Research Journal of Finance and Accounting www.iiste.org
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.9, No.8, 2018

The Effect of Corporate Governance Culture of Banks Financial Performance in Nigeria

Osho, Augustine E. *Ph.D*
Bursary Department, Ekiti State University, P. M. B. 5363, Ado Ekiti, Nigeria

Ogodor Blessing N
Department of Accounting, The Federal Polytechnic, Ado-Ekiti, Nigeria

Abstract
This paper examines the effect of corporate governance culture of banks financial performance in Nigeria. The increased incidence of bank failure in the recent period generated the current literature on quality of bank assets and also emphasized good governance as means of achieving banks objectives. This study made use of secondary data obtained from the financial reports of nine (19) banks for a period of ten (10) years (2006- 2016). Data were analyzed using multiple regression analysis. Findings revealed that poor asset quality (defined as the ratio of non-performing loan to credit) and loan deposit ratios negatively affect financial performance and vice visa in the banking sector. It is recommended that banks must strive to be a model for the advanced world in any substantial form they desire which could be in form of developing unique governance strategy that would be reckoned with globally and quicken the pace of applying international accounting conventions in all its financial operations (i.e. IFRS).
Keywords: Agency theory, Corporate Governance, Corporate Governance Culture, Financial Performance, Stakeholders theory,

1.0 Introduction

The concept of corporate governance has become a vital topic for discussion in business circles, more so in an environment like Nigeria where unethical conduct thrives. Nevertheless, corporate governance in the banking industry is of utmost importance because of the significant financial intermediation role which the industry plays in any economy (Matama, 2008). As financial intermediaries, banks are answerable for funds deployment from extra spending units at a price for headlong loaning of such funds to the scarce spending units at a price. Corporate governance is an arrangement used by business corporations to run and regulate their establishments in order to upturn shareholder value and fulfill other stakeholders' expectations (CBN, 2006).

Several reasons can be offered for the importance of corporate governance in the banking industry, especially in an emerging economy like Nigeria. Firstly, the banking sector is a dominant sector in Nigeria's economy; thus it is an economic growth engine (King & Levine, 1993). Secondly, Nigerian banks are typically one of the most indispensable sources of finance for manufacturing sector. Thirdly, Nigerian banks are the major reservoirs for savings and they are also a means for payment in the economy. These reasons imply that the governance of banks should be viewed holistically and the mechanisms for such governance must include depositors and shareholders.

The idea behind the concept of corporate governance is that of governing over institutions, determining how they communicate with their stakeholders and communities in orders to improve their life quality (Ato, 2002 as cited by Muhammed, 2011). Therefore, corporate governance ensures fairness, openness and accountability in all the financial records of an organization. With this in mind, corporate governance concentrates not only on organizational efficiency but also on company strategy and organizational advancement (Mayer, 2007, as cited by Muhammed, 2011). Corporate governance is linked to the welfare of firms' stakeholders and specifies that corporation managers espouse mechanisms which will safeguard shareholders' interests (Ahmadu & Tukur, 2005, as cited by Muhammed, 2011).

Latest studies have shown that effective corporate governance has improved organizational performance. Gompers, Ishii and Metick (2003), for instance, discovered that strong shareholder rights is an auxiliary product of good corporate governance, and businesses that had made 8.5 per cent more annual returns than those who did not. They also detected that organizations which had a democratic dispensation got better valuations, greater profits, higher sales growth and lesser capital expenditures. On the contrary, organizations with poor corporate governance culture were less profitable and more susceptible to insolvency risks as they got poor assessments and gave out petty dividends to their shareholders. Claessens (2003) opined that good corporate governance arrangement gives great advantage to corporations in the form of more favourable dealings with all stakeholders, better performance, lesser cost of capital and larger access to financing. Thus, it is a recognized fact that frail corporate governance results in pitiable organizational performance and risky financial outcomes, such as the financial imbroglios of East Africa in 1997. Donaldson (2003) and other authors have also argued that sound corporate governance is a key element to increase investor guarantee and market liquidity.

The corporate governance culture in Nigeria has persistently failed to be responsible to the stakeholders and has no deep rooted mechanisms to a balance among the major players (board of directors, shareholders and management) in the system or economy. The revocation of Peak Merchant Bank license among others by the Central Bank of Nigeria because of over bearing influence of the Chairman who was also the majority shareholder of the bank, persistent liquidity problem, poor asset quality, significant insider abuses, poor track of profitability, inability and unwillingness of shareholders to recapitalize, reckless granting of credits, complete absence of focus and lack of corporate governance, are quite indication that the state of corporate governance in the Nigeria Banking industry is at low ebb, (CBN, 2004).

To address these gaps, this study has examined the role played by corporate governance culture in the financial performance of banks in Nigeria. Previous studies on this area were limited to the framework of the OECD (Organization for Economic Cooperation and Development) principles, which were solely based on shareholder dominance. This study, however, is a departure from that trend. Rather, it has analyzed how compliant banks have either adhered or not to the code of corporate governance in Nigerian banks after the consolidation of banks by the CBN. Lastly, while other corporate governance research have ignored the operating performance variable as substitutes for performance, this study employed the accounting operating performance variables to examine the relationship (if any) that is present between corporate governance culture and performance of banks in Nigeria.

2.0 Literature Review

Corporate governance gained importance in modern businesses owing to the separation of management and ownership control in corporations. Oftentimes there are conflicts of interests between shareholders and managers. The differential interests of firm's stakeholders generates principal agent problem which is reflected in the management and direction related problems. There is no consensus definition of corporate governance as its applicability is robust and it can be perceived from different angles. According to The Ministry of Finance, Singapore (Corporate Governance, 2001) corporate governance is "the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders.

