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EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The main objective of the study is to examine the extent to which corporate governance affect financial performance of deposit money banks in Nigeria. The study specifically determined the extent to which board size, board composition and audit committee size affect profit margin of deposit money banks in Nigeria. The study adopted an ex-post facto research design. Secondary data was sourced from the annual reports of the sample of five deposit money banks for ten (10) years period, spanning from 2014-2023. The data collected was analyzed using descriptive analysis and multiple regression analysis. The findings of the study include: Board size has a negative and insignificant effect on the net profit margin of listed deposit money banks in Nigerian (β = 1.7334; p-value = 0.089); Board Composition has a significant effect on the Net Profit Margin of listed deposit money banks in Nigeria (β = 2.4904; p-value = 0.016); Audit committee size has no significant effect on the Net Profit Margin of listed deposit money banks in Nigeria (β = -0.8263; p-value = 0.4129). The study highlights that while quantity of governance bodies (board size, and audit size) may not directly influence financial performance, the quality and composition of these bodies are vital. For deposit money banks in Nigeria, focusing on the expertise and diversity of board members is essential for enhancing financial performance.

Keywords:

Audit committee

Board composition

Corporate governance

Financial performance

Net profit margin

INTRODUCTION

Corporate governance has become a topical issue in the modern business world today. Financial institutions around the world, irrespective of the size, are concern about financial performance, increasing profitability and shareholders return which is usually a main concern. The rationale for the unending investigation on areas of study was opine by Ilaboya & Obaretin (2015) to have been justified and sustained as a result of incessant and high profile corporate failure, financial scandal, global financial meltdown leading to loss of public confidence (Okaro, Okafor and Okoye, 2015).

Corporate governance is particularly important in the Nigerian banking sector because a number of recent financial failures, frauds and questionable business practices has adversely affected investors' confidence. The financial health and performance of banks are important for the economic growth of Nigeria. As a result the central bank of Nigeria (CBN) has decided to reform the industry in order to achieve global competitiveness. The Corporate governance of banks in developing economy is important for several reasons; Firstly, banks has an overwhelming dominant position in the financial position of developing economies, and are extremely important engines of economic growth (King & Levine, 1993). Secondly, banks in these developing economies are typically one of the most important sources of finance for the majority of firms. Thirdly, banks in developing countries are the depository for the economy's savings and provide the means of payment.

Considering the collapse of some banks in the past years, there is need to strengthen the level of corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, 2012). The concept of corporate governance focuses on the regulation of relationships between the members of the board of directors of the company and its shareholders, employees and regulators from inside or outside the company, and to determine how that must be followed in the interaction between all these parties in overseeing the company's operations. Corporate governance emanate first from promises to address the issue of the separation of ownership from management (Iman and Maliki, 2014; Berle and Means, 2012) in the light of agency theory, the separation of two positions in the company can enhance the performance of a firm and increase the wealth of shareholders (Jensen andMeckling, 2014). Although corporate governance in developing economies has recently received a lot of attention, yet corporate governance of bank in developing economies as it relates to financial performance has almost been ignored by researchers (Ntim, 2015). Even in developed economies the corporate governance of banks and their financial performance has only been discussed recently in literature (Macey and O'Hara, 2011). 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, 2012).

Corporate governance research has attracted considerable attention in the 21ST century. This may be traceable to corporate failures. It appears that the corporate survival depends largely on strong institution of corporate governance. The accounting scandal of the 21st century occasioned large corporate failures in corporation like; World com (Australia), Enron (USA), Adelphia communication (Australia), Parma let (Europe) were traced to failure of corporate governance (Ramly & Rashid, 2010). The worldwide financial crisis of 2008, which began in the United States was attributed to United States banks excessive risk taking. Consequently, for the people's attention to be drawn to consequences of agency problem within banks and to control such risks, certain statements were made to bankers, related authorities and officials of central banks highlighting the importance of effective corporate governance in the banking industry since 2008 till date.

Corporate governance is particularly important in the Nigerian banking industry because a number of recent financial failures, frauds and questionable business practices had adversely affected investors' confidence. In 1995 several CEOs and directors of banks in Nigeria where arrested for non-performing loans that were given to themselves, relations and friends. Some of the banks that could not meet the Central Bank of Nigeria (CBN) recapitalization requirement in 2006, where found to be saddled with non-performing loans that were given to directors and their friends. The financial health and performance of banks are important for the economic growth of Nigeria.as a result, the Central Bank of Nigeria, had decided to reform the industry in order to achieve global competitiveness. The corporate governance landscape in Nigeria has been dynamic and has generated interest from within and outside the country. In 2003, the Nigerian Securities and Exchange Commission (SEC) adopted a Code of Best Practices on Corporate Governance for publicly quoted companies in Nigeria and this code is currently being reviewed. At the end of the consolidation exercise in the banking industry, the CBN, in March 2006, released the Code of Corporate Governance for banks in Nigeria, to complement and enhance the effectiveness of the SEC code, which was implemented at the end of 2006. The three major governance issues that attracted the attention of the regulators are; directors' dealings, conflict of interest and creative accounting.

Financial economists like Aebi, Sabato & Schmid, (2012) have been concerned with ways to deal with problem which results from conflict of interest between shareholders and managers. The literature emanating from such effort has grown and much of econometric evidence has been built on the theoretical works of mallan (1980), and Newman (1984). Good corporate mechanism in the structure of management of the companies on financial performance remain a necessity that helps managers and researchers specialized in management sciences and financial accounting to have a better visibility on the importance of corporate governance. It should be mentioned that the economic environment and characteristics of the banking sector remain relevant criterion in the study of the relationship between governance of the banking sector and their financial performance.

1.1 Statement of the problem

Corporate governance has the attention of many researchers, managers, policy makers, investors. This is so because of the high rate of corporate failures in the recent years as seen in the Nigerian banking industry which eventually led to the consolidation exercise. Many corporations/banks have failed because they did not abide or appreciate the concept of corporate governance. While corporate governance has been recognized globally as an essential aspect of ensuring transparency, accountability, and sustainable financial performance of Nigeria banks remains largely unexpected.

In Nigeria there was lingering distress in the banks due to inadequate supervisory structure and issue of official recklessness of managers and directors, while the industry was notorious for ethical abuses (Akpan, 2001). The corporate governance was identified in almost all known instances to be major factor of bank distress in the country. This view was supported by the Nigerian security exchange commission (SEC) in April 2004 in a survey which shows that corporate governance was at a basic stage, as existing corporate governance codes is recognized by only about 40% of quoted companies in banks (Soludo, 2004).

Prior studies/researches conducted to ascertain the relationship between different aspect of corporate governance and its effect on the banks financial performance yielded missed result. Some studies established that smaller board size leads to higher performance (Daniel, 2000; Muktar, Namara, & Usman, 2008 and James & Okafor, 2011). Others show that the better the performance when a higher number of directors sit on the board (Cooper, 2006; Adams & Mehran 2010). Jonker & Mills (2001) argued to the contrary that board size and bank performance relationship is sensitive to the estimation method used. Adeoye Afolabi, 2015, further discussed that the financial system is more than just facilitating payments and extending credit institutions. It includes all the features that direct their ultimate user to actual resources. It is a market economy's central nervous system and includes a number of distinct, yet co-dependent, components that are all vital for its effective and efficient functioning. These components include financial intermediaries such as banks and insurance companies that operate as major agents to assume liabilities and acquire claims. The second element is the markets where economic assets are exchanged, while the third element is the infrastructural component needed for intermediaries and markets to interact effectively. The three component are inextricably intertwined. This study seeks to ascertain the code of corporate governance level of compliance in Nigeria banks. Some studies developed corporate governance index but this study built a unique corporate governance index as its study specific.

