank Plc

21 Zenith Bank Plc

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APPENDIX IV

Descriptive by Banks

		DIRECTORS SHARES(TOTAL NO)	DIRSHARE SQUARE	CONCENTRATION	Concentration square	AGE_BK	BANKSIZE	Tobin_Q	BOARDSIZE	ROA	ROE	NIM	LIQ	LNS	CAP_ADEQ	DEBTS	DEP	BOARDSIZESQUARE	OUTSIDE	FOREIGN_SHAREHOLDINGS
ACCESS BANK PLC	N	12	12	11	11	12	11	9	12	11	11	11	11	11	11	9	11	12	11	7
	Minimum	1121090.0	1256842788100.0	10.1	101.6	13.0	15.9	5.9	8.0	-0.6	-2.6	5.3	3.2	23.5	8.6	4.0	33.8	64.0	0.0	3.0
	Maximum	2027006198.0	4108754126730410000.0	38.0	1444.0	24.0	21.3	556.5	16.0	2.5	23.6	19.8	56.0	55.3	24.1	432.1	72.5	256.0	12.5	33.0
	Mean	1448795491.8	2433914854472250000.0	25.9	767.5	18.5	19.2	278.0	12.1	1.3	11.3	10.6	24.1	35.3	14.8	117.9	58.5	154.8	4.9	19.7
	Std. Deviation	604443976.7	136775260863696	10.	513.3	3.6	1.9	192.5	3.1	0.9	9.1	4.6	16.6	10.3	5.5	156.	12.	72.2	4.3	11.8

			0000.0	3												4	1			
AFRIBANK NIGERIAN PLC (MAINSTREET BANK)	N	9.0	9.0	9.0	9.0	9.0	9.0	8.0	9.0	9.0	9.0	9.0	9.0	8.0	9.0	8.0	9.0	9.0	9.0	6.0
	Minimum	2715839.0	7375781473921.0	15.0	225.0	32.0	18.0	92.6	10.0	-0.9	-15.7	9.7	1.5	20.9	5.6	27.7	61.9	100.0	0.0	34.0
	Maximum	783633220.0	614081023487568000.0	65.0	4230.2	40.0	19.7	832.6	14.0	2.9	27.2	21.5	45.3	32.8	21.1	99.1	82.9	196.0	36.4	42.0
	Mean	105119225.7	68947409237905100.0	38.6	1714.9	36.0	18.6	293.0	11.7	1.5	13.3	14.4	31.5	26.0	11.7	48.0	72.7	139.0	11.1	36.7
	Std. Deviation	255214669.1	204428793023830000.0	15.9	1230.4	2.7	0.5	250.0	1.8	1.2	13.4	4.2	17.1	4.6	6.2	24.0	7.3	42.9	13.9	4.1
DIAMOND BANK PLC	N	9.0	9.0	4.0	4.0	8.0	9.0	8.0	9.0	9.0	5.0	7.0	9.0	9.0	5.0	9.0	9.0	9.0	9.0	
	Minimum	427501.0	182757105001.0	5.0	25.0	7.0	18.1	34.6	11.0	-0.6	1.3	7.7	4.6	28.5	0.9	1.4	61.2	121.0	0.0	
	Maximum	5519763186.0	30467785629520800000.0	6.0	36.0	14.0	20.9	566.8	19.0	2.2	203.7	16.7	53.2	49.7	18.6	503.5	77.3	361.0	20.0	

