Effect 0f Corporate Governance on Financial Performance of Deposit Money Banks in Nigeria

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Abstract

This study examines the effect of corporate governance on financial performance of money deposit banks in Nigeria. It adopted ex post factor research design, which made the use of secondary data in ensuring that data obtained are sufficient for a reasonable conclusion. Financial performance of banks was measured using Return on Assets (ROA) and corporate governance was measured using three variables: board size, board composition and audit committee. Partial correlation and regression was used to analyze the data using STATA version 11. The results showed that board size and board composition have a negatively and insignificantly impact on financial performance, while audit committee size have positive but insignificant effect on financial performance of deposit money banks in Nigeria. It also revealed that small board size (board of director) contributes positively and significantly to the financial performance of deposit money banks in Nigeria. The study recommends that banks should maintain relatively small board size dominated by outside directors within the provisions of the code of corporate governance for banks but the board should comprise of members, who are conversant with oversight function and having capacity to add significant value in decision making toward achieving greater performance.

***Keywords*:** corporate governance, board size, deposit money banks and firm performance.

1.0 INTRODUCTION

Good corporate governance is about balancing the rights and relationship of the many stakeholders, because the immediate victims of organisational failure are employees, shareholders, the board of directors, clients, customers, and, indeed, the society at large. Globalization and technology have precipitated massive changes in the financial arena, which brought about the need for greater transparency and disclosure (Patel, Balic & Bwakira, 2002). Along complimentary lines, financial performance is a subjective measure of the accountability of an entity for the results of its policies, operations and activities quantified for an identified period in financial terms. Hence, financial performance which assesses the fulfilment of a firm's economic goals has long been an issue of interest in managerial research. Financial performance relates to the various subjective measures of how well a firm can use its assets from primary mode of operation to generate profit (Ene & Alem, 2016). Kothari (2001) defines the value of a firm as the present value of the expected future cash flows after adjusting for risk at an appropriate rate of return. Whereas Eyenubo (2013) views it as the success in meeting pre-defined objectives, targets and goal within a specified time target.

Good corporate governance shields a firm from vulnerability to future financial distress (Bhagat & Jefferis, 2002). It is generally believed that the governance structure of any corporate entity affects its ability to respond to external factors which have some bearing on its financial performance (Donaldson & Davis, 2003). More so, good governance generates investor goodwill and confidence, which lead to better financial performance and more favourable treatment of all stakeholders **(**Demsetz & Villalonga, 2002) .

The distinction between the terms corporate governance and management has to do with the fact that management is concerned with the day to day running of an organisation, while corporate governance provides the framework within which that activity takes place. Lapses in the senior management team of corporation and the careless attitude of board of directors in Nigeria, notably in the areas of ensuring compliance with the rules and regulations have exerted intense pressure on corporate governance in the country. This coupled with inadequate system to review and approve material changes in accounting principles has continued to put good corporate governance in the fore front as panacea for turn around. Claessens and Fan (2002) posit that good corporate governance framework benefits firms through greater access to financing and lower cost of capital that invariably leads to increased valuation, higher profit, higher sales, growth and low capital expenditure.

A good corporate governance implies rules and regulations which ensure that a corporation or company is governed in a transparent and accountable manner such that the enterprise survives and meets the expectation of its shareholders, creditors and stakeholders in the society, especially in the banking sector. The overall effect of corporate governance could be the strengthening of investors' confidence in an economy. Thus, corporate governance may be taken as the way in which business and individual affairs are organized by board of directors. Generally, the concept of corporate governance concerns the relationship among a company's management, board, shareholders and other stakeholders.

Good corporate governance entails efficient management of resources and provision of responsible leadership. It also requires the provision of timely and quality information as well as the enforcement of sanction for breaches in ethical standard, regulations and code of conduct (Ogbeche, 2006:2**).** Indeed, corporate governance deals with issues of accountability and judiciary duty, essentially advocating the implementation of policies and mechanisms to ensure good behaviour and protect investors. From the managerial perspective, management often focus on short term result and loss sight on ethical issues, such as effective corporate management, which has direct effect on corporate performance.