1.2 Objective of the study

The general objective of the study is to examine the effect of corporate governance on financial performance of Nigeria banks. Other specific objective include:

1. To examine the effect of board size on profit margin of deposit money banks in Nigeria.

2. To evaluate whether the effect of board composition determine profit margin of deposit money banks in Nigeria.

3. To ascertain the effect of audit committee size on profit margin of deposit money banks in Nigeria.

1.3 Research hypotheses

1: Board size has a significant effect on profit margin in deposit money banks in Nigeria.

2: Board composition has a significant effect on profit margin in deposit money banks in Nigeria.

3: Audit committee size has a significant effect on profit margin in deposit money banks in Nigeria.

1.4 Significance of the study

Many groups stands to benefit from this research work and they include: Bank regulators, other stake holders, investors, academics, business practitioners, and the general public as it explains the effect of corporate governance on financial performance of deposit money banks in Nigeria. The significance of studying the effect of corporate governance on financial performance of deposit money banks in Nigeria include the following reasons:

1. Corporate governance plays a crucial role in enhancing the performance and sustainability of banks. Good corporate governance practices ensures transparency, accountability, and effective decision making, which are essential for the sustainability and success of financial institution. By examining the effect of corporate governance on financial performance, this study contribute to our understanding of the factors that can potentially enhance or hinder effective governance in deposit money banks in Nigeria.

2. This study will serve as an important planning tool for bank managers, government, policy makers, shareholders and potential investors, it will help managers to notice corporate board characteristics, audit characteristics that will assist them in maximizing shareholders wealth and even profit maximization.

3. This research will be a great benefit to investors, academics, stakeholders and the general public as it explains the effect of corporate governance on financial performance in Nigerian banks. This study provides an insight to bank reporting on their corporate governance to different sections of the codes of practices and where they are experiencing difficulties.

1.5 Scope of the study

The research work on the effect of corporate governance on financial performance of deposit money banks in Nigeria covers all banks listed in the Nigeria stock exchange. The data used for this study was secondary data derived from the published annual report of five (5) selected deposit money banks in Nigeria (UBA PLC, Access bank, Zenith bank, first bank of Nigeria PLC, Fidelity bank) for the period of ten (10) years (2014-2023).

Conceptual Review

Corporate Governance

Corporate governance (CG) in a corporate set up leads to maximized value of the shareholders legally, ethically and on a sustainable basis, while ensuring equity and transparency to every stakeholder (the company's customers, employees, investors, vendor partners, the government of the land and community) Millstein, 2012; Murthy, 2015.

Corporate governance is the key to transparent corporate disclosure and high-quality accounting practices (Abdullah, S.N. 2014). Thus it ensures the conformance of corporations with the interests of investors and society, by creating fairness, transparency and accountability in business activities among employees, management and the board (Kar, 2012; Shil, 2015; Oman, 2011).

Governance has been seen in latest years as a scheme of checks and balances between the board, management and shareholders in order to create an effectively functioning corporation, ideally geared towards producing long-term value (Emeka E. Ene, Alem, I. E. Bello 2016). Jayashree (2006) describes it as follows: “Corporate governance when used in the context of corporate organization is a system of making managers responsible to shareholders for the efficient leadership of corporations in the best interests of the corporation and shareholders, as well as for ethics and values”. Company management through the board of directors depends on full transparency, integrity and accountability.

According to the Organization of Economic Cooperation and Development-OECD (2005), “Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the major stakeholders/participants in the corporation, such as the board, managers, shareholders and even the other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

Securities and Exchange Board of India–SEBI Committee (2003) defines corporate governance as “the acceptance by management, of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders”. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company.

Equally, according to Ammar, Saeed, and Abid (2013), corporate governance is a mechanism through which management takes necessary steps to safeguard the interest of stakeholders. It is also the framework within which rules, relationships, systems and processes are controlled (Osundina et al, 2016).

Corporate governance describes the way trust is shown, power exercised, and accountability achieved in corporate entities, for the benefit of their members, other stakeholders, and society (Bob Tricker, 2022).

Corporate governance is how a company is governed. It is often described as a three legged stool with senior management, the board of directors, and the company’s shareholders all playing a major roles, sometimes each of these three bodies work in unison towards a common goal (Broc Romanek, 2023).

Also, corporate governance is the control of management in the best interest of the company, including accountability to shareholders who elect directors and auditors (Richard Leblane, 2015).

Corporate governance is the combination of mechanism which ensures that management (the agent) runs the firm for the benefit of one or several stakeholders (principal) which may include shareholders, suppliers, clients employees and other parties with whom the company conduct its business (Goergen and Renneboog, 2006).

2.1.2 Financial Performance

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Items such as revenues from operations, operating income, or cash flow from operations can be used, as well as total unit sales. Bank performance refers to how well a bank is doing, especially 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, describing the sources of income and expenses that affect the bank's profitability.

Santos and Brito (2012) identified that superior financial performance, which can be represented by profitability, growth, and market value, underpins corporate governance practice in organizations. Profitability measures a firm's past ability to generate returns, while growth demonstrates its past ability to increase its size. Increasing size, even at the same profitability level, will increase its absolute profit and cash generation. Their research shows that larger firm size can bring economies of scale and market power, leading to enhanced future profitability. On the other hand, the market value represents the external assessment and expectation of firms' future performance, which must correlate with historical profitability and growth levels while incorporating future market changes and competitive moves. The non-financial performance are customers’ satisfaction, employees' satisfaction, environmental performance, and social performance. But the study focus on the financial performance aspect (profitability).

George and Karibo (2014), defined it as the success in meeting pre-defined objectives, targets, and goals within a specified time target. Some of the aspects that must be considered when defining performance are time frame and its reference point. It is possible to differentiate between past and future performance. Moreover, it has been shown that past superior performance does not guarantee that it will remain superior in the future. Here is a list of financial performance ratios:

2.1.2.1 Profitability Ratio

According to Kasmir (2012), the profitability ratio is a ratio to assess a company's ability to seek profits. This ratio also provides a measure of the level of management effectiveness of the company. Also, Harahap (2009) defined profitability ratio as a description of the company's ability to earn profits through all its capabilities and available resources such as sales activities, cash, capital, number of employees, number of branches, and so on. A profitability ratio is a financial metric that provides insight into a company's ability to generate profit from its operation. Profitability ratios also known as profit margin, is a financial metric that measures a company efficiency in generating profit relative to various financial metric, such as revenue, assets, equity, or invested capital. These ratios help stakeholders evaluate the company's profitability and overall financial performance, providing insights into its ability to sustain and grow.