The internal mechanisms variables regulating the interplay of actions and inactions between the players within the organization, the external forces provide a level playing field which keeps players in line (Gregg, 2001). These external forces are legal policy, market and regulatory forces which oversee the performance and behavior of the firm. The actuate the legal and institutional framework for competition policy, systems for accounting and auditing the legal mechanism for enforcing shareholders' rights, the market for corporate control, a well-regulated financial system and bankruptcy checks system. Thus, the external variable fosters good corporate governance culture and fosters firm competitiveness. Nevertheless, there is no single model that accentuating corporate governance. Despite the subtle differences in the corporate governance structures and cultures across, the common denominator is that it shapes the nimbleness, competence and profitability of all firms.

In the year 1999, OECD developed a robust and eclectic framework for sound and effective corporate governance culture coupled with principles that will foster implementation and adaptability (OECD, 2004). In 2004, these principles were reviewed such that it encompasses 8 principles which will guarantee institution of effectual corporate governance. By inspection, these principles were established to "address a wide spectrum of governance issues which arise from the separation of ownership and control, the power of certain controlling shareholders over minority shareholders, and other issues relevant to a firm's decision-making processes, such as environmental, anti-corruption or ethical concerns. OECD articulated that corporate governance is significantly influenced by the relationships among participants in the governance system" (OECD, 2004) such as "controlling shareholders, which may be individuals, family holdings, or alliances, investors who may ask for a voice in corporate governance, individual shareholders who are highly concerned about protecting their interests against controlling shareholders self- dealing, creditors can serve as external monitors over corporate performance, and employees who contribute to the long-term success and performance of the corporation, while governments establish the overall institutional framework for corporate governance" (OECD, 2004). The roles of those participants are subject to voluntary adaptation and market forces that in turns reflect each market's own economic, social, legal and cultural circumstances, and hence develop their own practices (OECD, 2004).

The height at which a firm attains in terms of sound corporate governance culture, significantly affects the investment decisions. According to Monks and Minnow(2008) good corporate governance "enhances firms' and markets' reputations, which in turns contribute partially to shape the international character of investment and subsequently, enhanced transparency of markets increases the flows of capital which enable companies to access financing from a much larger pool of foreign investors as well as domestic investors which reduces the cost of capital, underpins the good functioning of financial markets, and ultimately induces more stable sources of financing". Thus, economies that expect to reap huge capital reward on long-term basis must communicate corporate government practices unambiguously to all stakeholders comply with existing and up-to-date internationally accepted principles.

2.1 Corporate Governance Culture and Global Practice

According to McDonald, (2000), culture refers to "the shared beliefs and symbols of a group of individuals". The practice of corporate governance varies across the globe. Differences exist in countries' "system of corporate governance with respect to ownership concentration, the identity of owners, and the regulatory and legislative framework, all have important implications for both firm performance and economic performance" (Turnbull, 1994).The variations in the corporate governance practices across the continents can be attributed to the differences in the capitalism that are entrenched in various economies. For example, in the United States, a firm is governed by "a board of directors, which has the power to choose an executive officer, usually known as the chief executive officer and the CEO has broad power to manage the corporation on a daily basis, but needs to get board approval for certain major actions, such as hiring his/her immediate subordinates, raising money, acquiring another company, major capital expansions, or other expensive projects" (Turnbull, 1994).

Other duties of the board may include "policy setting, decision making, monitoring management's performance, or corporate control" (Turnbull, 1994). In the Japanese context, control is exerted through keiretsu structures comprised of groups of financial and industrial companies, including suppliers and purchasers. A crucial feature of the Japanese system is the emergence of banks as a significant element of corporate governance, where banks exercise their control over companies in the group through a combination of shareholding and lending activities. Therefore, the main external control over managers is by the main bank, although this is rarely the largest stakeholder in the company (Coleman, 2007).

Several researchers have hypothesized the rationale underpinning the variations in corporate governance system. For example Coleman (2007) posits that the "effectiveness and form of different corporate governance systems may be influenced by a number of factors, including product market competition, the structure of capital and labour markets, and the regulatory and legal environments". Shleifer and Vishny (1997) argue that "much of the differences in corporate governance systems around the world stem from varying regulatory and legal environments". They held the view that the disparities between corporate governance systems in OECD countries, while important, are negligibly small compared to the variations between nations in the non-OECD economies. For instance, some less developed economies voids corporate governance practices and, where they do exist, they are often weak, beggarly and ineffective.

In Africa, the corporate governance structure South Africa is well-developed and is the closest to western world among other African economies. Ghana, Kenya and Nigeria have corporate governance of "fledging nature" (Coleman, 2007). The creation of an Institute of Directors (IOD) in Africa, coupled with the existing companies codes, regulations and the Securities and Exchange Commission and stock market listing rule assist in supplementing rather than substituting the basic channels via which corporate governance issues are resolved. These frameworks are laden with latent hitches associated with disclosure, corporate social responsibility, employees, insider trading, related party transactions privileges of board of directors are, investors' protection and issues dealing with corporate responsibility. An obvious disparity in the corporate governance systems of African economies are the contrasting tenets guiding the ownership and control of firms which is prevalent across countries (Coleman, 2007).

The level of ownership concentration and the identity of controlling or dominant shareholders are the barometric indices for categorizing ownership control under the corporate governance framework. While in certain systems there are widely dispersed ownership pattern (outsider systems), other exhibit concentrated ownership pattern (insider systems) whereby the controlling or dominant shareholder could be financial institution, corporation, bloc alliance, family holding or individuals or via cross shareholdings (Hovey & Naughton, 2007).

