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The Effect of Corporate Governance on Bank's Financial Performance in Nigeria

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Abstract: *In developing economies, the banking sector among other sectors has witnessed several cases of collapses or failure; in Nigeria for instance, weak corporate governance has been at the core of all recent episodes of crisis in the banking system. This research empirically investigates the effect of corporate governance on financial performance of banks in Nigeria. The effects of relative size of non-executive directors and the board size on return on investment (ROA) of a sample of 10 selected banks were investigated. Secondary data were sourced from the Nigeria Stock Exchange fact books issued for the years 2004-2013. The ordinary least square regression technique aided by SPSS 21 was employed in estimating the relationship between the selected variables. The study revealed that the relationship between corporate governance and bank performance in Nigeria is quite significant as a unit change in the board size and the relative size of non-executive directors increases the return on assets. The study therefore concludes that proper structuring of the stakeholders in the corporate governance team is a panacea to the perennial banking crisis experienced in Nigeria. It was recommended among others that banking sector should engage in strategic training of board members and senior bank managers especially in areas that promote internal control effectiveness, board structure and independence and in banking ethics.*

Keywords:*Corporate Governance, Financial Performance, Board Size, Banking System*

I. Introduction

The concept of corporate governance of banks and every large firm have been a priority on the policy agenda in developed market economics for over a decade. The concept is gradually warming itself as a priority in the African continent (Uwuigbe, 2011). The etymology of corporate governance in Nigeria cannot be divorced from the Nigerian Company Law. Before the expression "corporate governance" became popular, Company Law recognized and still recognizes two organs of a company: first is the company's board of directors and secondly, the company in general meeting. The concept of corporate governance explains how a company should be run by those put in charge of the company's affairs. Therefore, the centrality of the board of directors in the institutionalization of the tenets of sound corporate governance in every company cannot be denied. The prominence of board of directors in corporate governance is evident in model definitions of corporate governance which in a nutshell regards corporate governance as the processes and structures by which the business and affairs of an institution are directed and managed in order to improve long-term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders. (Tricker, 2009).

In developing economies, the banking sector among other sectors has witnessed several cases of collapses or failure, of which some Nigerian examples include: Savannah Bank Plc, Society Generale Bank Ltd and recently Oceanic Bank, Bank of the North, AfriBank, Mainstream Bank. With the failure in Nigeria banks and the activities of some of the bank operators, there are concerns on the need to strengthen corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, 2004).

In Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. This is in recognition of the failure of the critical role of corporate governance in the success or failure of companies (Ogbechie, 2006). Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster great corporate performance. Corporate governance can therefore be said to refer to the processes and structures by which the business and affairs of institutions are directed and managed in order to improve long term shareholders' value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Tricker, 2009).

In recent times many country leaders, globally, have increased concern over corporate governance due to the increase of reported cases of frauds, insider trading, agency conflicts among other corporations saga (Enobakhare, 2010). Corporate failure has been recently witnessed in both developed and developing countries with the reported cases of the East Asia crises of 1997/98, the collapse of Enron in 2001 and WorldCom in

2002, (Inyang, 2009) and the just ended global financial crisis of 2007/8. The crises emanated from the poor governance practices from the financial sector (the mortgage market). Since mortgage market was the mother of the crisis, this has triggered the world leaders to enact some laws, which increase banks governance. The World Bank is currently helping many economies in undertaking banking sector reformation and restructuring. This exercise will ease, reduce or eliminate some fatal global macroeconomic troubles which have emanated from poor governance of large financial and non-financial institutions (Zaharia, Tudorescu&Aharia, 2010).

This study seeks to explore the relationship between corporate governance and financial performance of banking sector in Nigeria as its main objective. Next to the introduction of the paper, the literature review is presented; in the third section, the methodology adopted in the research is discussed; the data analysis is presented in the fourth section of the paper while conclusion and recommendations are presented in the last section.

II. Literature Review And Conceptual Framework

Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solutions lie in multidisciplinary fields including: economics, accountancy, finance among others (Cadbury, 2002). It is therefore essential that a comprehensive framework be codified in the accounting structure of any organization. In any organization, corporate governance is one of the several key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends largely on the underlying soundness of its individual components and the connections between them. Levine (1997) emphasized the importance of corporate governance of banks in developing economies and observed that: first, banks have an overwhelmingly dominant position in the financial system of a developing economy and are extremely important engines of economic growth; second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for majority of firms; third, as well as providing a generally accepted means of payment, banks in developing countries are usually the main depository for the economy's savings.