A critical review of the Nigerian banking system over the years has shown that one of the problems confronting the sector is poor corporate governance. Since 2004, the banking sector in Nigeria has witnessed serious reforms, including banking consolidation exercise and the institutionalization of code of corporate governance frameworks by the Central Bank of Nigeria (CBN). The banking consolidation exercise required deposit money banks to increase their capital base to a minimum of N25 billion. This triggered off several mergers and acquisitions among banks that have reduced their number from 89 to 25 banks by 2006. The successful deposit money banks accounted for about 93.5% and 97% of the total deposit liabilities and assets of the banking system respectively (CBN Annual Report, 2007: 26). Prior to the consolidation exercise, the banking sector began to experience loss of customer's confidence as a result of lingering distress in the sector. The supervisory structures were inadequate, as there were cases of official recklessness amongst

managers, and the sector was effected for insider abuses. In November 2005, for example, the CBN blacklisted six officers of banks, including a chairman and a non-executive director, for unethical practices and professional misconduct (CBN Annual Report, 2006). It was also indicated that 110 cases of fraud and forgeries totaling N1.5 billion were reported by various banks during the year (CBN Annual Report, 2006:64). There were evidences that clearly established that poor corporate governance led to their failures.

The banking crises of 2008, which brought about the entire Nigerian financial system to the brink of collapse was largely attributed to certain interrelated factors, including major failures in corporate governance in banks, inadequate disclosure and transparency about the financial position of banks, critical gaps in the regulatory framework and regulations and weaknesses in the business environment (Sanusi, 2012). Therefore, effective management of organizational resources requires good corporate governance practice, particularly in the banking sector, because of its role in facilitating and stimulating economic development.

In addressing the banking crises, the CBN issued a code of corporate governance for the Nigerian banking sector aimed at checking inherent abuses by the boards and management of banks. The code identified transparency, due process, data integrity and disclosure requirement as the core attributes of good corporate governance practices in the banking sector. The entrenchment of sound corporate governance increases financial performance and provides meaningful and reliable financial report on banks operations, while poorly governed firms are likely to be less profitable.

1.1 Statement of the Problem

The concept of corporate governance of banks has been a priority on policy agenda since the world financial crisis of the last decade. The deterioration of banks' asset portfolios, largely due to distorted credit management, was one of the main structural sources of the crisis (Seabright, Fries & Neven, 2002; Sanusi, 2010). To a large extent, this problem emanated from poor corporate governance in banking institutions and industrial groups, which in turn was very much attributable to the poor relationships among the government, banks and big businesses, as well as the organizational structure of businesses. Osuagwu (2013) argues that the corporate governance culture in Nigeria has failed in ensuring a balance among the major players (board of directors, shareholders and management) in the corporate sector.

According to Sanusi (2010), the banking crises in Nigeria, has been linked with corporate governance malpractice in banks that became a way of life in large parts of the sector. Also, corporate governance in many banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining unsecured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. Consequently, the CBN in July 2004 unveiled new banking guidelines designed to consolidate and restructure the sector through mergers and acquisitions aimed to make Nigerian banks more competitive and be able to play in the global market. However, the successful operation in the global market requires accountability, transparency and adherence to the rule of law. The CBN Code of Corporate Governance for Banks in Nigeria states that the banking consolidation poses additional corporate governance challenges arising from integration processes, information technology and culture. The code further indicates that two-thirds of mergers world-wide failed due to inability to integrate personnel and systems and also as a result of the irreconcilable differences in corporate culture and management, resulting in board of management squabbles.

Several studies on corporate governance and financial performance carried out in different countries revealed that corporate governance significantly influences financial performance (Arifin, Suhadak & Astuti 2012; Aggarwal, 2013; Ghaffar, 2014; Ene & Alem 2016; Sutrisno, 2016). Such studies also show that corporate governance significantly influences firm value, and financial performance significantly influences firm value.

Despite a number of studies on the impact of corporate governance on the performance of deposit money banks in Nigeria, there is no conclusive position among scholars. This study thus intends to explore the effect of corporate governance on financial performance of deposit money banks in Nigeria. Its findings will be beneficial to banks, regulatory authorities, investors, academics and other relevant stakeholders, especially in the banking sector who would be interested in the implications of corporate governance code in achieving transparency and accountability in the sector towards greater financial performance.

1.2 Objective of the Study

The objective of this study is to assess the effect of corporate governance on financial performance of deposit money banks in Nigeria. The following are the specific objectives of the study:

i. To assess the effect of board size on financial performance of deposit money banks in Nigeria.

ii. To examine the effect of board composition on financial performance of deposit money banks in Nigeria.

iii. To evaluate the effect of audit committee on financial performance of deposit money banks in Nigeria.