The legal and regulatory structures within which firms operate affect the corporate governance and vice versa i.e. there is a bi-nexus link between ownership structures and the legislative milieu. For instance, the regulations guiding stock exchange with respect to dual class-shares and buyout codes, that mandates corporations to make full tender offers once the certain level of equity has been acquired, can have a bearing on the ownership structure. It has been observed that the expropriation of minority shareholders is limited in a system where there is resilient fortification of shareholder rights. Stockholders forestalling higher returns are eager to pay more for shares. This, usually lead to the emergence of dispersed ownership as the powers of the controlling shareholders to weaken (Maher & Andersson, 1999). Granted, corporate governance is affected by the legal and regulatory environment, it must be noted that vital components of the corporate governance systems are legal codes and regulations.

However, when the ownership structure is of the dispersed variant, there will be need for stronger for regulations which will protect shareholder rights. In the United States, there was a shift in the ownership from concentrated to dispersed system and the swift adaptation of the legislative environment to the arising and particular needs of the system is remarkable. Similarly, several European countries are emulating this dynamism and adaptability as their legislative environments are resonating with the emerging complexion of their corporate governance structures such that the protective guard of the minority shareholder is strengthened and there are check and balances in the management controlling shareholders in their corporate governance landscape (Coleman, 2007).

2.2 Conceptual Framework of Corporate Governance Culture of Banks Financial Performance in Nigeria

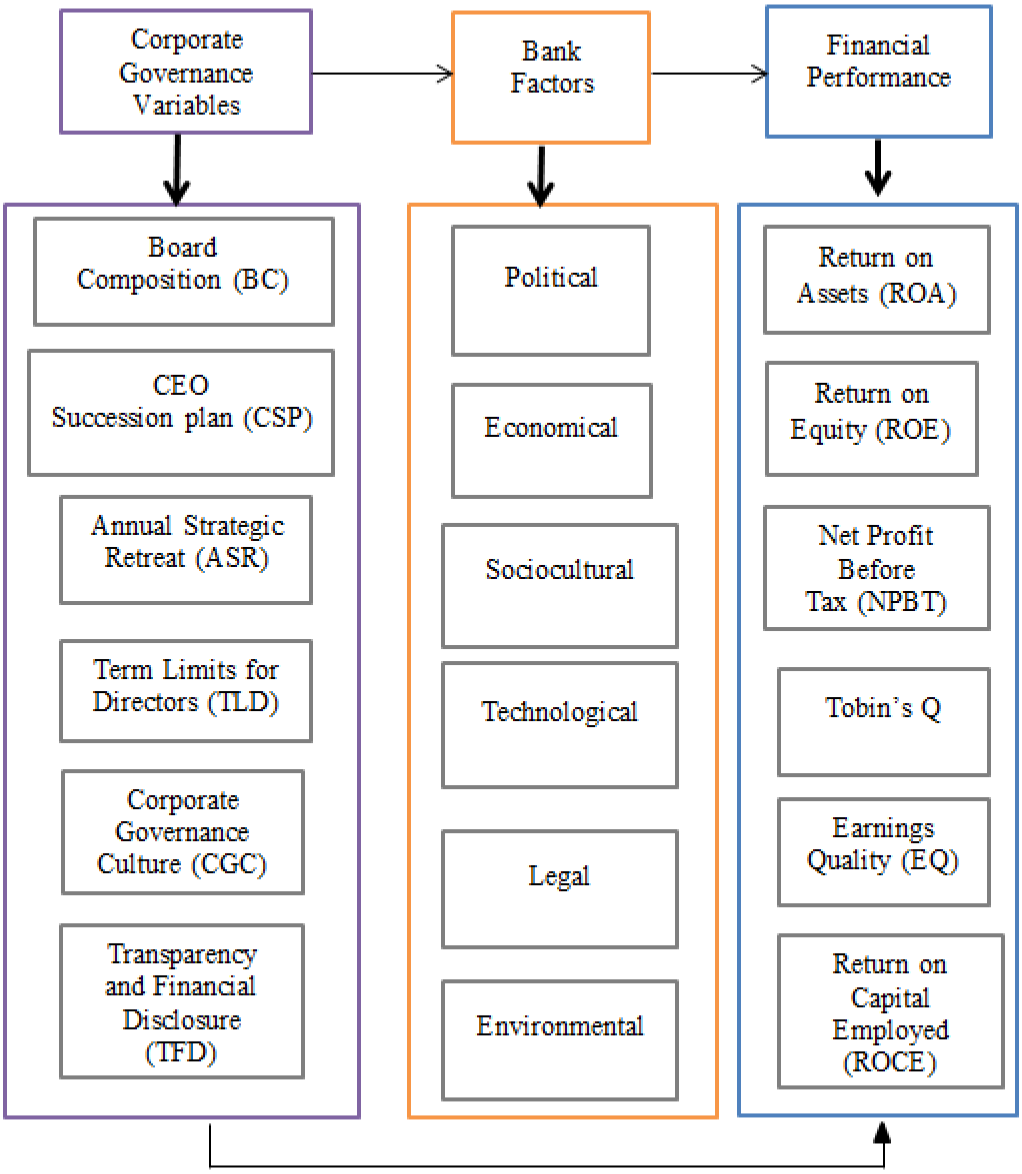

Fig 1: Source: Researchers' Corporate Governance culture of Banks Financial Performance Model

The model above shows the path of the study which is aimed at examining the impact of corporate governance variables employed in this analysis are Board Composition (BC), CEO Succession Plan (CSP), Annual Strategic Retreat (ASR), Term Limits for Directors (TLD), Corporate Governance Culture (CGC) and Transparency and Financial Disclosure (TFD). The financial performance is proxies by return on asset (ROA), return on equity (ROE) net profit before tax (NPBT), Tobin's Q, earnings quality (EQ) and return on capital employed (ROCE). The model computed is subjected to pooled, fixed and random estimation in table 4.1.