	Mean	2395782622.2	8361446549748690000.0	5.5	30.5	10.5	19.8	221.0	15.0	1.3	46.7	11.3	16.0	38.8	14.2	87.7	68.4	230.3	11.4	
	Std. Deviation	1717376254.3	9773204035371490000.0	0.6	6.4	2.4	0.9	173.2	2.4	1.0	87.9	3.1	15.1	7.6	7.5	157.8	5.0	72.9	8.8	
ECOBANK NIGERIA PLC	N	6.0	6.0	6.0	6.0	5.0	2.0		7.0	2.0	4.0	1.0	2.0	2.0	1.0	5.0	2.0	7.0	6.0	6.0
	Minimum	13518978.0	182762766164484.0	55.0	3025.0	21.0	18.0		11.0	0.2	-1.8	12.3	8.5	28.3	38.1	6.3	48.0	121.0	36.4	55.0
	Maximum	159856919.0	25554234552172500.0	85.0	7225.0	25.0	21.0		15.0	2.5	6.5	12.3	63.7	41.3	38.1	1347.2	78.7	225.0	64.3	85.0
	Mean	75511827.5	8200474083296420.0	73.1	5447.2	23.0	19.5		13.6	1.3	1.7	12.3	36.1	34.8	38.1	402.1	63.3	185.9	48.3	73.1
	Std. Deviation	54755142.1	9621905384877840.0	11.2	1588.6	1.6	2.1		1.4	1.6	3.6	.	39.0	9.2	.	594.3	21.7	36.6	9.1	11.2
FIDELITY BANK PLC	N	8.0	8.0	5.0	5.0	8.0	7.0	7.0	8.0	7.0	8.0	7.0	7.0	7.0	7.0	8.0	7.0	8.0	8.0	
	Minimum	279078867.0	778850140060036	0.0	0.0	19.0	17.4	57.1	7.0	0.3	1.1	9.0	4.9	32.1	17.7	1.5	58.	49.0	0.0	

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	Maximum	1379927339.0	1904199460919620000.0	0.0	0.0	26.0	20.6	703.9	19.0	3.7	15.7	19.3	14.8	42.5	28.5	53.3	78.4	361.0	92.3	
	Mean	1047172324.5	1276008435264330000.0	0.0	0.0	22.5	19.6	243.8	14.3	1.7	8.3	12.4	9.2	36.1	23.9	29.7	69.1	217.3	22.1	
	Std. Deviation	452849464.8	753303290119851000.0	0.0	0.0	2.4	1.2	222.8	4.0	1.2	5.4	3.5	4.0	3.9	4.7	19.9	6.7	110.4	31.5	
FIRST BANK OF NIGERIA PLC	N	11.0	11.0	8.0	8.0	11.0	11.0	11.0	11.0	11.0	6.0	10.0	11.0	11.0	6.0	11.0	11.0	11.0	11.0	2.0
	Minimum	30984657.0	960048969407649.0	0.0	0.0	34.0	19.5	102.3	14.0	0.2	10.3	8.3	3.2	14.8	6.6	58.3	45.8	196.0	0.0	0.4
	Maximum	873051863.0	762219555487770000.0	0.4	0.2	44.0	21.9	529.3	19.0	3.0	40.8	13.2	50.5	49.6	23.3	473.0	75.4	361.0	57.1	0.4
	Mean	319227756.5	177059207707421000.0	0.1	0.0	39.0	20.7	226.4	16.1	2.1	23.8	10.1	19.6	32.8	12.1	171.0	65.3	261.0	6.9	0.4
	Std. Deviation	287520663.5	250684049949468	0.2	0.1	3.3	0.9	117.7	1.5	0.8	11.2	1.4	19.0	12.7	5.8	141.	7.9	50.0	17.	0.0

