The Effects of Corporate Governance on the Earnings of Quoted Commercial Banks in Nigeria

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ABSTRACT

This study examined the effect of corporate governance on the performance of commercial banks quoted on the Nigeria Stock Exchange. The study covers a period of 10 years, from 2011 – 2020, and used data from 10 banks in Nigeria quoted in the Nigeria stock exchange. Panel data were used with the aid of ordinary least squares estimation technique aided by e-view 9.0. The study result revealed that board size has a p-value of 0.0085 which shows that board size has a significant influence on profitability of quoted firms in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis; board independence has a p-value of 0.00006 showing that board independence has a significant influence on the profitability of quoted Banks in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis; board expertise has a p-value of 0.000 which shows that board expertise has a significant influence on the profitability of quoted Banks in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis; bank size has a p-value of 0.9182 which shows that bank size does not have a significant influence on the profitability of quoted Banks in Nigeria at 5% level of significance, leading to the acceptance of the null hypothesis and women on board has a p-value of 0.5466 which shows that women on board does not have a significant influence on the profitability of quoted Banks in Nigeria at 5% level of significance, leading to the acceptance of the null hypothesis. The study concludes that corporate governance has a significant effect on the performance of quoted commercial banks in Nigeria. The study recommends that shareholders and other relevant stakeholders of quoted banks in Nigeria should look out for a balanced board system where there is high independence. They have the responsibility to agitate for more independent directors in order to ensure high board independence.

***Keywords**: Corporate Governance, Board Size, Independence, Gender and Bank Profitability*

1.0 INTRODUCTION

1.1 Background to the Study

Corporate governance has gradually become an essential tool for shaping the operations of most commercial banks in Nigeria . It entails building credibility, ensuring transparency, accountability, and maintaining an effective channel of information disclosure that will foster remarkable corporate performance, (Gwaison, & Maimako, 2021). Again, corporate government can be regarded as the processes and structures business and affairs of institutions are directed and managed in order to improve long-term shareholders' value, enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Tricker, 2019).

Corporate governance enables financial institutions, shareholders and other stakeholders to have more confidence over their investments (Ahmed & Hamdan, 2018). Buallay, Hamdan, Zureigat (2018) argues that corporate governance is about building credibility and ensuring transparency as well as maintaining a channel of information disclosure.

In the banking sector, corporate governance involves how the operations of banking institutions are handled by boards of directors. It dictates the way and manner banks execute their strategies, goals and policies including the provision of equal business opportunities for stakeholders. Corporate governance roles have shifted focus recently, due to lack of control initiatives and corporate frauds (Ahmed & Hamdan, 2018).

In 2014, a circular was issued by Central Bank of Nigeria and the purpose is to create a transparent and rewarding system of banking that establishes the rule of law and supports dependable and sustainable segregation of duties. According to Inyang, Inah & Eyo (2020) corporate governance codes have been established and issued to the Nigerian banking sector as a barometer for financial institutions to function effectively. They are: the Banks and Other Financial Institutions Act (BOFIA) 1991. The Nigerian Financial Reporting Council Act (FRCA) 2011, The Business and Related Matters Act (BRWA) 2018 (as revised), The Nigerian Deposit Insurance Corporation Act (NDIC) 1988, The Securities and Exchange Commission, (SEC): The Nigerian Stock Exchange (NSE) and The Corporate Affairs Commission Act (CAC) 1988 etc. Corporate governance is a strong pillar that plays an important role in the success and profitability of a bank.

Ilaboya and Uwubamwem (2018) stated that earnings or profitability in alternative courses of action or decision is the relative pattern of profit-making. Profit according to Isukul and Chizea (2018), is a performance measurement index which is used to test the viability of a business. Inyang, Inah & Eyo (2020) had it that many corporate institutions categorize the factors that determine a bank's financial success into internal and external. Internal success factors which can narrowly be segmented into two are usually under management control, for example, financial statement variables and non-financial statement variables (Linyiru, 2018).

Financial statement factors refer to the operations which directly influence the financial position structure and income statement items while non-financial statement factors do not affect financial statement items. The number of branches, the status of a branch, bank location, and bank size are examples of nonfinancial statement factors (Sudin, 2016). Factors which are beyond the control of bank management are regarded as external variables.

Against this background this study focused on the effect of corporate governance on the performance of commercial banks in Nigeria, using identifiable corporate governance surrogate to determine the relationship between corporate governance and Bank earnings.

1.2 Statement of the Problem

In most developing countries, several cases of corporate collapses in the banking sector have been witnessed and Nigeria banking sector is not exceptional. Some examples include Savannah Bank Plc , Society Generale Bank Ltd, Oceanic Bank, Bank of the North, AfriBank, and Mainstream Bank. With the failure in Nigerian banks and the activities of some of the bank operators, there are concerns about the need to strengthen corporate governance in Nigeria banks (Inyang, Inah & Eyo (2020). Acceptable governance practices include well-diversified boards, the optimal board size, well-committed board members, equal ownership structure, and well-designed policies to be adhered to, respectively, by management and staff.. Unfortunately, this is not the case as banks still have a long way to achieve excellent governance.