2.3 Theoretical Framework

This study has adopted the stakeholders' theory for its theoretical framework, a theory made well-known by

Freeman (1984) who contended that the core principle of any corporation is to gratify all stakeholders' interests and that corporate organizations have extensive accountability than the narrow-minded representation of corporation given by the agency theory.

2.3.1 Stakeholders' Theory

The provision of resources for a corporation as the foremost objective of its board members is the thrust of the stakeholder theory. Therefore, the Board of Directors of a corporation has to be represented by all the parties that are crucial to the corporation's success. The outcome of this is the corporation's ability to arrive at a consensus among all crucial stakeholders, creating the cohesion needed to move the corporation forward and avoiding any inimical interest clash (Tricker, 2009). Hence, the Board has the directive to assure that there is effective corporate governance within the corporation by having representations from the various stakeholders groups: shareholders, the national community, staff members, suppliers and customers.

Some schools of thought also hold the view that bigger boards can improve corporate governance practices, especially when it is considered that there is greater diversity in the board's expertise, a factor which improves the managerial decision-making process and significantly limits the dominance of the CEO (Abor and Biekpe, 2007). Jensen (1993) contended that board effectiveness and CEO support was greatly improved when the number of directors on the Board was reduced since bigger boards needed greater levels of communications and greater efforts to facilitate and coordinate corporation activities. Thus, coordination becomes clumsier with bigger boards, creating problems and making it difficult for them to respond quickly in times of difficulty, crises and emergencies. Also, it lessens individual director's accountability and raises the likelihood of free-riding. As a result, the principal role of bank management and oversight as a board is left for a few board members while the rest stop contributing efficiently; this last group of persons will hold an unfair advantage over the others. It is perhaps for this reason that Jensen (1993) specifically limited the number of directors to at most 8 as an element of six principles which help to enhance the governance structure of a firm (Jensen, 1993).

In addition, educational and professional training levels of managers and board members also have significant influence on a corporation's performance (Abor & Biekpe, 2007). The positive correlation here is attributable to the capacity of highly educated directors to put their skills and knowledge into use in order to have access to outside information, establish networks and more thorough supervisory systems and also to seek the inputs of consultants. Even though higher-level management qualifications are crucial to firm success, some researchers have expressed some doubts concerning their importance to excelling corporate performance. Moreover, other researchers have contended that they may have some negative impacts on firm performance as a outcome of the business and professional associations of highly-qualified managers which may lead to enlarged agency costs and unscrupulous behaviour.

Some investigators have found that high-level inside ownership contributes positively to firm's performance since they are more familiar with the systems, operations and internal policies of the organization, thus enabling them to make proper decisions. Consequently, it reduces outside intervention from monitoring and controlling the leadership of the firm, thus reducing the firm's value. It is often debated that family-led companies are run in an atmosphere of affection and commitment toward the organization; there is greater trust and self-sacrifice that improves communications between managers and workers, thus reducing agency cost. In contrast, other research works have indicated that the tendency for managers to engage in entrenchment is higher in family-led organizations, leading to weaker performance. While foreign ownership guarantees improved access to the investment openings (via contacts with big foreign institutional investors who vigorously monitor the activities of management) and enable resilient monitoring of managers. But certain researchers agreed on restricting managers and board ownership as a high-level insider ownership is inefficient, as all managers tend to seek out their self-interests instead of creating inventive entrepreneurial prospects and shareholder value maximization (Monks & Minow, 2008).

2.3.2 Agency Theory

The agency theory is considered the starting point for any debate on the issue of corporate governance (Coleman, 2007). The theory considers fundamental agency challenges in modern corporations due mainly to differentiation between the financing source and management. Modern corporations suffer from the distinguishing of ownership and control and are thus managed by professional managers who are not answerable to circulated shareholders. According to this theory, the goal of the firm is to make the most of shareholder's capital through allocated, productive and dynamic effectiveness i.e. the aim of the firm is to increase profits. The principle by which performance is determined in this theory is simply the market value (i.e. shareholder value) of the business (Ahmad, et al, 2005). Therefore, managers and directors have an inherent duty to make sure those corporations to the shareholders' best interests. The basic difficulty of corporate governance in this theory stems from the relationship between principal and agent emanating from the distinguishing of beneficial ownership and executive decision-making. It is this departure that makes the company behaviour deviate from the profit-maximization principle.

Friedman (1970) argued that the distorting of corporate executives' borders of duties as a result of impositions into social responsibilities would in the end lead to a loss of free enterprise and the commencement of a socialist state. The very act of managers being tangled in decisions that are the sphere of the political circle and not the business world turns such executives into public workers and civil servants, though they remain workers in a private enterprise. It is a fact that public servants are elected through a political process, not appointed by shareholders. Friedman did concede that actions termed 'social responsibility' are to the satisfaction of the self-interests of a corporation and are therefore justified to some extent.

The importance of the agency theory, established in the United States, tends to make incomprehensible the roles of corporations being managed in the benefit of stakeholders. Instead, the focus is on returns on investment of shareholders (Shleifer & Vishny, 1997). The Cadbury Committee made the pronouncement that a nation's economy depends on the drive and efficiency of its corporations. Thus the efficacy with which their boards carry out their tasks determines a country's competitive position. For Cadbury, the board of directors must be allowed to propel their companies but must use that freedom within a structure of effective accountability. This is the principle of any system with good corporate governance (Cadbury, 1992). There is a general arrangement that publicly quoted corporations—the key engines for growth in a country—also have the great responsibility toward the people who are impacted by their actions or indecisiveness. In the United States, "publicly-listed corporations constitute barely 1 per cent of all business organizations". However, in 1997 they manufactured over 50 per cent of the United States' economic output (Gregg, 2001).