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FIRST CITY MONUMENT BANK PLC (FCMB)	N	4.0	4.0	5.0	5.0	6.0	6.0	5.0	4.0	6.0	5.0	6.0	6.0	6.0	5.0	7.0	6.0	4.0	4.0	5.0
	Minimum	157318663.0	24749161728107500.0	33.9	1150.6	24.0	19.4	4.4	13.0	-1.7	-8.4	0.1	0.6	0.2	0.1	7.6	0.5	169.0	23.1	17.0
	Maximum	502268889.0	252274036857294000.0	54.7	2986.6	29.0	22.4	682.5	16.0	3.2	11.3	13.8	9.7	60.7	28.6	252.7	71.4	256.0	50.0	32.1
	Mean	407042773.5	186527035212931000.0	41.7	1808.6	26.5	20.3	274.7	14.5	0.9	4.1	8.4	4.4	39.5	20.3	78.0	52.2	211.5	37.3	23.2
	Std. Deviation	166706191.7	108186763373124000.0	9.1	806.4	1.9	1.0	248.3	1.3	1.8	8.3	4.8	3.3	21.8	11.8	96.2	26.1	37.5	11.7	6.2
GUARANTY TRUST BANK PLC (GTB)	N	13.0	13.0	11.0	11.0	12.0	13.0	12.0	13.0	13.0	12.0	13.0	13.0	13.0	12.0	13.0	13.0	13.0	13.0	4.0
	Minimum	83363110.0	6949408108872100.0	0.0	0.0	11.0	17.4	146.6	8.0	2.2	12.7	2.6	2.5	22.7	8.8	22.3	43.4	64.0	0.0	21.0
	Maximum	792556693.0	628146111619096000.0	49.5	2453.2	23.0	21.3	569.3	18.0	5.0	38.9	18.7	36.6	52.8	18.5	1478.9	70.0	324.0	91.7	32.0

	Mean	492538483.5	286861797656514000.0	13.5	534.4	17.4	19.5	303.6	13.3	3.2	25.2	12.2	21.6	35.9	13.2	305.0	57.7	185.0	15.4	25.8
	Std. Deviation	218989976.7	213756368392311000.0	19.7	864.4	3.8	1.4	121.6	2.9	0.7	8.6	4.3	10.9	10.5	4.0	392.3	8.2	78.6	24.9	4.6
INTERCONTINENTAL BANK PLC	N	5.0	5.0	4.0	4.0	4.0	6.0	4.0	5.0	6.0	6.0	2.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	
	Minimum	953894106.0	909913965461539000.0	0.0	0.0	15.0	17.8	13.9	10.0	2.1	9.9	9.2	0.0	27.0	8.4	17.1	0.1	100.0	0.0	
	Maximum	2596935392.0	6744073430222190000.0	0.0	0.0	20.0	21.1	395.0	20.0	3.5	40.5	11.7	55.2	43.7	22.3	102.3	74.0	400.0	15.0	
	Mean	1873318365.8	4012068159828250000.0	0.0	0.0	18.0	19.2	163.2	14.0	2.8	23.1	10.5	31.9	33.8	14.0	41.6	57.9	216.4	7.9	
	Std. Deviation	792737709.0	2772380892041960000.0	0.0	0.0	2.2	1.4	165.3	5.0	0.6	11.9	1.7	25.4	5.9	4.8	30.6	28.4	150.7	5.6	
SKYE BANK PLC	N	3.0	3.0	2.0	2.0	4.0	5.0	4.0	3.0	5.0	2.0	5.0	5.0	5.0	2.0	5.0	5.0	3.0	3.0	1.0
	Minimum	207567754.0	430843725006045	4.4	19.4	11.0	19.9	52.9	17.0	0.0	11.8	8.9	4.0	1.6	6.6	14.7	59.	289.0	0.0	6.0