At the 2017 edition of the CBN Financial Institutions Training Centre Continuous Education Program for Directors of Banks and Other Financial Institutions. It was noted that "the financial industry still has a deficiency in governance (Emefiele, 2012). The foregoing comment is exemplified by instances of ambiguous returns distribution, and corporate governance violations (Ahmed & Hamdan, 2018). The Central Bank of Nigeria (CBN) Governor blames these problems on the inability of the boards and committees of banks to play their supervisory functions. The volatility of banks' overall performance and their volatile characteristics indicate that, while a bank may decide to put up a credible front, there may still be some board and committee related problems that threaten its corporate governance and profitability ((Inyang, Inah & Eyo , 2020).

1.3 Research Questions

The following research question were asked:

1) What is the effect of board size on the profitability of quoted commercial banks in Nigeria?
2) What is the effect of board independence on the profitability of quoted commercial banks in Nigeria?
3) To what extent does board expertise affect profitability of quoted commercial banks in Nigeria?
4) What is the relationship between bank size affect profitability of quoted commercial banks in Nigeria?
5) To what extent does women on the board affect profitability of quoted commercial banks in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to ascertain the effect of corporate governance on the performance of commercial banks in terms of Bank earnings in Nigeria. While the specific objectives are as follows:

1. To assess the effect of board size on the profitability of quoted commercial banks in Nigeria;
2. To determine the effect of board independence in the profitability of quoted commercial banks in Nigeria.
3. To examine the influence of board expertise on the profitability of quoted commercial banks in Nigeria.
4. To investigate the relationship between bank size affect profitability of quoted commercial banks in Nigeria.
5. To ascertain the impact of Board and gender diversity on the profitability of quoted commercial banks in Nigeria.

1.5 Hypotheses Statement

Below are the hypotheses formulated for the purpose of this study:

1. **$H0_1$:** Board size has no significant effect on the financial performance of quoted commercial bank in Nigeria.
2. **$H0_2$:** Board independence has no significant effect on the profitability of quoted commercial Banks in Nigeria.
3. **$H0_3$:** Board expertise has no significant effect on the earning of quoted commercial Banks in Nigeria.
4. **$H0_4$:** Bank Size has no significant relationship with the performance of quoted commercial Banks in Nigeria.
5. **$H0_5$:** Board gender mix does not significantly affect the profitability of quoted commercial Banks in Nigeria.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

Corporate governance can be described as a framework that seeks to give guidelines and principles to the board of directors to effectively fulfill Board obligations and shareholders' expectations by minimizing corporate scandals and frauds (Muriithi, Mwikamba, & Rosana, 2018). The essence for sound corporate governance was underscored by the need to safeguard shareholders interest, but over time the scope was extended to include protection of other important interests in business organizations, (Okoye, Olokoyo, Okoh, Ezeji and Uzohue 2020).

The study of Adeusi, Akeke, Aribaba and Adebisi (2018), explained the concept of corporate governance as a set of rules and incentives through which the management of an organization is being directed and controlled. This means that shareholders invest in the corporate governance system as a way of getting the directors to pursue their interest (maximizing returns) moderately.

Poor corporate governance practice is a cankerworm that affects organizations and has led to the collapse of private and public entities across economic sectors, thereby impairing overall economic performance. It manifests in the sub-optimal deployment of organizations' resources with adverse macroeconomic implications. For instance, despite the successful recapitalization of Nigerian banks in 2006, CBN (2019) avers that poor governance led to systemic capital inadequacy and illiquidity just within three years of the reform, which prompted the take-over of eight banks by the Central Bank of Nigeria (CBN) and subsequent injection of six hundred and twenty (620) billion naira bailout fund in the distressed banks. Good and adequate corporate governance mechanisms support the going concern principle of business and are critical elements of sustainable growth and development. Business stakeholders like creditors, host communities, suppliers, shareholders, employees, consumers, and the government are happy when businesses are profitably managed because their interests are well catered for when firms generate sufficient cash flows. For instance, the government receives steady revenue in the form of corporate tax, which is required for infrastructural development, and through improved tax revenue, corporate governance can enhance capital formation (Okoye, Evbuomwan, Achugamonu, & Araghan, 2018). For the banking sector, Okafor (2017) argues that good corporate governance validates management integrity and defines the quality of financial services offered by banks, thereby influencing the sector's overall performance. Besides, sound corporate governance practices stabilize and strengthen financial markets, protect investors, promote firm performance, and attract investments, (Okoye, Evbuomwan, Achugamonu, & Araghan, 2018).