1.3 Research Hypotheses

The following hypotheses were formulated to address the objective of the study:

H_1 There is no significant relationship between board size and financial performance of deposit money banks in Nigeria.

H_2 There is no significant relationship between board composition and financial performance of deposit money banks in Nigeria.

H_3 There is no significant relationship between audit committee and financial performance of deposit money banks in Nigeria.

2.0 LITERTURE REVIEW

2.1 Concept of Financial Performance

The word ‘performance’ connotes “the performing of an activity, keeping, in view the achievement made by it”. It thus implies “the role played by an arrangement keeping in view the achievement made by it”. Albans (1978) describes performance as the efforts extended to achieve the targets efficiently and effectively. Whereas the achievement of targets involves the integrated use of human, financial and natural resources. In the context of an organisation, performance takes into account the way of its progress.

Financial performance is the process of measuring the results of an organization policies and operations in terms of monetary value. These results are reflected in the firm's profitability, liquidity or leverage. Evaluating the financial performance of a business organisation allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Normally, financial ratios are used to determine the financial performance of an organization. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Padachi, 2006). The ultimate goal of profitability of a firm can be achieved by efficient use of resources towards maximization of shareholders wealth (Panwala, 2009). Traditionally, the evaluation of financial performance of banks is predicated on analysis of financial ratios, such as return on equity (ROE), return on assets (ROA), capital asset ratio, growth rate of total revenue, cost and income ratio. However, regardless of how many ratios are being used, a model that would fully satisfy the analysis of needs and bank operations' efficiency evaluation has not been developed yet. For this reason, the financial ratio analysis is complemented with different quality evaluations measures, such as management quality, equity structure, competitive position and others. Return on Assets (ROA) is a major ratio that indicates the profitability of a bank. It is a ratio of income to its total asset, which measures the ability of bank's management to generate income by utilizing company assets at their disposal (Khrawish, 2011). Thus, it indicates the efficiency of the management of a company in generating net income from all the resources of the organisation; where a higher ROA shows that the company is more efficient in using its resources.

According to Nzongang and Atemnkeng (2011), balanced portfolio theory also added additional dimension into the study of bank performance. It states that the portfolio composition of the bank, its profit and the return to the shareholders are the result of the decisions made by the management and the overall policy decisions. Hence, bank performance could be influenced by both internal and external factors. The internal factors include bank size, capital, management efficiency and risk management capacity, whereas the major external factors are macroeconomic variables, such as interest rate, inflation and economic growth, and other factors like ownership (Athanasoglou, Brissimis & Delis, 2005).

2.2 Concept of Corporate Governance

The concept of corporate governance characterises a set of rules and incentives through which the management of an organization is being directed and controlled (Adeusi, Akeke, Aribaba & Adebisi, 2013). Demaki (2011) emphasises that corporate governance is an institutional arrangement that checks the excesses of controlling managers. The whole essence of corporate governance is to ensure that the business is run well and investors receive a fair return (Kajola, 2008). A firm is said to have observed corporate governance rule if it is managed with diligence, transparency, responsibility and accountability aimed at maximizing shareholders' wealth (Pandy, 2005). Hence, timely and detail disclosure of material financial information is desirable in assessing any corporate governance framework. More so, good corporate governance involves a system by which governing institutions and all other organizations relate to their communities and stakeholders to improve their quality of life (Ato, 2002). Corporate governance is therefore important to ensure transparency, accountability and fairness in corporate reporting. In this regard, corporate governance is not only concerned with corporate efficiency, it relates to company strategy and life cycle development. Corporate governance is based on the level of corporate responsibility a company exhibits with regard to accountability, transparency and ethical values. The corporate governance framework is an important element in effective development of equity

market, research and development, entrepreneurship and economic growth (Maher & Anderson, 1999). Indeed, effective corporate governance improves economic efficiency, access to domestic and foreign capital, human resources productivity and development of market economy. Therefore, creating an effective corporate governance framework could enhance efficiency and transparency in the Nigerian financial system.