Banking supervision cannot function if there isno existence of what Hettes (2002) calls "correct corporate governance" since experience emphasizes the need for an appropriate level of responsibility, control and balance of competences in each bank. Hettes explained further on this by observing that correct corporate governance simplifies the work of banking supervision and contributes towards corporation between the management of a bank and the banking supervision authority. Bebeji, Mohammed andTanko (2015) also emphasized the importance of corporate governance in banking structure. They observed that corporate governance has significant effect on the performance of banks in Nigeria. They realized that, while some corporate governance characteristics such as board composition positively influenced the performance of banks in Nigeria, other characteristics such as board size negatively affect the performance of banks in Nigeria.Several events are therefore responsible for the heightened interest in corporate governance especially in both developed and developing countries. This concept of corporate governance of banks and every large firm have been a priority on the policy agenda in developed market economics for over a decade.

The concept of corporate governance takes its lead from a Greek word "kyberman" meaning to steer, guide and govern; it then revolved to Latin, where it was known as "gubernare" and to French as "governor". To be precise, corporate governance is the process of decisions making and the process by which decisions may be implemented, hence forth, it has much a different meaning to different organizations (Abu-Tapanjeh, 2008).

In recent years, corporate governance was seen as a system of checks and balances between/among the board, management and investors so as to produce an efficiently functioning corporation, ideally geared to produce long-term value (Brancato and Plath, 2003). Jayashree (2006) defines it thus: "Corporate Governance when used in the context of business organization is a system of making directors accountable to shareholders for effective management of the companies in the best interest of the company and the shareholders along with concern for ethics and values. It is the management of companies through the board of directors that hinges on complete transparency, integrity and accountability of management." From these definitions, it can be deduced that corporate governance is a system by which organizations are managed and controlled. It targets transparency and accountability in an organization's processes with the aim of fulfilling responsibilities to shareholders, employees, consumers and the community it resides.

On the other hand, financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenues from operations, operating income or cash flow from operations can be used, as well as total unit sale. Bank performance simply refers to how well a bank is doing especially in reference to its profitability index and income statement. To understand how well a bank is doing, we need to start by looking at a bank's income statement, the description of the sources of income and expenses that affect the bank's profitability. The bank's profitability can also be seen as a measure of its return on asset (ROA).

There are many and conflicting empirical findings with respect to board size influence. For instance, Pi and Timme (1993) examined the role of the chairman of a bank's board and found that cost efficiency and return on assets are lower for banks that have the same person serving as chairman of the board and chief executive officer (CEO) than for banks without such duality. They also found out that the proportion of insiders/outsiders on the board of directors has a negatively significant impact on bank performance. Prowse (1997), among others, examined the power of boards of banks vis-à-vis boards of non-financial firms. He found that much of the monitoring responsibility of banks falls on the regulators, not boards. Kyereboah-Coleman and Biekpe (2006) examined how corporate governance indicators such as board size, board composition and CEO duality impact financing decisions of 47 firms listed on the Nairobi Stock Exchange. They found that firms with larger board sizes employ more debt and the independence of a board correlates negatively and significantly with short-term debts. When a CEO doubles as board chairperson, less debt is employed.

Uwuigbe (2011) examined Corporate Governance and Financial Performance of Banks in Nigeria. The variablesthat were used for corporate governance are board size, the proportion of non-executive directors, directors' equity interest and corporate governance disclosure index. The objective of his research was to examine the relationships that exist between governance mechanisms and financial performance in the Nigerian consolidated banks. Variables used for the financial performance of the banks include the accounting measure of performance; return on equity (ROE) and return on asset (ROA). Panel data regression analysis methodology was adopted while content analysis technique, regression analysis and the t-test statistics were undertaken in the analysis. It was observed from the study that a negative but significant relationship exists between board size, board composition and the financial performance of these banks, while a positive and significant relationship was also noticed between directors' equity interest, level of governance disclosure and performance.