2.1.2.2 Liquidity Ratio

Liquidity Ratio is a financial ratio that indicates the ability of the company to pay off its debt obligations without the need to raise external capital. Essentially, it measures the liquidity of the firm, which is the ability to quickly exchange assets for cash. It also measures the margin of safety (Sarah Sagal, Rebekiah Hills, 2023). Another definition say, liquidity ratios are a class of financial metrics used to determine a debtor's ability to pay off current debts obligations without raising external capital (Adams Hayes, Andy Smith and Pete Rathburn, 2024). Liquidity ratio measures a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including current ratio, quick ratio, and operating cash flow ratio.

2.1.2.3 Efficiency Ratio

The efficiency ratio is typically used to analyze how well a company uses its assets and liabilities internally. An efficiency ratio can calculate the turnover of receivables, the repayment of liabilities, the quantity of usage of equity, and the general use of inventory and machinery (Will Kenton, Amy Drury and Hans Daniel, 2021). Efficiency ratios also known as activity ratio, are used by analysts to measure the performance of a company's short term or current performance in the banking industry, an efficiency ratio has a specific meaning, For banks, the efficiency ratio is a non-interest expenses/revenue. This shows how well the bank managers control their overhead expenses. Efficiency Ratio = Expenses/Revenue.

2.1.2.4 Solvency Ratio

A Solvency ratio is a key metric used to measure an enterprise's ability to meet it long term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long term liabilities and thus is a measure of its financial health (Adam Hayes, David Kindness and Suzanne Kvilhaug, 2023). A solvency ratio is one of many metrics used to determine whether a company can stay solvent in the long term. A solvency ratio is a comprehensive measure of solvency, as it measures a firm's actual cash flow, rather than net income, by adding depreciation and other non-cash expenses to assess a company's capacity to stay afloat. Another definition of solvency ratio says that, a solvency ratio is a performance metric that helps us examine a company's financial health. In particular, it enables us to determine whether the company can meet its financial obligations in the long term.

Theoretical Framework

Stewardship Theory

Proponents of stewardship theory contend that superior corporate performance will be linked to a majority of inside directors as they naturally work to maximize profit for shareholders. Inside (or executives) directors spend their working lives in the company they govern, they understand the business better than outside directors and so can make superior decisions (Donaldson, 2010; Donaldson and Davis 2014). Access to information and the ability to take a long-term view are seen as key aspects of the decision-making process. For example, studies have examined the superior amount and quality of information possessed by inside directors (Baysinger and Hoskisson, 2011). The inside directors know the company intimately, they have superior access to information and are therefore able to take more informed decision. Alternatively, we would expect that if there were few inside directors on board, the board would not be in a position to fully understand the company, it would only have access to information provided by management and would lack the contextual nature to make informed decision.

Stewardship theory argues that shareholders' interests are maximized by sharing the roles of board chairman. However, some studies have found that agency theory and stewardship theory are equally relevant to corporate governance issues, since agency theory argues that shareholders' interest require protection by separation of ownership from control. For example, Kashif (2008), Donaldson, and Davis, J. (2011) studied the relationship between corporate governance and a firm's performance and found results that show that corporate governance relevance of both agency theory and stewardship theory. The basic assumption of this theory is that the agent has access to superior information, since the principal cannot always monitor the agents' behaviors and activities. It raises a concern that the agents will take advantage of this position to maximize their self-interest at the expense of the principals (Beaver, 2012). Daris, (1997) argued that the essential assumption underling the prescription of stewardship theory is that the behaviors of the executives are aligned with the interests of the principal.

Conelius, (2009) defined corporate governance as the stewardship responsibility of corporate directors to provide oversight for the goals and strategies of a company, and also to foster their implementation. Stewardship theory is said to favor governance mechanisms that support and empower the firm's management and disfavor those that monitor and control it.

Stewardship theory presumes that executive managers, far from being opportunistic, are honest and that they are good stewards of the corporate assets (Muth and Donaldson, 2011; Nicholson and Kiel, 2007). Managers are good stewards of corporations who, being motivated by their own achievement and responsibility needs, work hard to increase shareholders' wealth. According to this theory, the economic performance of a firm is improved if power and authority are concentrated in a single executive who is both CEO and chairman.

Stakeholder Theory

Although stakeholder theory has evolved gradually since the 1970's (Solomon, 2012), one of the pioneering expositions of this theory was introduced by Freeman in 1984 when he defined a stakeholder as: "any individual or group who can affect or is affected by achievement of the organization's objectives". Stakeholder theory takes account of a wider group of constituents rather than simply focusing only on shareholders (Mallin, 2010). Thus, stakeholders can include shareholders, employees, suppliers, customers, creditors, communities in the vicinity of the company's operations, and the general public. Some extreme proponents of this theory suggest that environments and future generations can also be included as stakeholders. One commonality characterizing all definitions of stakeholders is to acknowledge their involvement in an "exchange" relationship (Pearch, 2012; Freeman, 2014; Hill and Jones, 2012). Stakeholder theory highlighted that the interest of different groups, and argues for the possibility of favoring one group's interest over that of another (Jones and Wicks, 2009). It also suggests that company is a separate organizational entity, and that it is connected to different parties in achieving a wide range of purpose (Donaldson and Preston, 2015).

Proponents of the stakeholder theory emphasize that the corporation could not exist without the contributions of groups like customers, employees, the community of which it is a part, and the environment; therefore, managers should consider their decision as it affect these other constituents (Stovall, 2004). McAlister, (2003) argued that this theory presumes a collaborative and relational approach to business and its constituents. Supporters of this theory argue that the corporate governance problem turns round the objective function of the corporation. The notion that the firm's goal to maximize shareholders welfare is regarded as being too narrow, rather, they suggest that the goal of the firm should be extended to include the maximization of the welfare of other stakeholders, such as: employees, creditors, suppliers, customers, the environment, and the community (Freeman, 2014). Solomon, (2012) contended that a basis for stakeholder theory is that companies are so large, and their impact on the society is so pervasive, that they should discharge accountability to many more sectors of the society than solely their shareholders; they should include employees, suppliers, customers, creditors, communities in the vicinity of the company's operations, and the general public.

According to Freeman (2014), stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose. According to stakeholder theory the purpose of the firm is to serve and coordinate the interests of its various stakeholders such as shareholders, employees, creditors, customers, suppliers, government, and the community.

Moreover, the stakeholders in corporate governance will enable the company to consider more about the customers, the community and social organizations and can create a stable environment for long term development. The benefit of the stakeholder model emphasis on overcoming problems of underinvestment associated with opportunistic behavior and in encouraging active co-operation among stakeholders to ensure the long-term profitability of the business firm (Maher and Anderson, 2011).

Resource Dependency Theory

There is another theory used in studies on corporate governance, namely the theory of resource dependence. In line with this hypothesis, organizations arrange for leadership to be exercised over their environment by co-opting the resources needed to survive. Cooptation thought has the required consequences for the board's role and structure. Boards are border spanners that are essential. Boards will be used as a mechanism for connecting with the outside environment.

Inter-structural connections, such as appointing external directors and interlocking boards, could be used to handle environmental contingencies. Managers who are famous in their professions and societies will provide managers with prompt data (information) (Pfeffer and Salancik, 1978).