Recently, pressure has been mounting on institutional shareholders assume a more active role in the corporations they have invested in. This has been motivated by corporate scams that exposed a deficiency in non-executive director efficiency, and a proclivity (as extensively reported in the media) for board of directors to be compensated for poor performance. This has provoked a call for greater openness and exposé in an effort to equilibrate the information lop-sidedness and provide investors with more well-timed information about their company's actions. The agency issue continues to be significant in governance terms because it influences the arrangement and composition of boards, the necessities for disclosure, and on the balance of power between shareholders and managers (Cadbury, 2002).

3.0 Methodology

In this study the primary research was carried out using a survey design Questionnaires which were administered to staff of the selected banks for primary data collection. The primary research was validated and consolidated through the secondary research. Secondary data were derived from annual reports to examine the performance of the selected banks. The data were basically the trend data which aids in examining how corporate governance has affected the financial performances of banks culture.

The study adopted the sampling size determination model of Krejcie & Morgan (1970). The size of the population of the bank employees to be worked upon is 12,402 The researchers' picked out of a sample of 12,402 number of middle level, top level managers and number of the employees of the banks at random. Different scholars have given different perspective in determining a sample size. However, for the purpose of this study, to ensure the accuracy of the study the Krejcie & Morgan's formula was employed in determining sample size.

The Krejcie and Morgan's Formula is a statistical formula concerned with the application of normal approximation with 95 per cent level of confidence and 3.5 per cent level of error tolerance. The formula is given below in determining the sample size;

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where:

n = sample size

X^2 = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

Where n = 727
N= 12,402 (Within the range of 10,000 to 25,000)
Therefore to determine the sample size for number of participant to distribute its questionnaire upon, the researcher makes use of 727 participants.

4.0 Discussion of the results

The mean and standard deviations, from the 160 observations are computed in this section of the data presentation. This reveals the average values as well as the deviation from the mean for the variables in each model. The mean and standard deviations, from the 160 observations are computed in this section of the data presentation. This reveals the average values as well as the deviation from the mean for the variables in each model.

4.1 Regression Result Model Where Dependent Variable is Return on Capital Employed

Table 4.1: Regression Output Model

Variables						
	Pooled		**Fixed effects**		**Random effects**	
	Coeff.	**Prob.**	**Coeff.**	**Prob.**	**Coeff.**	**Prob.**
CONSTANT	28.75638 (-0. 511934)	0.6119	-26.24784 (-0.238976)	0.7434	-23.65478 (-0.358239)	0.7308
CSP	0. 031109 (0.588321)	0.5382	0.061218 (0.451183)	0.5675	0.034528 (0.568911)	0.4287
ASR	0. 073712 (0.904572)	0.8321	0.046537 (0.455876)	0.5711	0.0371889 (0.257578)	0.7731
TLD	0. 073415 (2.671008)	0.1034	-0.013698 (-0.137889)	0.8449	- 0.151094 (-1.487381)	0.1472
CGC	. 293023** (0.03118)	0.4219	.138745 (0.072391)	0.1187	.54211*** 0.003134)	0.0499
TFD	0.976511 (0.688314)	0.9217	0.005331 (0.005489)	0.9573	-0.079571 (-0.0036049)	-0.8678
BC	-0. 038421** (-2. 643239)	0.0003	-.0567734 (-0.258821)	0.7584	-.072901 (-0.54013)	0.6414
R-squared	0. 329845		0.469821		0.228927	
S.E. of regression	6. 859843		6.933871		6.660092	
F-statistic	2.693497***		1.737127***		1.357882***	
Prob. (F-statistic)	0. 851249		0.060094		0.233489	
Durbin-Watson stat	1. 449210		3.228179		2.652381	
Number of Observations	160		160		160	

Note that*,**and***denote significance at10.5 and 1 per cent significant levels respectively while values in parenthesis are t-statistics.

Note also that the model tests bank's financial performance using ROCE

Source: Researchers' computation.

The result from the regression equation is shown in Table 4.1. The equation employed Return on Capital Employed (ROCE) as its dependent variables while Board Composition CEO Succession Plan, Annual Strategic Retreat; Term Limits for Directors, Corporate Governance Culture, Transparency and Financial Disclosure are the independent variables. For the models, the F-values which are significant at 1 per cent level indicate that our models do not suffer from specification bias. However, from the model, the coefficient of determination (R^2) indicates that about 33 per cent of change in return on capital employed (ROCE) is accounted for by the explanatory variables.

Board composition

The study shows that there is a negative and significant relationship between board composition and returns on capital employed (ROCE). 100 per cent rise in board composition will result in 3.8 per cent, 5.6 per cent and 7.2 per cent decrease in ROCE. This shows the impact of outside directors on the ROCE of Nigerian commercial banks.

Discussion

The composition of the board may be used to ameliorate the principal-agent problem. The participation of outside directors is designed to enhance the ability of the firm to protect itself against threats from the environment and align the firm's resources for greater advantage. However, this study is in line with Wen *et al.* (2002) that found a negative relationship between the number of outside directors on the board and performance, Bhagat and Black (2002) found no relationship between outside directors and Tobin's Q. In another related work, the proportion of outside directors was found to have a significant positive relationship to firm performance (Weisbach, 1988). Firms with higher number of outside directors are expected to pursue activities that would bring about low financial leverage with a high market value of equity (Baysinger & Butler, 1985). Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Shivdasani & Zenner, 2004).

For the above reasons, the proportion of non-executive directors on the boards of banks can hinder company financial performance and shareholders' value creation.

CEO Succession Plan

Interpretation

CEO succession plan has a positive but insignificant relationship with return on capital employed (ROCE). 1 per cent rise in CSP would lead to 3.1 per cent, 6.1 per cent and 3.5 per cent increase in ROCE for pooled, fixed and random estimate respectively.