Adeusi, Akeke, Aribaba&Adebisi. (2013) in their work Corporate Governance and Firm Financial Performance used a sample of 10 selected banks' annual reports covering 2005-2010 to examine the relationship between corporate governance and performance in Nigeria banking sector. The main objective of the study was to determine if ownership and board size matter in financial performance. They used return on asset, board size, board composition that is, number of executive director and number of non-executive director. The result indicates that improved performance of the banking sector is not dependent on increasing the number of executive directors and board composition. It showed further that when there are more external board members; performance of banks tends to be worse. The study concluded that there is a need for increase in board size and decrease in board composition as measured by the ratio of outside directors to the total number of directors in order to increase the bank performance.

Akingunola, Adedipe& Olusegun (2015) examinedcorporate governance and bank's performance in Nigeria. Their main objective was to evaluate the impact of corporate governance and bank's performance in Nigeria (post–bank's consolidation). They used earnings, return on equity and return on assets as variables. They employed the ordinary least squares regression method to analyze their data. Their result shows that Bank deposits mobilized and credits created over these period increased over the years but were more positively related to bank performance during the period of consolidation although not significant.Furthermore, managerial traits of managers employed in the bank seemed to be the major determinant factors of bank performance when they are positively embraced. They concluded thatto minimize financial and economic crime in the system, banks must embrace fiduciary duty which include transparency, honesty and fairness (corporate governance codes) in dealing with all its stakeholders.

Ajala, Amuda and Arulogun (2012) examined the effects of corporate governance on the performance of Nigerian banking sector with the aim of assessing the impact of corporate governance on firm's performance. The secondary source of data was sought from published annual reports of the quoted banks. In examining the level of corporate governance disclosure of the sampled banks, a disclosure index was developed and guided by the Central Bank of Nigeria code of governance. The Pearson Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firms performance. The study revealed that a negative but significant relationship exists between board size and the financial performance of these banks while a positive and significant relationship was also observed between directors' equity interest, level of corporate governance disclosure index and performance of the sampled banks. Their study recommended that efforts to improve corporate governance should focus on the value of the stock ownership of board members and that steps should be taken for mandatory compliance with the code of corporate governance.

Literature review reveals that existing studies on corporate governance in banking sector focused on a single aspect of governance, such as the role of directors or that of shareholders while omitting other factors such as code of ethics, effective hierarchical structure etc., and interactions that may be important within the governance framework.

This study attempts to bridge these gaps by extending this study beyond the framework of corporate business oriented organizations, which is based primarily on shareholder sovereignty. The study therefore analyzed the level of compliance of code of corporate governance in Nigerian banks with the Central Bank of Nigeria code of corporate governance. Furthermore, while other studies on corporate governance neglected the operating performance variable as proxies for performance, this study employed the accounting operating performance variables to investigate the existence if any relationship between corporate governance and performance of banks in Nigeria.

III. Research Methodology

The study makes use of secondary data from annual reports of the selected banks obtained from the Nigerian Stock Exchange fact book for the year 2004 – 2013. Using the judgmental sampling technique, this study selected 10 out of the 20 listed banks that made the Nigerian banks consolidation dead line of 2005. The time frame considered for this study is 2004 to 2013.Methods of descriptive statistics, correlation analysis and regression analysis were employed in the data analysis.The study's multiple regression modelswas estimated using the Statistical Package for Social Sciences (SPSS).

This method of analysis was followed in prior studies(See: Adeusi, Akeke, Aribaba and Adebisi (2013); Akingunola,Adekunle and Adedipe (2015); Bebeji, Mohammed and Tanko(2015) and Uwuigbe(2011)). Therefore, this study made use of corporate annual reports of the 20 listed banks in Nigeria to find out the relationship that exist between corporate governance variables and performance. The research adopts the random effect model of the panel data regression analysis in analysing the impact of the corporate governance proxies on the performance of the listed banks. The Pearson correlation was used to measure the degree of association between variables under consideration and the t-test statistics was computed using the profitability of the healthy banks and the rescued banks to find out if there is any statistically significant difference between the profitability of the two groups.