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

2.3 Corporate Governance Mechanisms

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

i. Board Composition

The important of board structure mechanism is the composition of the board, which refers to executive and non-executive director representation on the board. Both agency theory and stewardship theory apply to board composition. Boards dominated by non-executive directors are largely grounded on agency theory. In contrast, a majority executive director representation on the board is grounded on stewardship theory, which argues that managers are good stewards of the organization and work to attain higher profits and shareholder returns (Donaldson & Davis 1994). An effective board should comprise of majority of non-executive directors (Dalton, Daily, Ellstrand & Johnson 1998). However, executive director's responsibility is the day-to-day operation of the business such as finance and marketing and in the process they bring specialized expertise and a wealth of knowledge to the company (Weir & Laing, 2001).

ii. Board Size

Board size is the number of members on the board. Identifying appropriate board size that affects its ability to function effectively has been a matter of continuing debate (Yermack, 1996; Dalton et al., 1999; Hermalin & Weisbach, 2003). Some scholars have been in favour of smaller boards (Lipton & Lorsch, 1992; Yermack, 1996). Lipton and Lorsch (1992) support small boards, suggesting that larger groups face problems of social loafing and free riding; as board increase in size, free riding increases and reduces the efficiency of the board. Whereas large boards were supported on the ground that they would provide greater monitoring and advice (Pfeffer, 1972; Adam & Mehran, 2003; Anderson, Mansi & Reeb, 2004). For example, Klein (1998) argues that CEO's need for advice will increase with complexity of the organization. Diversified firms and those operating in multiple segments require greater need for advice (Hermalin & Weisbach, 2003). However, Singh and Harianto (1989) expound that large board tends to improve board

performance by reducing CEO domination within board, thereby making it difficult to adopt golden parachute contracts that might not be in the shareholder's interest.

iii. **Audit Committees size**

Shareholders' interests are protected through the activities of audit committee, because management may not always act in the interest of investors (Poundel & Martin, 2012). Studies in favour of larger audit committee posited that when more people are involved in checking the activities of managers, wrongdoings will be reduced and performance will be enhanced. A number of studies have revealed positive relationship between audit committee size and firm performance (Xie, Davidson & Dadalt, 2001; Klein, 2002; Coleman-Kyereboah, 2007). However, other studies reported that there is no positive relationship between audit committee size and the performance of firms (Kajola, 2008). Hence, there exist a mixed reaction with respect to the relationship between audit committee size and firm performance. The position of Poundel and Martins (2012) make logical sense as the interest of shareholders can be protected by a number of individuals who will be difficult to manipulate, especially when they are large in number.

2.4 Theoretical Review

Corporate governance is the relationship among shareholders, board of directors and the top management in determining the direction and performance of the corporation. According to Imam and Malik (2007) the corporate governance theoretical framework is the widest control mechanism of corporate factors to support the efficient use of corporate resources. Hence, there are a number of theoretical perspectives that are used in explaining the effect of corporate governance on financial performance, particularly the Agency theory, Stakeholder's theory and Resource Dependency theory (Maher & Andersson, 1999).

Agency theory

Agency theory is a theory that has been applied to many fields in the social and management sciences, including politics, economics, sociology, management, marketing, accounting and administration. The agency theory is a neoclassical economic theory and is usually the starting point for any debate on the corporate governance (Ping & Wing 2011). The theory is based on the idea of separation of ownership (principal) and management (agent). It argues that in the presence of information asymmetry the agent is likely to pursue interest that may hurt the principal (Sanda, Mikailu & Garba, 2005). It is earmarked on the assumptions that parties who enter into a contract will act to maximize their own self-interest and that all actors have the freedom to enter into a contract or to contract elsewhere. Furthermore, it is concerned with ensuring that the agent act in the best interest of the principals.

Stakeholder theory

The stakeholders theory was adopted to fill the observed gap created by omission found in the agency theory which identifies shareholders as the only interest group of a corporate entity. Wheeler, Boele and Fabig (2002) argue that stakeholder theory was derived from a combination of the sociological and organizational disciplines. Stakeholder theory can be defined as any group or individual who can affect or is affected by the achievement of the organization's objectives. The proponents of the stakeholder theory suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners - who are also important apart from owner-manager-employee relationship (Freeman, 1999). Thus, the

stakeholder theory focuses on the group of stakeholders deserving and requiring management's attention (Sundaram & Inkpen, 2004). It is essentially concern with managerial decision making and interests of all stakeholders have value, and no sets of interests is assumed superior to the others.