According to Pfeffer and Salancik (1978), once a corporation appoints a person to the board, it expects the person to be like the organization's support scheme, to be concerned with its problems, to present it positively to others, and to be able to attempt and help it. This assistance is supposed to boost the efficiency of the organization and increase shareholders yields. Pfeffer (1972) made the case that the board's function of co-optation, which involves creating connections and raising resources, is best explained by the structure of the board. His proof shows that the size of the board and the type of external director are linked to the desire for capital of the organization and also the degree of regulation in its environment.

Resource provision has been argued to improve the functioning of the organization, the performance of the firm and its survival (Daily et al, 2003). According to Hillman, Canella and Paetzold (2000), directors are providing the company with resources such as information, skills, access to key constituents such as suppliers, buyers, policy makers, social groups, and legitimacy. Directors can be categorized into four classifications of insiders, company experts, community influential and support specialists.

Signaling Theory

The problem of information imbalance in the labor market, gave rise to the development of signaling theory, it also looks at how this can be reduced by the party with more information signaling to others (Morris, 2013). However, the signaling theory has some similarities with agency theory, this is because it also recognizes the separation of ownership and control in modern corporations, and it suggests that market pressures on management motivates management to disclose all of the information which is material to investors (Ross, 2012). What made this theory slightly different from agency theory is that there are signaling costs that are inversely related to the quality of information (Morris, 2014). Despite information imbalances, management has motives to provide quality information to cut down signaling costs (especially the effect on share price). Managers with superior information on demand for its product disclose more to convince the competitors and the capital market of the quality of its product, by so doing, increasing the value of the firm's stock. Similarly, the firm would also wish to convince its competitors that demands are low, which reduces the competitors' output and increase the informed firm's profit (Ghabayen, 2014).

Morris (2011) also argued that when the sellers of information provide general disclosure then the buyers of information will not be able to differentiate the products, resulting in no change in price.
However, if sellers of high quality products disclose more, the buyers of information will be able to differentiate the product, resulting in higher prices. But for sellers of low quality product then it will be to their advantage not to disclose extra information as buyers may be able to differentiate the product, causing the price to be reduced. Morris, (2014) indicates that the signaling motives are higher when the quality of the product is high. Firms with no information, or with bad news, also have to give signals, just like those with good news, in order to distinguish their firms from others (Ross, 2011). Skinner, (2014) stated that the managers of these firms also have a legal motivation to disclose the bad news as they may cause reputation losses if they fail to do so at the right time. In short, signaling theory is built on the assumption that information is not equally available to all the parties at the same time. So information asymmetry is the rule. Signally theory believes that corporate financial decisions are signals sent by the company's or firms' managers to investors. Signaling theory states that corporate affairs should be clearly disclosed to the stakeholders so that they can take their rational and informed decisions.

Agency Theory

The agency theory can be used to explain the impact of corporate governance characteristics (board characteristics, audit characteristics) on firm performance. The agency theory view directors as the agent of the shareholders and therefore there is a need for them to act in the best interest of the shareholders. In this situation, sometimes the agent may not act in the best interest of the shareholders which result in an agent loss situation.

This study adopts agency theory due to its relevance in resolving conflicts that may arise between managers (agent) and shareholders (principal) of the company. In highlighting the importance of agency theory in corporate governance, Christopher, (2009) noted that the main concern of corporate governance (CG) started from the separation of ownership and control in modern public corporations. Also Iman and Malik (2012) noted that the need for corporate governance arises from the potential for agency conflict. The main agency problem is between the controlling owner-management and outside shareholders. Jenson and Meckling (2014) described an agency relationship as "a contract under which one person (the principal) engages another person (the agent) to perform some services on his/her (the principal's) behalf. Agency relationship is also seen as a contractual process whereby owners delegate some of their authorities and responsibilities to a team consisting of expert member(s), and they expect this team to exercise their expertise in the best interests of the company's operational success. Muth and Donaldson, (2012) described agency relationship as delegation of power by the owner to the management. Eisenhardt, (2013) discussed two major causes of agency problem, they are: conflict of interests, and different attitudes towards risk between owner and management. In-line with agency theory, the main problem of corporate governance is how the shareholders ensure that self-seeking executives act in the interest of the shareholders rather than their own (Hendry, 2005). When shareholders are not able to monitor management properly, the company's assets might be used for the welfare of management rather than maximizing the company's wealth (Berle and Means, 2012).

Chrisman (2014) argued that conflict arises from information asymmetry between owners and managers, and so there exist a gap between the two. Agency problem of moral hazard and adverse selection, in particular, develop under information asymmetries between agents and principals. Chrisman, (2014) also argued that one of the main causes of this conflict is the information asymmetry between owners and managers, which happens because of a knowledge gap about the company's internal operations. The owners need quality information to monitor, control and motivate the agents, however, the agents (management) have full control of the information flow in the company.

Fama and Jensen (2013) contended that it is the duty of the board of directors (BODs) to reduce agency problem and costs arising from the separation of ownership from decision control. Solomon, (2012) described some of the ways in which shareholders can monitor company management and help to resolve agency conflicts. Hoitash, (2009) indicated that agency problem can be mitigated through effective internal control over financial reporting imposed by owners. Different studies have suggested some incentives to motivate management in minimizing the agency problem (e.g. ward, 2009). Watts and Zimmerman (2011) explained a positive agency theory by linking managerial incentive for voluntary financial disclosure. Dominated majority ownership structure are likely to prevail across the corporations and are able to effectively control principal-agent problems, and can consequently become the rule in emerging economies.

In this type of economies, dominating ownership structures are associated with the need to resolve principal-agent problems. It is recommended that this problem can be resolved by including an independent, external director on the board. Jackling and johl, (2009) argued for the agency theory and agreed with the study of Nicholson and Kiel, (2014) who contended that the higher proportion of outside directors in the board, the greater the corporation performance of the firm. Ehikioya also agreed to one notion of this theory and discovered that CEO duality (same person holding both positions of CEO and chairman) has a negative effect on a firm's performance. However, Jackling and Johl (2009) disagreed with the notion and found no reason to conclude that a CEO's duality roles have any detrimental effect of corporate performance.

Empirical review

Dan Ioan Topor, and Melinda-Timea Fulop (2006) assessed the effect of corporate governance reforms; whether the implementation of corporate governance principles and codes has a positive impact on firm performance. The study used secondary data from annual and audited financial statements of sampled firms to test the variables of the study. Descriptive statistics method was adopted to test the variables. The results of the study found that there is a strong positive relation between corporate governance and firm performance, and equally a negative correlation between corporate governance and firm performance.

Another study by Ajinkoye (2014) evaluated corporate governance practices among selected nonfinancial quoted firms across industries in Nigeria and analyzed the level of compliance with the 2003 code of best practices. A data set on corporate governance mechanism was obtained from the firms' annual reports, the publication of the Nigeria Stock Exchange (NSE) as well as the website of the firms and analyzed using descriptive analysis a corporate governance index was constructed to represent Nigerian corporate governance standard and listed firms were ranked according to the index. The finding shows that firms observed between 2003 and 2010 have embedded corporate governance initiatives with an average compliance level of 72.15 percent and a growth rate of 5.83 percent.