3.1 Model Specification

Using the multiple regression analysis, the model adopted by the researcher to carry out the analysis is as follows:

$Y = f(BSIZE, BCOM)$

Where;

BSIZE = Board Size

BCOM = Board Composition

Specifying it in econometric form:

$Y = \alpha + \beta_1 BSIZE + \beta_2 BCOM + E$

Where;

α = Intercept

BSIZE = Impact of Board Size

BCOM = Impact of Board Composition

$\beta_1 - \beta_2 =$ Coefficient of BSIZE, BCOM respectively

E = Error term.

Also, the following formula was used:

$$ROA = \frac{PAT}{\text{Total Asset}} \times \frac{100}{1}$$

Where;

ROA = Return on Asset

PAT = Profit after tax

IV. Data Presentation And Analysis

The data relating to each of the statistical hypotheses of the study were presented and analyzed together to enable test of the hypotheses and inferences to be drawn. The following data presented in table 2 are from the annual reports published in the Nigerian Stock Exchange fact books.

TABLE 1: Summary of Annual Reports of the Ten (10) Selected Banks

Bank	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FIRST BANK										
Board Size	15	15	15	15	15	16	16	8	8	8
Board Comp	8	8	7	7	8	9	9	5	5	4
Assets ₦'000	201,667,000	377,496,000	762,811,000	1,165,461,000	1,667,422,000	1,772,456,000	1,957,258,000	2,463,543,000	270,977,000	311,811,000
PAT ₦'000	10,793,000	12,184,000	18,355,000	30,473,000	35,074,000	1,275,000	26,936,000	47,462,000	76,801,000	70,631,000
GUARANTY TRUST BANK										
Board Size	14	14	14	11	11	14	14	14	14	14
Board Comp	8	9	8	6	6	7	7	10	7	7
Assets ₦'000	119,698,240	167,897,704	305,080,565	478,369,179	920,493,467	1,032,954,608	1,083,304,116	1,523,527,545	1,620,317,223	1,904,366
PAT ₦'000	4,056,557	5,330,789	8,677,506	13,013,146	28,089,287	30,777,257	38,411,612	51,653,251	85,263,826	86,546
UNITED BANK OF AFRICA										
Board Size	17	17	14	17	17	20	19	21	21	20
Board Comp	10	10	6	10	12	10	9	11	11	10
Assets ₦'000	208,806,000	248,928,000	851,241,000	1,102,348,000	1,520,091,000	1,400,879,000	1,440,724,000	1,666,053,000	1,933,065,000	2,217,417,000
PAT ₦'000	4,185,000	4,653,000	11,468,000	19,831,000	40,002,000	12,889,000	1,793,000	-3,754,000	50,909,000	55,650,000
UNION BANK										
Board Size	7	7	7	7	14	14	7	7	8	8
Board Comp	4	4	3	4	7	5	3	3	4	4
Assets ₦'000	367,798,000	398,271,000	517,564,000	619,800,000	907,074,000	1,106,779,000	714,018,000	932,836,000	886,468,000	851,294,000
PAT ₦'000	7,750,000	9,375,000	10,036,000	12,126,000	24,737,000	-71,052,000	2,158,000	3,943,000	3,914,000	4,750,000
ZENITH BANK										
Board Size	11	11	11	13	14	15	13	15	15	15
Board Comp	6	6	7	6	7	9	6	8	8	8
Assets ₦'000	193,321,000	332,885,000	610,768,000	883,941,000	1,680,302,000	1,578,912,000	1,798,679,000	2,169,073,000	2,436,886,000	2,878,693,000
PAT ₦'000	5,191,000	7,156,000	11,489,000	17,509,000	46,525,000	21,933,000	32,305,000	41,301,000	95,803,000	83,414,000
FIDELITY BANK										
Board Size	14	14	14	8	8	8	8	19	17	17
Board Comp	9	8	9	4	4	4	3	13	10	9
Assets ₦'000	27,552,000	25,953,000	119,956,000	217,144,465	533,122,233	434,053,000	497,453,000	737,732,000	914,360,000	1,081,217,000
PAT ₦'000	914,000	1,237,000	3,162,000	4,160,007	12,987,570	1,414,000	5,828,000	3,911,000	17,924,000	7,721,000
ACCESS BANK										
Board Size	8	9	9	12	12	14	13	14	16	20
Board Comp	0	1	3	7	7	7	6	7	8	7
Assets ₦'000	31,341,507	66,918,315	174,553,866	328,615,194	1,031,842,021	647,574,719	726,960,580	949,382,097	1,515,754,463	1,704,094,012
PAT ₦'000	637,473	501,515	737,149	6,083,439	16,056,464	22,885,794	12,931,441	5,248,866	35,815,611	26,211,844
DIAMOND BANK										
Board Size	14	14	14	14	14	16	16	16	16	16
Board Comp	7	6	6	7	7	6	8	8	6	6
Assets ₦'000	69,114,931	124,994,957	223,047,862	312,249,721	647,551,701	602,041,711	542,098,489	714,063,959	1,059,137,257	1,234,648,540
PAT ₦'000	833,498	2,526,552	3,849,545	6,930,754	6,931,127	4,883,446	6,522,455	-22,868,254	23,073,427	21,451,219
ECO BANK										
Board Size	13	13	13	15	15	15	15	15	20	12
Board Comp	7	6	6	7	7	6	8	8	6	6
Assets ₦'000	37,642,066	67,652,618	3,503,739	6,550,224	8,306,186	9,006,523	10,466,871	17,161,912	19,950,335	22,532,453
PAT ₦'000	894,439	1,668,174	86,365	138,936	111,140	64,600	131,819	206,840	286,732	147,773
WEMA BANK										