Resource Dependence Theory

The stakeholder theory is grounded on relationships with many groups for individual benefits, whereas resource dependency theory focuses on the role of board directors in providing access to resources needed by the firm. The resource dependence theory focuses on the role that directors play in securing essential resources to an organization through their linkages to the external environment (Hillman, Canella and Paetzold, 2000). Such essential resources to the firm include information, skills, access to key constituents like suppliers, buyers, public policy makers, social groups, and legitimacy. Indeed, Johnson, Daily, and Ellstrand, (1996) contend that the proponents of resource dependency theory give credence on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. For example, an outside director who is an engineer would likely provide free professional advice in board meetings or to the management. The provision of such resources enhances organizational functioning, firm's performance and its survival (Daily, Dalton & Canella, 2003).

3.0 METHODS

3.1 Research Design

This study adopted ex-post factor research design. It used purposive sampling technique in selecting 8 banks out of the 22 Deposit Money Banks listed on the Nigeria Stock Exchange as at March 2015. The selected banks are Access Bank plc, Diamond Bank plc, Ecobank plc, Fidelity Bank plc, First Bank of Nigeria plc, Guaranty Trust Bank plc, UBA Bank plc and Unity Bank plc.

3.2 Variables and Measures of the Study

This study used two basic research variables: financial performance (dependent variable) and corporate governance (independent variables). The dependent variable or the financial performance of banks was proxy by Return on asset (ROA), measured as the net profit after tax divided by the total assets to examine how productive the banks' assets have been used to generate wealth.

Corporate governance is the independent variable with the following proxies and measurements:

- *Board size(BS);* is the total number of directors sitting on the board of a particular bank.
- *Board Composition (BC)*; is the number of non-executive directors on the board and it is measured by the percentage of outside directors (non-executive directors) on the total board members.
- *Audit Committee (AC);* is taken as the total number of members in the audit committee.

3.3 Data Collection and Analysis

Data were obtained from the audited annual financial statements of the eight deposit money banks covering a period of five years (2011-2015). Secondary method of data collection was adopted, because secondary data gives better quality for a cross-sectional analysis than primary data (Saunders, Lewis &Thorn hill, 2012). The nature of the research design also required past and documented facts to be used as basis for performance evaluations. The study used regression analysis in measuring the collected data via statistical software ‘stata version 11’ to examine the relationship between the identified variables.

3.4 Model Specification

This study adopted and modified the econometric model used by Adeusi, Akeke, Aribaba and Adebisi (2013) as follows:

$$Y_{it} = a_0 + B_1CG_{it} + B_2C_{it} + e_{it}$$

Where: Y_{it} represents bank performance, dependent variable; Return on Assets (ROA) for bank in time t, a_0 is the constant term, CG_{it} is a vector of corporate governance, independent variables; Board Size (BS), Board Composition (BC), Audit committee (AC), and firm size as the control variable (FS) and e_{it}, is the error term.

The model is modified thus:

$$ROA_{it} = a_0 + B_1BS_{it} + B_2BC_{it} + B_3AC_{it} + B_4FS_{it} + e_{it}$$

4.0 RESULTS AND DISCUSSIONS

This section presents, analyses and interprets the results obtained fro the secondary data generated from the annual reports and accounts of the sampled deposit money banks listed on the Nigerian Stock exchange for the period of the study.

4.1 Results

Table 1: Descriptive Statistics

Variable |	Obs	Mean	Std. Dev.	Min	Max
Returnonas~s |	40	.017	.023	-.083	.061
Boardsize |	40	14.525	3.404	7	21
Boardcompo~n |	40	.523	.106	.266	.909
Auditcommi~e |	40	5.625	1.054	2	7
size |	40	18.015	3.066	13.511	21.675
age |	40	30.5	10.645	20	54

Source: Generated from the financial statements of the studied banks (2015) using stata (Version 11)

Table 1 shows 40 observations. The mean board size is 14.5, which suggests that banks in Nigeria have relatively moderate board sizes as the mean value 14 is greater than the average of the maximum number of board size of 21. Also, with a maximum board size of 21 and standard deviation of 3.404277 it implies that banks in Nigeria have relatively similar board sizes. The mean description for board composition is high compared to the maximum board composition which suggests that the ratio of outside directors to the total number of directors in Nigerian banks is very high. Generally, the summary for the standard deviation reveals that factors that influence performance are evenly distributed across the sampled banks.