Furthermore, Mgbame and Onoyse (2015) in their study examined the effect of corporate governance on environmental reporting. The study adopted descriptive research design to test the variables. The findings of the study show that board size, board independence, audit committee independence and managerial ownership concentration have positive and significant relationship with environmental reporting.

Kwame (2016) carried out a study to examine the impact of corporate governance factors on the disclosure of internal control information by firms in Ghana. Secondary data was sourced from annual reports and accounts of Ghanaian Stock Exchange. Descriptive analysis was used to analyze variables of the study. The findings indicate that most of the sampled firms did not disclose sufficient internal control information in their annual reports.

Segun, Abi, and Stephen (2015) investigated the effect of Assessing the Connectedness between Corporate Governance Mechanisms and Financial Performance of Listed Oil and Gas Companies in Nigeria. Secondary data from the audited financial statements of the fifteen listed oil and gas companies in Nigeria were employed. The test of hypotheses and other analysis of data were done using Pearson Correlation and regression analysis generated from SPSS, version 17. Findings of the study revealed that insignificant but positive relationship does exist between board composition and the performance of oil and gas companies in Nigeria.

This study of Amina Buallay, Allam Hamdam and Qaism Zureigat (2017) on Corporate Governance and Firm Performance: Evidence from Saudi Arabia aimed at measuring the impact of Corporate Governance on Firm performance of listed companies in Saudi stock exchange. The study adopted ex-post facto research design to analyze pooled data collected from the Saudi stock exchange (TADAUWL) for the period from 2012 to 2014. The study sample is 171 listed companies. The results of the study test indicate that there is no significant impact for corporate governance adoption on firm's operational and financial performance in the listed companies in Saudi stock exchange.

Sani and Ali (2017) examined the effect of corporate governance on the performance of assets on a related quality of Deposit Money Banks (DMBs) in the post 2004 banking sector reforms. The population of study consists of the twenty-four (24) deposit money banks. Multiple Regression analysis was used to test the hypothesis with the aid of E-view 10 version. The findings of the study revealed that corporate governance has positive and significant improvement on Bank Asset Quality (BAQ). However, the improvement is not significant at 5% level.

Uwuigbe (2011) examined Corporate Governance and Financial Performance of Banks in Nigeria. 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.

Akingunola, Adedipe and Olusegun (2015) examined corporate governance and bank's performance in Nigeria. 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.

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 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.

Ahmed (2015) studied the effect of corporate governance on bank performance of Arabian Peninsula using multivariate analysis (OLS). The study revealed further that bank age and board committees have positive effects on margin of profit, ownership concentration features a negative effect on this profitability.

Salma and Cesario (2016) examined corporate governance impact on bank performance evidence from Europe. The study used multiple correlation analysis. The study revealed that the board size and therefore the gender diversity have a positive and significant impact on bank performance. While, large board of directors with more female members has better bank performance, thus, the board composition and therefore the CEO duality haven't any significant effect in explaining the bank performance.

Saladin (2018) studied the effect of excellent corporate governance rating and bank profitability in Indonesia. The study used Panel data, pooled regression, fixed effect regression and random effect regression. The study revealed that good corporate governance is that the utmost widely significant determinant of bank profitability.

Agbaeze and Ogosi (2018) conducted a search on the effect of corporate governance and profitability in Nigerian banks. The study employed correlation and multivariate analysis to check the hypotheses. The correlation result unveiled that there exists positive relationship between profitability of Nigerian banks and company governance measured by number of members within the board of Nigerian banks.

Ahmad, Tariq, and Hamad (2014) studied the link between corporate governance and a firm's financial performance using descriptive statistics. The correlation and regression analyses method were used to establish the link between the variables. The study found that board size and board composition have a positive impact on financial performance.

Sanyaolu, Adesanmi, Imeokparia, and Alimi (2017) examined the effect of corporate governance on the financial performance of listed deposit money banks in Nigeria. The data extracted were analyzed using pooled least square method of regression. The study found a significant negative relationship between board size, audit committee, firm size, and return on asset. However, the study found a positive and insignificant relationship between board independence and return on asset of the studied banks.

Udeh, Abiahu, and Tambou (2017) evaluated the impact of corporate governance on firm's financial performance in Nigeria. The population of this study comprised fifteen (15) Banks whose shares are quoted on the Nigeria Stock Exchange. The judgmental sampling technique was used to select seven (7) banks from the entire population of the study (which makes up the sample size). The method of data analysis utilized was Ordinary Least Squares Regression Analysis. The findings from this study showed that Board composition has a negative, though insignificant, impact on ROCE during the 2003-2008 period and during the 2009-2014 period.

Methodology

Research Design

The study aim to examine the effect of corporate governance on financial performance in Nigeria banks using an ex post facto research designs. The study design serves as a blueprint guiding the researcher in their inquiry and analysis, as indicated by Onwumere (2009). The ex post facto research strategy, as delineated by Onwumere (2009), is specifically utilized in situations where the researcher aims to refrain from illustrating changes in variables and relies on previously available data. According to Asika (2009), this approach is advisable only when the event being studied has already taken place.

Population of Study

The population for this study consists of all twenty (20) deposit money banks in Nigeria as at February 2016. The population is given below in Table 3.1

Population of Study

1. Access bank
2. GT bank
3. First bank of Nigeria PLC
4. UBA PLC
5. Fidelity bank
6. Diamond bank
7. Eco bank
8. FCMB
9. Heritage bank
10. Keystone bank
11. Skye bank
12. Stanbic IBTC bank
13. Sterling bank
14. Union bank
15. Unity bank
16. Wema bank
17. Zenith bank
18. Citi bank
19. SunTrust bank
20. Standard Chartered bank

Source: Researcher' computation (2024)

Sample size and sampling technique

Asita, (1991) defined a sample size as the precise part of the population. It is that fraction of the entire population that is studied and the outcome generalize the entire population. For the purpose of this study, the sample size consists of five (5) depository money banks out of the twenty (20) banks that were in Nigeria as at February 2023. The purposive sampling technique were used to select the five (5) banks. These banks were considered because they have the highest equity compared with others and hence listed in the Nigerian stock exchange market, which therefore enables us to have easy accessibility to the annual report which is the major source of the secondary data.

Table 3.2 Sample size of the study

1. UBA PLC
2. Access bank
3. Zenith bank
4. First bank of Nigeria
5. Fidelity bank

Source: Researcher's Compilation (2024)

Instrument for data collection

The instrument for data collection was annual reports of the sampled banks. Secondary data were used to ensure that the study elements are completed and consistent. The researcher collected data for money deposit banks that were in operation from 2014 to

2023. The ten (10) years period were considered adequate to provide enough data that is sufficient for the analysis.

Validity and Reliability of research instrument

Validity refers to the extent to which a research instrument measures what it is supposed to measure while reliability of a research instrument refers to whether or not the research instrument yield the same answer as many times it is used. A research instrument is reliable if it produces stable and consistent result. The four most common way of measuring reliability for any empirical method or metric includes:

1. Inter-rater reliability: This signifies the internal extent to which raters or observers respond to the same way to a given phenomenon.

2. Test-retest reliability: This signifies the internal validity of a test and ensures that the measurement obtained in one sitting are both representative and stable over time.

3. Parallel forms reliability: Parallel form reliability measures reliability obtained by administering different versions of an assessment and to the same group of individuals.