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	Maximum	2583617324.0	6675078476872920000.0	12.2	149.6	14.0	20.8	164.8	18.0	1.5	20.0	24.0	10.4	54.6	10.0	749.0	73.6	324.0	11.1	6.0
	Mean	1460136034.3	3081264224187890000.0	8.3	84.5	12.5	20.4	93.4	17.7	0.8	15.9	14.2	6.4	36.2	8.3	253.9	68.5	312.3	5.6	6.0
	Std. Deviation	1193273010.7	3350728822329010000.0	5.5	92.1	1.3	0.3	52.3	0.6	0.7	5.8	5.8	3.0	22.8	2.4	303.4	5.4	20.2	5.6	.
STANBIC IBTC BANK (IBTC-CHARTERED BANK) PLC	N	8.0	8.0	4.0	4.0	8.0	7.0	7.0	8.0	7.0	7.0	4.0	7.0	7.0	7.0	8.0	7.0	8.0	7.0	4.0
	Minimum	225287200.0	50754322483840000.0	49.9	2490.0	17.0	17.5	280.8	7.0	1.3	9.0	9.2	2.3	0.0	14.9	1.0	22.7	49.0	0.0	49.9
	Maximum	4050970798.0	16410364406248700000.0	60.0	3600.0	24.0	20.1	1183.4	18.0	6.2	15.6	17.0	23.9	42.6	40.0	298.4	52.8	324.0	44.4	60.0
	Mean	1808431040.4	6091780441691500000.0	56.8	3240.7	20.5	19.3	620.2	12.3	3.1	11.9	13.4	6.7	30.3	25.2	69.2	39.4	158.8	18.5	56.8
	Std. Deviation	1795663861.0	8014985343940140000.0	4.6	507.7	2.4	0.9	296.8	3.2	1.6	2.5	3.9	7.7	15.2	7.7	107.9	13.3	80.1	21.0	4.6

STERLING BANK PLC (NAL BANK PLC)	N	13.0	13.0	13.0	13.0	13.0	12.0	11.0	13.0	12.0	11.0	7.0	12.0	12.0	10.0	12.0	12.0	13.0	13.0	13.0
	Minimum	7197772.0	51807921763984.0	23.0	529.0	41.0	16.4	31.4	11.0	-4.1	-42.8	9.1	2.4	25.3	8.0	0.5	38.0	121.0	0.0	10.0
	Maximum	10416119676.0	108495549104754000000.0	50.4	2540.2	53.0	20.2	372.5	17.0	6.9	28.3	24.7	40.4	49.2	24.4	399.1	80.6	289.0	57.1	15.0
	Mean	3361921807.5	22878114894593900000.0	38.1	1553.1	47.0	18.2	168.5	13.2	1.5	7.2	15.0	18.1	33.9	13.6	148.8	62.0	175.6	31.0	12.3
	Std. Deviation	3541218675.7	31090552814955900000.0	10.4	786.4	3.9	1.4	96.2	1.7	2.5	18.5	5.8	12.6	7.3	5.8	134.4	14.2	46.0	19.4	1.7
UNION BANK OF NIGERIA PLC	N	11.0	11.0	10.0	10.0	11.0	11.0	10.0	11.0	11.0	11.0	6.0	9.0	11.0	11.0	10.0	10.0	11.0	11.0	10.0
	Minimum	2867365.0	8221782043225.0	85.0	7225.0	34.0	19.5	56.6	11.0	-24.2	-87.4	9.0	2.4	14.9	-20.5	86.9	46.8	121.0	0.0	26.0
	Maximum	87153891.0	7595800716439880.0	90.0	8100.0	44.0	20.9	593.5	19.0	10.6	118.1	11.9	61.2	40.5	18.8	1298.2	82.5	361.0	66.7	65.0

	Mean	28632571.8	1364727802664750.0	85.5	7312.5	39.0	20.4	209.4	15.1	-0.7	10.9	10.8	16.2	20.6	7.5	502.2	65.0	233.5	18.5	29.9
	Std. Deviation	24482524.3	2231134555043870.0	1.6	276.7	3.3	0.5	153.6	2.5	8.9	50.3	1.2	21.6	7.2	12.4	388.1	9.4	76.3	19.8	12.3
UNITED BANK FOR AFRICA PLC (UBA)	N	10.0	10.0	12.0	12.0	12.0	12.0	10.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	10.0	12.0	11.0	11.0	12.0
	Minimum	8379026.0	70208076708676.0	37.2	1384.6	40.0	18.6	0.1	15.0	-0.5	-5.8	7.2	4.2	12.3	4.8	0.4	65.9	225.0	0.0	1.8
	Maximum	1656187734.0	2742957810252050000.0	81.3	6606.4	52.0	21.5	366.8	25.0	2.6	43.3	16.4	53.3	39.2	14.1	275.9	87.8	625.0	52.6	49.0
	Mean	486640884.7	505851312159464000.0	48.3	2441.2	46.2	20.3	129.4	21.0	1.3	17.3	10.4	29.9	25.4	8.5	52.2	75.7	448.1	28.9	23.7
	Std. Deviation	546739793.4	883896090009317000.0	11.0	1350.8	4.0	1.1	99.3	2.8	1.0	12.9	2.7	20.0	9.5	3.0	82.5	6.3	113.2	16.9	20.5
WEMA BANK	N	10.0	10.0	9.0	9.0	11.0	10.0	10.0	10.0	10.0	11.0	9.0	10.0	10.0	10.0	11.0	10.0	10.0	10.0	