Discussion

These results are also consistent with Brickley, Linck and Coles (1999), who find that post-retirement retention on CEOs own board or service on outside boards is dependent on the accounting and stock performance of the CEO's firm during his tenure. The increase in the operating performance of the firms after the end of the probationary period provide evidence to the existence of performance based incentives for departing CEOs as argued by Brickley, Linck and Coles (1999).

In addition to the accounting and stock performance of their firms, the reputation of a CEO also depends on the policies and business decision she implements. Therefore, the former CEO would like to ensure that his policies are kept and followed. Simultaneously, the new CEO would have incentives to conform to the existent policies and keep the status quo in order to curry favor and complete the probationary period as quickly and easily as possible.

In the 12th Annual Global CEO Succession Study, Favaro, Karlsson and Neilson (2012) noted that in 2011, 14.2 per cent of CEOs at the world's top 2,500 companies were replaced. This number was sharply higher than the previous year's turnover rate of 11.6 per cent. CEO development is becoming an increasingly critical and strategic imperative for organizations in the current business environment.

Annual Strategic Retreat

Interpretation

The study shows positive relationship between annual strategic retreat and ROCE among Nigerian commercial banks. 100 per cent increase in ASR results in 7.3 per cent, 4.6 per cent and 3.7 per cent increase in ROCE for pooled, fixed and random estimates respectively.

Discussion

Functional area knowledge and skills include accounting, finance, marketing, and law. Board members can either possess these skills or have access to external networks that can provide them. Firm-specific knowledge and skills refer to detailed information about the firm and an intimate understanding of its operations and internal management issues. Boards often need this kind of "tacit" knowledge (Nonaka, 1994) in order to deal effectively with strategic issues.

If boards are to perform their control tasks effectively, they must integrate their knowledge of the firm with their expertise in the business areas. In addition, if boards are to perform their service tasks effectively, they must be able to combine their knowledge of various functional areas and apply that knowledge properly to firm-specific issues.

Term Limits for Directors

Interpretation

The term limits for director has a positive relationship with ROCE for the pooled estimates while the fixed and random estimates has an inverse or negative relationship increase 100 per cent increase in TLD would lead to a 7.3 per cent rise in ROCE for pooled estimate and a 1.3 per cent and 1.5 per cent decrease in ROCE for fixed and random estimates respectively. However, the relationship is not significant, thus the null hypothesis is accepted.

Discussion

According to Parker, Peters and Turetsky (2002) term limits for director has a positive impact on bank's performance as board members terms help in keeping directors on their toes thus fostering practices that improve the ethics of the industry and exhibit a high degree of honesty, integrity and credibility.

Corporate Governance Culture

Interpretation

The results indicate that 100 per cent increase in corporate governance culture would lead to 29.3 per cent, 13.9 per cent and 34.2 per cent increase in ROCE for pooled, fixed and random estimates respectively. The relationship is however is significant at 1 per cent and 5 per cent respectively for the pooled and random estimates.

Discussion

Corporate governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Shleifer and Vishny, 1997). If these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Overall, economic performance would likely suffer because many good business opportunities would be missed and temporary financial problems at individual firms would spread quickly to other firms, employees and consumers.

Previous evidence suggests that corporate governance has a positive influence over corporate performance. For example, based on industry-level view, Rajan and Zingales (1998) find that firms in industries that require large amounts of external financing grow faster in countries with high scores on their measures of financial development. Thus, corporate governance (measured through better accounting standards, stronger legal protection of investors, and a stronger rule of law) appears to matter for financial performance. In addition, Williams (2000), Drobetz et al. (2003) and Gemmill and Thomas (2004) concluded in their respective studies that there is a positive relationship between good corporate governance practices and firm value. A widely accepted statement is that good corporate governance results in a lower cost of capital. One explanation is that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital.

Transparency and Financial Disclosure

Interpretation

The results show that there is a positive and significant relationship between transparency and financial disclosure and return on capital employed (ROCE).100 per cent increase in TFD index would lead to 9.8 per cent, 5.3 per cent increase in ROCE for pooled and fixed estimates but 8.0 per cent decrease in ROCE for random estimates.

Discussion

The outcome of this study resonates with the views of Wallace et al (1994) who investigated the impact of firm characteristics on disclosure in annual reports and accounts of Spanish firms. They investigate 30 listed and 20 unlisted firms in Spain for the year 1991. They construct an index of comprehensive disclosure of mandatory items as a proxy for disclosure quality for each Spanish company. Their score is based on the density (fullness) of information in their annual report. The list of information items is restricted to 16 mandatory items in order not to penalize a company for not disclosing any item. The scoring rewarded both qualitative and quantitative information. Qualitative information is scored on the basis of the number of words describing the item. The indexes vary between range 29 per cent to 80 per cent. They classify their independent variable into three categories, structure related (total assets, total sales and gearing), performance-related (liquidity ratio, earnings return and profit margin) and market-related variables (auditor type, industry type, listing status). Using regression analysis, the index of disclosure varies significantly positively with firm size. This result is in line with discoveries of Cerf and Cooke. The coefficient of liquidity is found to be significantly negative, which implies that the Spanish firms with low liquidity disclose less information. The result also indicates that comprehensive disclosure increases with listing status. The research provides evidence that the amount of detail in Spanish corporate annual reports and accounts is increasing in firm size and stock exchange listing, and decreasing in liquidity.

4.2 Hypotheses Testing

Table 4.2: Corporate governance culture of banks has no significant effect on its financial performance.