Board Size	7	7	7	7	10	10	10	10	10	10
Board Comp	3	3	4	3	6	5	3	3	5	5
Assets ₦'000	71,423,836	97,090,060	120,109,067,	165,081,532	128,906,575	142,785,723	203,144,627	222,238,550	245,704,597	330,872,475
PAT ₦'000	967,148	844,285	-6,601,961	2,554,098	-57,738,739	-2,094,692	16,238,533	-7,649,477	-5,040,629	1,596,531

Source: The Nigerian Stock Exchange Fact Book

4.1 Analysis Of Data

Various ratios necessary for the analysis are presented in table 2

TABLE 2: Summary of Relevant Ratio of The Ten (10) Selected Banks

BANKS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FIRST BANK										
Return On Asset %	5.352	3.228	2.406	2.615	2.103	0.072	1.376	1.927	28.342	22.651
GUARANTY TRUST BANK										
Return On Asset %	3.389	3.175	2.844	2.720	3.052	2.980	3.546	3.390	5.262	4.492
UNITED BANK OF AFRICA										
Return On Asset %	2.004	1.869	1.347	1.799	2.632	0.920	0.124	-0.225	2.634	2.510
UNION BANK										
Return On Asset %	2.107	2.354	1.939	1.956	2.727	-6.420	0.302	0.423	0.442	0.558
ZENITH BANK										
Return On Asset %	2.685	2.150	1.881	1.981	2.769	1.389	1.796	1.904	3.931	2.900
FIDELITY BANK										
Return On Asset %	3.317	4.766	2.636	1.916	2.436	0.326	1.172	0.530	1.960	0.714
ACCESS BANK										
Return On Asset %	2.034	0.749	0.422	1.851	1.556	3.534	1.778	0.553	2.363	1.538
DIAMOND BANK										
Return On Asset %	1.206	2.021	1.726	2.220	1.070	0.811	1.203	-3.203	2.179	1.737
ECO BANK										
Return On Asset %	2.376	2.466	2.465	2.121	1.338	0.717	1.259	1.205	1.437	0.656
WEMA BANK										
Return On Asset %	1.354	0.870	-5.497	1.47	-44.791	-1.467	7.994	-3.442	-2.051	0.483

Source: The Nigerian Stock Exchange Fact Book

4.3 TEST OF HYPOTHESES

In pursuit of the research objectives, the following hypotheses are tested:

Ho_1: There is no significant relationship between board size and the return on assets of banks in Nigeria.

Ho_2: There is no significant relationship between the relative size of non-executive directors and the return on assets of banks in Nigeria.