PLC	Minimum	3551959.0	12616412737681.0	41.0	1681.0	56.0	16.9	33.6	5.0	-5.5	-70.3	10.2	3.0	19.7	-29.8	2.2	55.7	25.0	0.0	
	Maximum	391984759.0	153652051288288000.0	90.0	8100.0	67.0	19.2	915.0	15.0	8.0	106.6	18.5	56.9	51.3	17.1	138.4	77.3	225.0	80.0	
	Mean	143793399.7	43087988406577100.0	68.2	4945.8	61.3	18.3	218.6	9.9	0.4	12.8	14.3	28.1	32.8	6.6	67.0	69.7	108.7	21.0	
	Std. Deviation	157802431.4	61180646972885000.0	18.1	2365.7	3.7	0.8	255.4	3.4	4.3	43.3	3.1	20.8	10.9	13.2	55.1	8.6	68.8	27.7	
ZENITH BANK PLC	N	8.0	8.0	8.0	8.0	8.0	6.0	6.0	8.0	6.0	5.0	4.0	6.0	6.0	5.0	6.0	6.0	8.0	7.0	2.0
	Minimum	112460235.0	12647304456255200.0	0.0	0.0	16.0	20.7	165.6	12.0	1.2	6.1	8.6	7.5	24.9	16.5	23.4	65.2	144.0	0.0	7.0
	Maximum	3552511277.0	12620336373212100000.0	23.0	529.0	23.0	21.7	438.9	16.0	3.9	21.8	16.7	65.8	42.1	20.2	317.2	74.1	256.0	21.4	14.0
	Mean	1399939193.1	3553143335405010000.0	8.8	160.7	19.5	21.3	250.0	13.8	2.3	13.0	11.8	27.1	34.7	18.6	128.4	69.6	190.5	6.2	10.5

	Std. Deviation	1349418325.9	4987366125990470000.0	9.7	195.3	2.4	0.3	96.9	1.3	0.9	5.8	3.5	27.5	6.3	1.5	121.6	3.3	36.0	7.7	4.9
Total	N	140.0	140.0	121.0	121.0	142.0	137.0	122.0	142.0	137.0	125.0	113.0	135.0	136.0	119.0	138.0	136.0	142.0	138.0	72.0
	Minimum	427501.0	182757105001.0	0.0	0.0	7.0	15.9	0.1	5.0	-24.2	-87.4	0.1	0.0	0.0	-29.8	0.4	0.1	25.0	0.0	0.4
	Maximum	10416119676.0	108495549104754000000.0	90.0	8100.0	67.0	22.4	1183.4	25.0	10.6	203.7	24.7	65.8	60.7	40.0	1478.9	87.8	625.0	92.3	85.0
	Mean	1071464537.3	3793886995257260000.0	35.6	2092.1	31.2	19.6	246.9	14.1	1.5	15.1	12.0	20.6	32.4	13.7	157.8	63.9	211.4	18.2	28.0
	Std. Deviation	1632447744.3	11718309825498400000.0	28.8	2436.4	15.0	1.4	200.0	3.6	3.1	27.7	4.0	18.2	11.5	9.1	250.4	14.0	107.9	20.7	20.7