Model	Coefficient	t-statistic	Prob. (t-stat)	> or < 0.05 Significance level	Inference	Decision
Model	0.342119	0.003134	0.0429	<	Significant	Reject

Source: Researchers' Computation

From Table 4.2 the probability associated with the t-stat of coefficient of CGC in the model were less than the specified 0.05 significance P (t μ_1=0.0429>0.05). Therefore with respect to corporate governance structure, it is rejected. Thus, corporate governance culture of banks has significant effect on its financial performance.

This study shows a positive and significant relationship between establishing the link between corporate governance culture and firm financial performance metrics thus, accepting the alternative hypothesis. The results show consistency with some literature. Two broadly defined theories co- exist in the corporate governance literature. One stresses the discipline of the market, claiming that threat of hostile takeovers and leveraged buyouts in firms was sufficient to ensure full efficiency. Where managers neglect to invest in those projects that add value to the firm and its shareholders but divert recourses to their own benefit, the financial markets act to restore good governance. A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms Palepu, (1986), Morck, Shleifer and Vishny (1988, 1989); demanding cash flow payments in the form of debt service Jensen, 1986); and linking executive compensation to performance, including equity and options Jensen (1986). Matama (2005) in the study of Corporate Governance and financial performance on selected commercial banks obtained a positive relationship between Corporate Governance and financial performance. Masibo (2005) researched on Board Governance and firm performance of selected state-owned corporations and in listed organizations on Uganda Securities Exchange, obtained a positive direct and indirect link between Board Governance and Firm Performance through Board Effectiveness. Piesses, (2005), carried out empirical research on Corporate Governance and firm performance in an international perspective and obtained conflicting results on the link between Corporate Governance and Firm Performance.

5 Summary and conclusion

In reality, before the reforms were made, several bank boards were lacking independence because their CEOs and/or chairmen had domineering influences on the board, meaning that there were feeble ethical standards in the boards. Delays in succession planning and the failure to separate the roles of CEO and chairman in Nigerian banks have left a deep void in the sector. The corporate governance culture in Nigeria has repeatedly failed in its responsibilities toward the stakeholders and has no profound mechanisms to strike a balance among the key players (i.e. the board of directors, the shareholders and management). This led to the revoking of the licenses of the banks mentioned above. In some cases, the CEOs of the banks had to be replaced. In an effort at revitalization, the CBN injected a whooping sum of seven hundred and twenty million naira into the banking sector. It was discovered that in most cases, high profile failures were the repercussions of combined effects of governance and financial report failures (Umoren & Peace, 2011).

Therefore, there is a significant level of compliance by Nigerian banks to the corporate governance code. The banks are considerably open in their financial dealings and disclosure. High-level corporate governance culture has been absorbed by the banks and there are apt board structures. Yet, it was detected that shareholders' rights to the registrar's electronic voting system for each resolutions was absent in many banks.

As a result of the foregoing and based on the findings of this study, the following recommendations were made:

1. Seminars and workshops on corporate governance culture should be organized by the banking sectors for staff and board members.
2. It is beneficial for banks to change audit firms regularly as prescribed by the Central Bank of Nigeria and should consider the quality of their services. Also, banks should consider forming a partnership with a company which has international audit experience especially with the adoption of International Financial Reporting Standard. External auditors' role should be strictly limited to audit within the bank.
3. Banks must strive to be a model for the advanced world in any substantial form they desire which could be in form of developing unique governance strategy that would be reckoned with globally.
4. Finally, banks should quicken the pace of applying international accounting conventions in all its financial operations (i.e. IFRS).

References

Abor, J., & Biekpe, N. (2007). Corporate governance, ownership structure and performance of SMEs in Ghana: implications for financing opportunities. Corporate governance, 7(3), 288-300.

Ahmad, S. A. and Tukur, G. (2005). Corporate Governance Mechanism and Firms' Financial Performance in Nigeria. Research paper 149. African Economic Consortium. Nairobi, Kenya.

Ato, G. (2002): "Corporate Governance: How is the Accounting Profession Responding to the Demand for Greater Transparency and Good Governance in the Public and Private Sectors of the Economy." The Nigerian Accountants, July/September. Pp 29 – 64.

Baysinger, B & Butler, H (1985). Corporate governance and board of directors: performance effects of changes in board composition, Journal of Law Economics and Orgainisation, 1(1) 101-24.

Bhagat, S & Black, B. (2002). The non-correlation between board independence and long- term firm performance, Journal of Corporate Law, 27(2), 231-274.

Brickley, J. A., Linck, J. S., & Coles, J. L. (1999). What happens to CEOs after they retire? New evidence on career concerns, horizon problems, and CEO incentives. Journal of Financial Economics, 52, 341–377.

Cadbury, A. (1992). Report of the Committee on the financial aspects of corporate governance. London: Gee Publishing.

Cadbury, A. (2002): Overview of Corporate Governance: A Framework for Implementation. The World Bank Group; Washington. D.C: V-VI.

Central Bank of Nigeria (CBN) (2006). C.B.N code of corporate governance for Banks in Nigeria postconsolidation. Assessed on March 1st..http://www.google.com.ng/search.

Central Bank of Nigeria (CBN) (2004). Consolidating the Nigerian Banking industry to meet development challenges of the 21st century.

Claessens, S., (2003) Corporate Governance and Development, Global Corporate Governance Forum World Bank, Washington D.C.

Coleman-Kyereboah. A. (2007). "International Conference on Corporate Governance in Emerging Markets".