4. Internal consistency reliability: This measures whether several items that propose to measure the same general construct produce similar scores.

Method of Data Collection

The publications of the selected commercial banks annual reports and financial statements and various other individual publications obtained from online sources which constituted the published corporate financial report utilized as secondary data in this research.

Model Specification

The data collected for the study was analyzed using descriptive analysis and multiple regression analysis. Descriptive analysis was used to summarize and describe the characteristics of the database. This was done using various statistical methods such as measure of central tendency and measures of dispersion. The hypotheses of the study were tested using the estimates from multiple regression analysis, with the model below.

$NPM = \beta_0 + \beta_1 BS_{it} + \beta_2 BC_{it} + \beta_3 ACS_{it} + e_{it}$

Where, NPM = Net profit margin

BS = Board Size

BC = Board Composition

ACS = Audit Committee Size

$\beta 0$ = Constant

β_{1-3} = Coefficient of the independent Variable

e = error term

i = firm

t = year

Description of Variables

Table 3.3 **Measurement of Variables**

Variables	Type	Measurement
1) Profit Margin	Dependent	[PBT/Revenue]*100
2) Board size	Independent	Total number of directors
3) Board composition	Independent	It is the number of independent non-executive directors
4) Audit Committee size	Independent	Number of individuals that makes up the audit committee

Source: Researcher's computation (2024)

Decision Rule

In hypothesis testing, the significance level is typically set at 0.05. If the calculated p-value is less than the significance level of 0.05, the null hypothesis is rejected, indicating a significant effect. Conversely, if the p-value is greater than 0.05, the null hypothesis is not rejected, and it is concluded that there is no significant effect.

Data Presentation and Analysis

Presentation and Descriptive Analysis of data

The data collected for the study were Board size, Board composition, Audit committee size, Profit margin and also Inflation. **Table 4.1 to Table 4.4** were used to present the data analyzed.

Table 4.1 Presentation of data for Board size

YEAR	UBA	ACCESS	ZENITH	FIRSTBANK	FIDELITY
2014	16	10	12	19	19
2015	16	16	12	13	17
2016	19	15	13	12	18
2017	15	17	14	9	14
2018	19	16	12	11	15
2019	19	18	14	17	16
2020	16	19	13	14	20
2021	16	17	14	12	15
2022	15	18	17	12	14
2023	14	17	14	11	14

Source: Researcher's Computation (2024)

Over the ten years period, UBA Board size exhibited increases and decrease. In 2014 & 2015 there was no change, it maintained 16 members for each year. In 2016 there was an Over the ten years period, UBA'S Board size exhibited both increases and decreases. In 2014 increase of 19 members. In 2017, there was a decrease to 15 members. In 2018 2019, there was an increase to 19 members. In 2020 & 2021 there was another decrease to 16 members. In 2022, there was a further reduction to 15 members. In 2023, a further decrease to 14 members which was the lowest.

Over the ten years period, Access bank Board size exhibited both increases and decrease. In 2020, the board size was 19 members which was the highest, followed by 2019 at 18 members, 2017, 2021 and 2023 at 17 members, 2015 at 16 members, 2015 at 15 members, and 2014 at 10 members which is the lowest.

Over the ten years period, Zenith bank Board size exhibited increases and decrease. In 2022, the board size was 17 members which was the highest, followed by 2017, 2019, 2021 & 2023 which had 14 members for each year. 2016 and 2020 at 13 members and 2014, 2015 and 2018 at 12 members which was the lowest.

Over the ten years, First bank PLC Board size exhibited some increases and decreases. In 2014, the board size was 19 members, followed by 2019 at 17 members, 2020 at 14 members, 2015 at 13 members, 2016, 2021 & 2022 at 12 members, 2018 & 2023 at 11 members and 2017 at 9 members which is the lowest.

Over the ten years period, Fidelity bank Board size exhibited increases and decreases. In 2020, the board size had 20 members which was the highest, followed by 2014 at 19 members, 2016 at 18 members, 2015 at 17 members, 2019 at 16 members, 2018 & 2021 at 15 members, 2017, 2022, & 2023 at 14 members which was the lowest.

Table 4.2 Presentation of data for Board Composition

YEAR	UBA	ACCESS	ZENITH	FIRSTBANK	FIDELITY
2014	9	2	3	2	2
2015	10	2	3	2	1
2016	10	2	3	2	2
2017	3	4	4	1	2
2018	10	4	3	1	3
2019	10	5	4	2	2
2020	3	6	4	1	3
2021	3	4	5	6	3
2022	8	4	4	6	3
2023	3	10	4	6	3

Source: Researcher Computation (2024)

Over the ten years period, UBA'S Board composition exhibited significant changes. In 2015, 2016, 2018, & 2019, the board composition was 10 members for each year, followed by 2014 at 9 members, 2022 at 8 members, 2017, 2020, 2021, & 2023 at 3 members for each which is the lowest.

Over the ten years period, Access bank Board composition exhibited increases and decrease. In 2023, the board composition was 10 members which was the highest, followed by, 2020 at 6 members, 2019 at 5 members, 2017, 2018, 2021, & 2022 at 4 members each year and 2014 2015, & 2016 at 4 members each year which was the lowest.

Over the ten years period, Zenith bank board composition exhibited slight changes. In 2021, the board composition had 5 members which was the highest, followed by 2017, 2019, 2020, 2022, & 2023 at 4 members, 2014, 2015, 2016, & 2018 at 3 members which was the lowest.

Over the ten years period, First bank board composition exhibited increases and decreases. In 2021, 2022, & 2023 the board composition had 6 members each year which was the highest, followed by 2014, 2015, 2016, & 2019 at 2 members, and 2017, 2018, & 2020 at 1 member for each year which was the lowest.

Over the ten years period, Fidelity bank Board composition exhibited slight increases and decreases. In 2018, 2020, 2021, 2022, & 2023 the board composition had 3 members which was the highest , followed by 2014, 2016, 2017, & 2019 which had 2 members and 2015 at 1 member which was the lowest.

Table 4.3 Presentation of data for audit committee size

YEAR	UBA	ACCESS	ZENITH	FIRSTBANK	FIDELITY
2014	6	6	6	6	6
2015	6	6	6	6	6
2016	6	6	3	6	6
2017	5	6	6	2	6
2018	6	6	4	4	5
2019	6	6	5	4	6
2020	5	6	5	3	5
2021	5	5	5	8	5
2022	5	5	5	5	5
2023	5	5	5	5	5

Source: Researcher's Computation (2024)

From 2014-2016, there was no change, maintaining 6 members each year. In 2017, there was a decrease by 1 member. In 2018-19, it increased by 1 member. From 2020- 23, there was a decrease by 1 member, maintaining 5 members for Over the ten years, UBA's audit committee size exhibited stability with occasional fluthe period.

Over the ten years, Access bank audit committee size also exhibited stability with very rare fluctuations. From 2014-2020, there was no change, maintaining 6 members each year. From 2021-2023 there was a decrease by 1 member, maintain 5 members for the period.