Table 3: Test of Hypotheses

Model 1: Pooled OLS, using 100 observations
Included 10 cross-sectional units
Time-series length = 10
Dependent variable: ROA

	Coefficient	*Std. Error*	*t-ratio*	*p-value*
Const	0.0164101	0.0540881	0.3034	0.76224
Board Size	-0.00375281	0.0204172	-0.1838	0.85455
Board Composition	0.0196924	0.0615462	0.3200	0.74969

Mean dependent var	0.016847	S.D. dependent var	0.060814
Sum squared resid	0.365700	S.E. of regression	0.061401
R-squared	0.001188	Adjusted R-squared	-0.019406
F(2, 97)	0.057675	P-value(F)	0.943989
Log-likelihood	138.6617	Akaike criterion	-271.3235
Schwarz criterion	-263.5080	Hannan-Quinn	-268.1604
Rho	0.202493	Durbin-Watson	1.468800

Durbin-Watson statistic = 1.4688
P-value = 0.0356804
Source: OLS

$Y = 0.0164101 - 0.00375281\,\beta_1 + 0.0196924\,\beta_2$
F-stats (0.058) <f-tab (5.32)…… Board Size and Numberof Non-Executive Directors

HYPOTHESIS ONE
Ho:there is no significant relationship between Board Size and the Return on Assets (ROA)
Hi:there is significant relationship between Board Size and the Return on Assets (ROA)

DECISION: Accept the null hypothesis (Ho) if the F- value is not significant and reject the null hypothesis if it is significant.

Significant level is at 0.05
The results above show that Board Size has a negative but significant impact on Return on Assets (ROA). The coefficient of regression being -0.00375281 at a probability 0.85 enviably explains that size of Board of Directors contribute negatively to the Return on Assets (ROA). The F-test was used in testing for the significant relationship between the independent and dependent variables which F-value is 0.058. Since this is higher than 5% (0.05) it is therefore significant. The null hypothesis stating that there is no significant relationship between Board Size, and the Return on Assets (ROA) is therefore rejected.

HYPOTHESIS TWO
Ho:there is no significant relationship between the relative size of Non-Executive Directors and the Return on Assets (ROA)
Hi:there is significant relationship between the relative size of Non-Executive Directors and the Return on Assets (ROA)

DECISION: Accept the null hypothesis (Ho) if the F- value is not significant and reject the null hypothesis if it is significant.

Significant level is at 0.05
The results above show that the relative size of Non-Executive Directors has a positive and significant impact on the Return on Assets (ROA) of bank. The coefficient of regression being 0.0196924 at a probability 0.76 explains that the relative size of Non-Executive Directors contribute positively to the growth of the ROA. The F-test was used in testing for the significant relationship between the independent and dependent variables which F-value is 0.058. Since this is higher than 5% (0.05) it is therefore significant. The null hypothesis stating that there is no significant relationship between the relative size of Non-Executive Directors and the Return on Assets (ROA) is therefore rejected.

4.4 DISCUSSION OF FINDINGS
The results above shows that Board Size has a negative but significant impact on Return on Assets (ROA) and that the relative size of Non-Executive Directors have a positive impact on the Return on Assets (ROA) of bank. The coefficient of regression being -0.00375281 & 0.0196924 respectively at a probability 0.85 and 0.76, it evidently explains that size of Board of Directors contribute negatively to the Return on Assets (ROA) while on the other hand the relative size of Non-Executive Directors contribute positively to the growth of the ROA.

The F-test was used in testing for the significant relationship between the independent and dependent variables which is the Board size and the relative size of Non-Executive Directors as to the Return on Assets (ROA) which F-value is 0.058. Since this is higher than 5% (0.05) it is therefore significant. The coefficient of (R^2) stand at 0.001188 and the P- value (F) stand at 0.943989 which indicates that about 94% of the total variation is accounted for by the independent variable. The significant levels show that the independent variable is contributing to the variation in the dependent variable. The null hypotheses stating that there are no significant relationships between Board Size, the relative size of Non-Executive Directors and the Return on Assets (ROA) are therefore rejected.

4.5 POLICY IMPLICATIONS OF FINDINGS
The first hypothesis reveals that the Board Size has a negative but significance impact on the banking performance. This is practically seen in banks where a large board size leads to slower and less-efficient

decision-making processes. This causes communication problems and hence negatively affects the banks' performance. This finding suggests that a smaller board size can enhance banks' performance as the smaller size can take quick and adequate decision for the performance of the banks as large boardrooms tend to be slow in making decisions, and hence can be an obstacle to change. The negative but significant relationship found between bigger board size and ROA is consistent with the conclusions drawn by Uwuigbe (2011), andAjala, Amuda and Arulogun (2012). Their study revealed that a negative but significant relationship exists between board size and the financial performance of banks. They argued that a large board size leads to the free rider problem where most of the board members play a passive role in monitoring the firm.