Sabanci University, Istanbul, Turkey. composition, leadership structure and financial performance, Journal on Strategic Management, 19, 269-290.
Donaldson W (2003). Congressional testimony concerning the implementation of the Sarbanes-Oxly Act of 2002. Available at www.sec.gov/news/testimony090903/tswhd
Drobertz, W., Schillhofer, A., & Zimmerman, H. (2003). Corporate governance and expected stock returns: Evidence from Germany. Working Paper. University of Basel, Basel.
Favaro K., Karlsson P., & Neilson G. (2012). CEO Succession Report: 12th Annual Global CEO Succession Study. Retrieved from http://www.booz.com/media/file/BoozCo_CEOSuccession Study-2011_Extended-Study-Report.pdf
Freeman, R.E (1984). "Strategic Management: A stakeholder Approach". Boston, MA: Pitman.
Gemmil, G., & Thomas, D. C. (2004). Does governance affect the performance of closed end funds? Working Paper. University of Maastricht.
Gompers P Ishii J & Metrick A (2003). Corporate governance and equity prices, The Quarterly Journal of Economics, 118 (1), 107-155.
Gregg, P. (2001). The Impact of Youth Unemployment on Adult Unemployment in the NCDS. The Economic Journal, 111(475), 626–653.
Hovey, M. and T. Naughton (2007), A Survey of Enterprise Reforms in China: The Way Forward. Economic Systems, 31 (2): 138–156
Jensen, M. C. (1993). The modern industrial revolution, exit and the failure of internal control systems. Journal of Finance, 48 (3), 831–880.
Jensen, M. C. (1986). "Agency costs of free cash flow, Corporate Finance and take over." American Economic Review Proceedings. Vol 76, 323-29.
King, R. G and Levine, R (1993). Central banks, Financial development, Gross domestic product, Bank credit, Bank liabilities, Bank liquidity, Credit, Investment credit, Economic efficiency, Economic growth rate *Journal of Economics.* Vol. 108, No. 3 (Aug., 1993), pp. 717-737
Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. Educational and Psychological Measurement, 30, 607-610.
Mayer, .C. (2007). "Developing the Rules for Corporate Governance". BusinessDay. (Wednesday, August 1)
Maher, M & Andersson, T (1999). "Corporate governance: effects on firm performance and economic growth", Organisation for Economic Co-operation and Development.
Monks, R and Minow, N (2001): Corporate Governance, 2nd ed., Blackwell Publishers, Oxford. 119
Monks, R. and Minow, N., (2008). Corporate governance 4th ed. Cambridge, MA: Blackwell.
Morck, R.; Shleifer, A. and Vishny, R. W (1989). Alternative Mechanism for Corporate Control. American Economic Review. Vol. 79, pp.41- 56.
Morck, R.; Shleifer, A. and Vishny, R. W (1988a). "Value maximization and the acquisition process." Journal of Economic Perspectives, Winter 2, 7-20.
Mohammed, F (2011). Impact of corporate govervance on banking sector performance in Nigeria. International Journal of Economic Development Research and Investment, Vol. 2, Nos. 2
Parker, S., Peters, G. and Turets, F. (2002). Corporate Governance and Corporate Failure: A Survival Analysis. Corporate Governance Vol.2, No.2 Pp 4-12
Rajan RG, Zingales L (1998). Financial dependence and growth. Am. EcoN. Rev. 88(3):559-86.
Shleifer A. and Vishney R (1997). A Survey of Corporate Governance. Journal of Finance, 52, 737-783
Weisbach, M. S (1988). "Outside directors and CEO turnover." Journal of Financial Economics. Vol 20, 431-60.
Williams, S. M (2000). Relationship between board structure and a firm‟s intellectual capital performance in an emerging economy. Working Paper, University of Clagary, Calgary
Palepu, K (1986). "Predicting takeover targets: a methodological and empirical analysis." Journal of Accounting and Economics. Vol 8, 3-35.
Masibo, T., (2005). Board Governance and Firm performance of selected state owned corporations and listed organizations in Uganda stock exchange. Unpublished M.A. Thesis, Makerere University, Kampala.
Matama, R. (2008). Corporate governance and financial performance of selected commercial banks in Uganda. Marketers University Business School. Faculty of Commerce. East Africa: Kampala Uganda.
Matama, R., (2005). Corporate governance and financial performance of selected commercial banks in Uganda.
McDonald, G. (2000). Cross-cultural methodological issues in ethical research. Journal of Business Ethics, 27(1/2), 89-104
Ministry of Finance, Singapore (2001). The Corporate Governance Code in Singapore and Malaysia
Nonaka, I., 1994. A dynamic theory of organizational knowledge creation. Organization Science 5, 14–37.
OECD (2004). Principles of Corporate Governance. Reterived from: http://www.oecd.org /dataoecd/32/18/31557724.
Pearce II, J.A. and Zahra, S.A. (1992). Board composition from a strategic contingency perspective. J. Manage.

Stud., 29(4): 411-438.

Piesses (2005). Corporate Governance and Firm Performance in an International Perspective conflicting Empirical Evidence.

Shivdasani, A., Zenner, M. (2004), "Best practices in corporate governance: what two decades of research reveals", The Bank of American Journal of Applied Corporate Finance, Vol. 16 No.2/3, pp.29-37.

Turnbull, S (1994). Competitiveness and corporate governance. Corporate Governace, An international Review. Volume2, Issue2.
https://doi.org/10.1111/j.1467-8683.1994.tb00059.x

Tricker, B. (2009). Corporate Governance Principles, Policies and Practices, Oxford University Press

Umoren, A. O; and Peace, O; 2011, Corporate governance, company attributes and voluntary Disclosures, A study of Nigerian Listed companies, International Journal of Research in computer Application and Management, 1(2), 20-30.

Wallace RSO, Naser K, Mora A (1994). The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain. Account. Bus. Res., 25(97): 41-53.

Wen Y., Rwegasira K. and Bilderbeek J. (2002). "Corporate governance and capital structure decisions of Chinese listed firms", Corporate Governance: An International Review, Vol.10, No.2, pp.75-83