Table 2: Correlation matrix result for the variables

	return~s	boards~e	boardc~n	auditc~e	size	age
returnonas~s	1.0000					
boardsize	-0.1276	1.0000				
boardcompo~n	-0.0744	-0.4739	1.0000			
auditcommi~e	0.1698	0.3151	-0.2953	1.0000		
size	0.3992	0.2029	-0.2623	0.3312	1.0000	
age	-0.2209	-0.1256	0.1479	-0.1905	-0.6329	1.0000

Source: Generated from the financial statements of the studied banks (2015) using stata (Version 11)

Table 2 shows that there is no high correlation among the determinant variables used in measuring return on asset. The study found that there is a positive correlation coefficient between return on asset and audit committee as shown by the correlation value of 0.1698. However, board size has a negative correlation with return on assets as shown by the value of -0.1276 which is weak. The study also found that board composition has a negative correlation with return on assets as shown by the value -0.0744, which is also very weak.

Table 3: Model Summary and ANOVA

Source	SS	df	MS		
				Number of obs =	40
				F(5, 34) =	1.35
Model	.003442344	5	.000688469	Prob > F =	0.2686
Residual	.017379101	34	.00051115	R-squared =	0.1653
Total	020821445	39	.000533883	Adj R-squared =	0.0426
				Root MSE =	.02261

Source: Generated from the financial statements of the studied banks (2015) using stata (Version 11)

Table 4: Regression

returnonassets |	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
boardsize |	-.0030325	.0013544	-2.24	0.032	-.005785	-.00028
boardcomposition |	-.0327931	.0389628	-0.84	0.406	-.111975	.0463889
auditcommittee |	.0021063	.0042493	0.50	0.623	-.0065293	.010742
size |	.002994	.0019806	1.51	0.140	-.0010311	.007019
age |	.0004235	.0005006	0.85	0.404	-.000594	.0014409
_cons |	.0001038	.0512095	0.00	0.998	-.1039664	.104174

Source: Generated from the financial statements of the studied banks (2015) using stata (Version 11)

The regression results presented in Table 3 and Table 4 above show that both board size and board composition are negatively and insignificantly related to the performance of deposit money banks in Nigeria. However, audit committee has positive but insignificant relationship with performance of the banks. The result shows that large board size and board composition would not increase the performance of the banks. The R^2 of 0.1653 suggests that the independent variables (board size, board composition and audit committee) used only accounted for about 16% of the total variation in performance of listed deposit banks in Nigeria, while other factors and variables not included in this study account for the remaining percentage.

4.2 Discussions of Findings

From the above regression result, it shows that both board size and board composition has coefficients of -.0030325 and -.0327931 for the two values which are both statistically significant less than 1%. These results provide evidence of rejection of hypothesis (H_1) which states that there is no significant relationship between board size and financial performance of banks in Nigeria. Also the results provide evidence for the rejection of hypothesis (H_2) which states that there is no significant relationship between board composition and performance of banks in Nigeria. However the hypothesis (H_3) which states that there is no significant relationship between audit committee and financial performance of banks in Nigeria has a positive coefficient of 0.0021063 is therefore accepted. Moreover the implications of these two results show that board size and board composition significantly affect bank performance in Nigeria negatively. This finding suggests that a smaller board size and board composition can increase banks' performance as well as the smaller size can take fast and adequate efficient decision for the performance of the banks, whereas large board size tend to be slow when taking decisions. The findings of this study are consistent with the findings of Bawa and Lubabah (2012), and Muhibudeen, Nuhu, and Farouk (2015). Also the findings support the view of Bebeji, Mohammed and Tanko (2015), who concluded that smaller board size contributes more to financial performance than larger board size in order to achieve the goal and objective in and effective and efficiency manner.

5.0 CONCLUSIONS AND RECOMMENDATIONS

In this study, the relationship between corporate governance and the financial performance of listed deposit money banks in Nigeria from 2011 to 2015 has been explored using data collected from the financial statements of 8 listed deposit money banks on the Nigerian Stock Exchange. It was found that small board size contributes more to performance than large board size. The results of the descriptive statistics also showed that money deposit banks in Nigeria have relatively moderate board sizes, and that the ratio of outside directors to the total number of directors in the banks is very high in compliance with the requirement of corporate governance code, which specifies that the number of non-executive directors shall be higher than the executive directors. Consequently, it is recommended that deposit money banks should maintain relatively small board size dominated by outside directors within the provision of the code of corporate governance for banks. Also, the board should comprise of competent members, who are conversant with oversight function and with capacity to add significant value in decision making toward achieving greater performance.

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