This result however, differs from Kyereboah-Coleman and Biekpe (2006) who concluded with a positive relationship between a firm's performance and board size. They argued that a large board size brings in more management skills and professionalism therefore making it very difficult for the CEO to manipulate the board.

The second hypothesis reveals that the relative size of Non-Executive Directors has a positive and significant impact on banking performance. This suggests that banks with higher presence of non-executives or independent members in their boards perform better than the others banks. This is correct because non-executive directors have the incentive to act as monitors of management because they want to protect their reputations as effective, independent decision makers. The non-executive directors encourage more intensive audits as a complement to their own monitoring role while aiding reduction in agency costs which leads to improved performance. Our findings are further buttressed by Bebeji, Mohammed and Tanko (2015) who found a positive and significant relationship between the relative size of non-executive directors and banks financial performance.

However, our findings disagree with that of Pi and Timme (1993)andUwuigbe (2011) who found a negative but significant relationship between the tested variables they concluded that non-executive directors are likely not to have a hands-on approach or are not necessarily well versed in the operations of the institution, hence do not necessarily make the best decisions.

V. Summary, Conclusion And Recommendations

The study is on the effect of Corporate Governance on financial performance of commercial banks in Nigeria. The specific objectives of the study were to assess the impact of board size and board composition on financial performance of the Nigerian commercial banks. The analysis reveals that the Board Size has a negative but significance impact on the banking performance. This finding suggests that a smaller board size can enhance banks' performance as the smaller size can take quick and adequate decision for the performance of the banks as large boardrooms tend to be slow in making decisions, and hence can be an obstacle to change. Furthermore, the study reveals that the relative size of Non-Executive Directors has a positive and significant impact on banking performance. This suggests that banks with higher presence of non-executives or independent members in their boards perform better than the others banks.

5.1 CONCLUSION

This study focused on finding out the triggers of performance of the banking sector of which Corporate Governance proved to be an important issue for many commercial banks. It has been established in selected literatures that corporate governance affects stakeholders and the banks as a whole, corporate governance affects the potential or ability of a bank to reach its market share both domestically and globally, corporate governance also determines the banks' ability to fulfill its social objectives with its clientele and society at large. This study has also established that that corporate governance practices have measurable effects on banks operational performances. The study therefore concludes that weak corporate governance structure in Nigeria contributed immensely to the recent crisis experienced in Nigerian banking sector.

5.2 RECOMMENDATIONS

Based on the discussion and conclusion above, the researchers recommend the following:

1. Banks should engage in the development and implementation of strategic training for board members and senior bank managers. This should be carried out with special emphasis on corporate governance, corporate governance disclosure and banking ethics. They should regulate the size of the board which should not be too large and must consist of highly skilled and competent professional who are conversant with oversight function.
2. There should also be in existence, a proper internal control structure and self-government regulation so as to detect early rule violations and also monitor systemic problems for early remediation and solutions.
3. An effective legal framework should be developed by the legislature to regulate and specify the rights and obligations of a bank, its directors, and shareholders. Also such laws and regulations should specify disclosure requirements and enhance transparency and accountability. Also, Extra care and precautions

should be employed by regulatory and supervisory institutions in the process of scrutinizing the books of account of banks. In addition, provisions should be made for more frequent examination of the bank's operations.

4. Conclusively, the international codes of corporate governance should be properly adopted by Nigerian banks to meet the need of Nigerian governance environment.

5.3 RECOMMENDATIONS FOR FURTHER STUDY

This study empirically investigated the effect of corporate governance on Return on Asset of banks in Nigeria. The limitations of the study have prompted the researcher to recommend the following areas for further studies:

1. Literature review indicates that most studies have been carried out on very big firms or banks. Further research should be devoted to small and medium scale enterprises in Nigeria and Africa as a whole. This is because SMEs account for over 80% of the total number of enterprises found in this region of the world.
2. Further research is also required on non-financial aspects of firms and banks. A study comparing financial and non-financial aspects of firms or banks may most likely elicit variation in the relationship between corporate governance and the value of a firm.

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