Over the ten years period, Zenith bank audit commit size experienced increases and decreases in audit committee size members. In 2014 & 2015, there was no change in committee members. In 2016, the number decreased to 3 members which was the lowest for the period. In 2017, there was an increase by 3 members making it 6 member. In 2018, there was another decrease to 4 members. From 2019-2023, there was an increase to 5 members, maintaining 5 member for the periods.

Over the ten years period, First bank audit committee exhibited varying changes. From 2014-2016, there was no changes, maintaining 6 members each year. In 2017, there was a decrease to 2 members which was the lowest for the period. In 2018 & 2019 there was an increase to 4 members. In 2020, there was another decrease to 3 members. In 2021, there was a massive increase to 8 members which is the highest during the period. In 2021 & 2022, there was a decrease to five members.

Over the ten years, Fidelity bank audit committee size exhibited slight changes. From 2014-2017, there was no change, maintaining 6 members each year. In 2018, there was a decrease to 5 members. There was another increase to 6 members in 2019. From 2020-2023, there was a decrease to 5 members for each year.

Table 4.4 presentation of data for Profit margin

YEAR	UBA	ACCESS	ZENITH	FIRSTBANK	FIDELITY
2014	0.45	0.43	0.48	0.28	0.28
2015	0.45	0.63	0.47	0.16	0.23
2016	0.44	0.51	0.54	0.22	0.16
2017	0.37	0.37	0.69	0.56	0.26
2018	0.38	0.55	0.65	0.20	0.31
2019	0.40	0.34	0.78	0.25	0.34
2020	0.44	0.40	0.77	0.36	0.26
2021	0.37	0.53	0.76	0.66	0.38
2022	0.45	0.43	0.61	0.39	0.31
2023	0.86	0.90	0.92	0.20	0.36

Source; Researcher's Computation (2024)

Over the ten years period from 2014-2023, UBA profit margin exhibited both increases and decreases. 2015 no change, maintaining a profit margin of 0.45, in 2016 a decrease of 2.22%, in 2017 a decrease of 11.36%, in 2018 another decrease of 2.56%, in 2019 there was an increase of 5.26%, in 2020 an increase of 10%. In 2021 a decrease of 15.91%, in 2022 an increase of 21.62%, in 2023 a substantial increase of 91.11%.

Over the ten years period, Access bank profit margin exhibited both increases and decreases. In 2015 there was an increase of 46.51%, in 2016 a decrease of 19.05%, in 2017 a decrease of 27.45%, in 2018 an increase of 48.65%, in 2019 a decrease of 38.18%, in 2020 an increase of 29.41%, in 2021 a decrease of 15.91%, in 2022 an increase 0f 21.62%, in 2023 a substantial increase of 100%.

Over the ten years period, Zenith bank Net profit margin exhibited both increases and decreases. There was a decrease of 2.08% in 2015, in 2016 an increase of 14.89%, in 2017 an increase of 27.78%, in 2018 a decrease of 5.80%, in 2019 an increase of 20%, in 2020 a decrease of 1.28%, in 2021 a decrease of 1.30%, in 2022 a decrease of 19.74%, in 2023 a substantial increase of 50.82%.

Over the ten year period, First bank exhibited significant volatility. In 2015 there was a decrease of 42.86%, in 2016 an increase of 37.50%, in 2017 a substantial increase of 154.55%, in 2018 a sharp decrease of 64.29%, in 2019 an increase of 25%, in 2020 an increase of 44%, in 2021 am increase of 83.33%, in 2022 a decrease of 40.91%, in 2023 a decrease of 48.72%.

Over the ten years period, Fidelity bank profit margin exhibited both increases and decreases. In 2015, there was a decrease of 17.86%, in 2016 a decrease of 30.43%, in 2017 a significant increase of 62.50%, in 2018 an increase of 19.23%, in 2019 an increase of 9.68%, in 2020 a decrease of 23.53%, in 2021 a significant increase of 46.15%, in 2022 a decrease of 18.42%, in 2023 an increase of 16.13%.

Descriptive Statistics

The descriptive statistics include mean, standard deviation, maximum, minimum, skewness and Kurtosis, as well as the Jacque Bera statistics for the individual variables. The mean and standard deviation will be used to explain the nature of the data while the Jacque Bera captures the behavior relation to time series. Mean is the average value of the series, and Standard deviation measures dispersion in the series.

The Jarque-Bera Statistics and its corresponding probability values examined the normality of the distributions in the individual variables. The null hypothesis is that "the variables are normally distributed". The decision rule is to reject the Ho when P-value is less than 0.05% level of significance. These are used to explain the nature of the data for the study.

Analysis of the Descriptive Statistics of Corporate Governance on the financial performance of listed Deposit Money banks in Nigeria.

Descriptive Statistics

	BS	BCOM	ACSIZE	NPM
Mean	15.10000	4.040000	5.320000	0.450600
Median	15.00000	3.000000	5.000000	0.415000
Maximum	20.00000	10.00000	8.000000	0.920000
Minimum	9.000000	1.000000	2.000000	0.160000
Std. Dev.	2.659216	2.602667	0.978128	0.192443
Skewness	-0.134845	1.232662	-0.939406	0.729832
Kurtosis	2.295228	3.525499	5.579745	2.879886
Jarque-Bera	1.186326	13.23744	21.21879	4.468850
Probability	0.552577	0.001335	0.000025	0.107054
Sum	755.0000	202.0000	266.0000	22.53000
Sum Sq. Dev.	346.5000	331.9200	46.88000	1.814682
Observations	50	50	50	50

Source: Researcher computed result (2024)

The result on Table 4.5 demonstrates the descriptive statistics of the corporate governance on financial performance of Deposit money banks in Nigeria with three independent variables for 5 listed deposit money banks in Nigeria for 10 years period of 2014 to 2023. The result for the mean value of board size is 15.10. This indicates that Board size on average of the sampled deposit money banks in Nigeria is 15.10%. This implies that averagely, the listed deposit money banks' board size in the governance operations of these banks is averagely 15.10%. It further indicates that the board composition, and audit committee size in the period of study and from the sampled deposit money banks are 4.04 and 5.32 respectively. The mean value of the dependent variable "Net Profit Margin" is 0.45. This Indicates that averagely, the proxies of the corporate governance "board size, board composition and audit committee size" of the sampled deposit money banks stood at 15.10, 4.04 and 5.32 respectively. While that of net profit margin is averagely 45% of the deposit money banks in Nigeria within the period under study.

The median descriptive statistics value which set the benchmark and group the sampled firms into below and above average when there is a wide difference between maximum and minimum values are presented as 15.00 for board size, 3.00 for board composition, 5.00 for Audit committee size and 0.41 for Net profit margin. The sampled deposit money banks median value is the benchmark or average in all the proxies of Corporate Governance and financial performance for a low and high performed bank in the industry.

The maximum descriptive statistics value which provides the largest value in the data of the sampled banks and often used to check for impossible outcomes are 20.00, 10.00, 8.00 and 0.92 respectively for board size, board composition, audit size and net profit margin.

The standard deviation which measures the degree of deviation from the mean and medium values are 2.65, 2.60. 0.97 And 0.19 respectively for board size, board composition, audit size and net profit margin. The standard deviation value of board size, board composition, audit size and net profit margin when compare with their respective mean and medium showed little difference and are free from outliers.

Regression Analysis

Multiple Regression Analysis

Dependent Variable: NPM
Method: Panel Least Squares
Date: 07/31/24 Time: 05:33
Sample: 2014 2023
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.748602	0.184329	4.061219	0.0002
BS	-0.018609	0.010735	-1.733491	0.0897
BCOM	0.027088	0.010877	2.490420	0.0164
ACSIZE	-0.023768	0.028763	-0.826359	0.4129

R-squared	0.147486	Mean dependent var	0.450600
Adjusted R-squared	0.091887	S.D. dependent var	0.192443
S.E. of regression	0.183389	Akaike info criterion	-0.477801
Sum squared resid	1.547042	Schwarz criterion	-0.324839
Log likelihood	15.94503	Hannan-Quinn criter.	-0.419552
F-statistic	2.652683	Durbin-Watson stat	0.865854
Prob(F-statistic)	0.059703		

Source: Researcher computation E view 9 Results:

The regression analysis is therefore based on Fixed Effect Model to interpret the places of board size, board composition, and audit committee size of corporate governance proxy and net profit margin of listed money deposit bank in Nigeria.

The result of the coefficient of determination (R-square) is 0.14. This means that the explanatory variables (board size, board composition, audit size) explains the respondent variable (Net profit margin) of listed deposit money banks in Nigerian Exchange Group is only14%. While 86% are outside the explanatory variables. The F-statistics which is for testing the overall effect of the model is 2.6526 with a P-value of 0.0597. Since the P-value is less than 0.05% level of significance, the study concludes that the explanatory variable including (board size, board composition and audit size) accounted for about 3% of the net profit margin of listed deposit money banks in Nigerian Exchange Group. The result of the coefficient of independent variable that is used to produce the equation of the relationship from the model is as given below:

NPM = -0.018609BS + 0.027088BCOM + -0.023768ACSIZE + 0.748602

Hypotheses Testing

Hypothesis One

Board size has no significant effect on the Net Profit Margin of listed deposit money banks in Nigerian. The t-statistic for BS is 1.7334. The probability value is 0.089 which is greater than 5% level of significance. The decision rule is to reject the null hypothesis when the P-value is less than 5% level of significance, or to accept the null hypothesis when the p-value is greater than 5% level of significance. Therefore, since the P-value of (0.089) is greater than 5% level of significance, the study accepts the null hypothesis and rejects the alternative hypothesis which states that Board size has a no significant effect on the net profit margin of listed deposit money banks in Nigerian. The study thus concludes that Board size has a negative and insignificant effect on the net profit margin of listed deposit money banks in Nigeria.

Hypothesis Two

Board composition has no significant effect on the Net Profit Margin of listed deposit money banks in the Nigerian Exchange Group. The result shows that the t-statistic for BCOM is 2.4904. The probability value is 0.016 which is less than 5% level of significance. The decision rule is to reject the null hypothesis when the P-value is less than 5% level of significance, or accept the null hypothesis when p-value is greater than 5% level of significance. Since the P-value 0.016 is less than the 5% level of significance, the study rejects the null hypothesis and accept the alternative which states that board composition has a significant effect on the Net Profit Margin of listed deposit money banks in the Nigerian Exchange Group". The study then posits that Board Composition has a significant effect on the Net Profit Margin of listed deposit money banks in Nigeria.

Hypothesis Three

Audit Size has no significant effect on the Net profit Margin of listed deposit money banks in the Nigerian Exchange Group. The result shows that the t-statistic for ACSIZE is -0.8263. The probability value 0.4129 is greater than 5% level of significance. The decision rule is to reject the null hypothesis when the P-value is less than 5% level of significance and accept the null hypothesis when it is otherwise. Therefore, since the P-value (0.4129) is greater than the 5% level of significance, the null hypothesis is accepted for alternative hypothesis which states that Audit size has no significant effect on the Net Profit Margin of listed deposit money banks in Nigeria.

Discussion of findings.

The coefficient of the regression board size is -1.01. This means that board size which is a proxy for Corporate Governance, has a negative relationship with the net profit margin. This means that a unit increase in the board size results to a decrease in net profit margin of listed money deposit banks in Nigeria up to 100% . The coefficient of the regression for Board Composition is 0.02. This indicates that Board Composition has a converse relationship with the net profit margin of money deposit banks in Nigeria at 2%. The result of the coefficient of the regression for Audit size is -0.17. This shows an inverse relationship between Net profit margin and Audit Size. This implies that a unit rise in the cost of the Audit size will decrease the net profit margin of listed money deposit banks in Nigeria by 17%.

Summary of Findings

1. Board size has a negative and insignificant effect on the net profit margin of listed deposit money banks in Nigeria over the years of study.

2. Board Composition has a significant effect on the Net Profit Margin of listed deposit money banks in Nigeria over the years under study.
3. Audit committee size has no significant effect on the Net Profit Margin of listed deposit money banks in the Nigeria over the years under study.

Limitation of the study

Since this study is using secondary data, it is therefore limited to the quality of secondary data service. The researcher is a student and therefore has limited time as well as resources in covering extensive literature available in conducting the research.

1. **Financial constraint:** Insufficient funds tend to impede the efficiency of the researcher in sourcing for information/relevant materials, literatures and in the process of data collection (internet).

2. **Time constraints:** The researcher will simultaneously engage in the study with other academic works. This will consequently cut down on the time devoted for the research work.
   Finally, the research is restricted only to the evidence presented by the participants in the research and therefore cannot determine the reliability and assurance of the information provided.

Conclusion

The study on the effect of corporate governance on financial performance of deposit money banks in Nigeria has yielded insightful findings which lead to the following conclusion.

The analysis indicates that board size has a negative and insignificant effect on the profit margin of listed deposit money banks in Nigeria. This suggests that simply increasing the number of board members does not necessarily contribute to improved financial performance and may even be detrimental if not managed properly.

Conversely, board composition has a significant effect on the net profit margin. This shows the importance of having a well-diversified and skilled board, suggesting that the expertise and background of board members play a crucial role in driving the financial success of banks. The diversity in board composition likely brings varied perspectives and better decision making processes, which positively impact the net profit margin.

Lastly the size of the audit committee shows no significant effect on the net profit margins of this banks. This finding implies that merely increasing the number of audit committee members does not enhance financial performance. It indicates that other factors, such as quality and effectiveness of the audit processes and the competencies of the audit committee members are more critical than the size of the committee itself.

Recommendations

In order to address the specific implication of each finding while aligning with the broader goal of improving financial performance through corporate governance, the study makes the following recommendations;

1. Board size: While larger boards are associated with a slight negative impact on net profit margins, the influence is not significant enough to warrant immediate changes based solely on size. Although the study found no significant effect, banks should aim to maintain an optimal board size to avoid potential inefficiencies. Regular reviews and adjustments based on specific operational needs are recommended.
2. Board composition: Increasing the number of independent directors on the board can help ensure that decisions are made in the best interests of the shareholders and the bank, rather than being influenced by internal interests. Independent directors bring unbiased view points and can improve governance practices.
3. Audit committee size: Banks should prioritize the qualification, expertize, and independence of audit committee members over the number of members. The quality and effectiveness of the committee may have a more substantial impact on financial performance than its sizes.

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