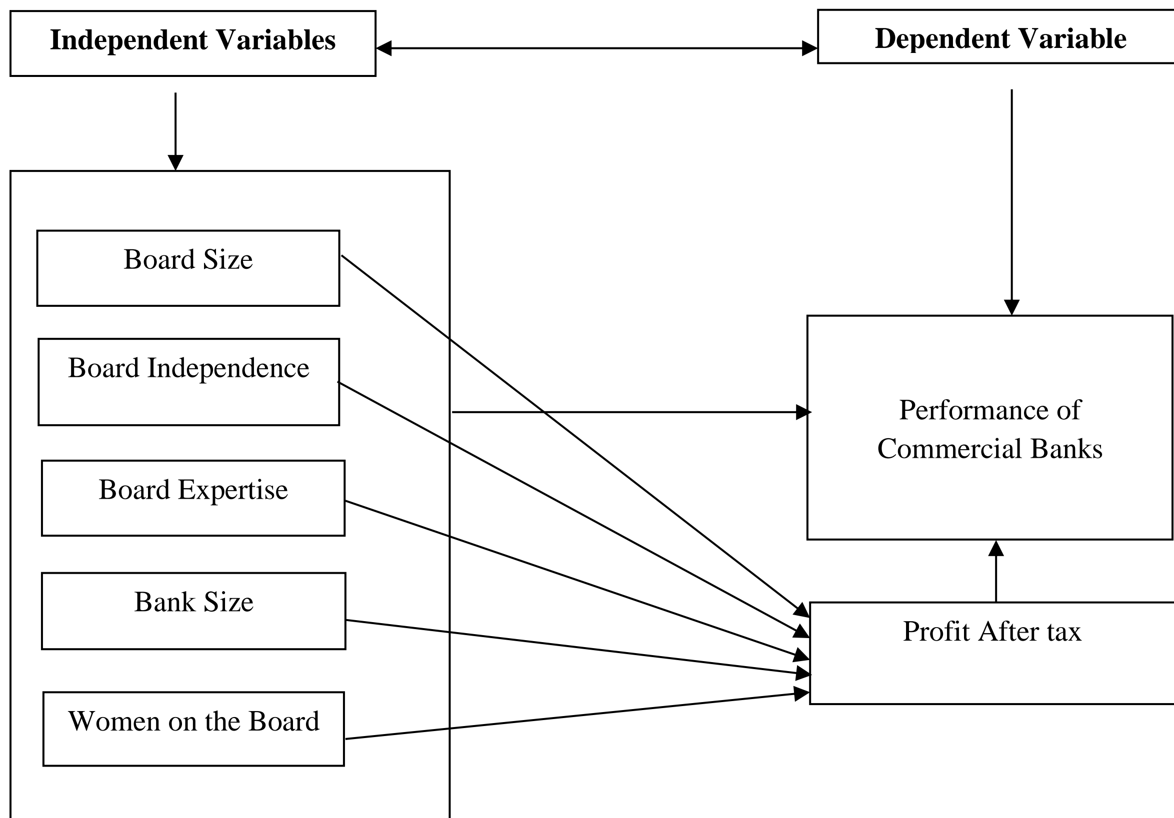
2.1.1 Regulation of Corporate Governance in Nigeria

Some specific guidelines that regulate corporate governance practices in the Nigerian banking sector are:

1. The SEC Code of Corporate Governance (2003): Following the report of the Atedo Peterside Committee on Corporate Governance, the SEC issued a code of corporate governance for companies listed on the Stock Exchange, including 7 banks then listed.
2. The CBN Code of Corporate Governance for Banks (2006): Inability of the 2003 code to decisively contain lapses in corporate governance in banks prompted the issuance of a comprehensive code to regulate governance practices in banks with emphases on ownership structure, organizational structure, board membership, performance appraisal for board, management quality and reporting relationship.
3. The CBN Prudential Guidelines (2010): Some sections of the guidelines contain regulations aimed at strengthening corporate governance in banks. These provisions cover areas like tenure limitations, executive compensation, limitations on eligibility of former top executives of NDIC and CBN to serve in banks as well as limitations on tenure of external auditors and eligibility of former external auditors to be re-appointed.
4. The Code of Corporate governance (2018): it was issued in 2018 by the financial reporting council of Nigeria (FRCN) pursuant to sections 11© and 41© of the Financial Reporting Council of Nigeria Act, 2011.

2.1.2 Conceptual Framework

The following conceptual framework was developed by the researcher to demonstrate the effect of corporate governance on the performance of commercial banks in terms of profitability where the independent variables (board size, independence, expertise, bank size and women on board) relates with the dependent variable (Performance of commercial banks, explained by profit after tax).



Source: Author's personal design model of variables, 2022

2.1.3 Board Size and Commercial Bank Profitability

Larger boards are able to commit more time and effort (Monks and Minow, 2018) whereas smaller boards are capable to commit comparatively less time and effort to monitor and scrutinize management. In fact, large board members with varied expertise could increase the synergetic of the board in decreasing the number incidences of bad corporate governance Klein (2018) extended this argument by observing that board monitoring has a significant positive nexus with larger boards for their ability to distribute the workload to many people. He also stated that earnings management is less likely to take place in firms with larger boards. Implicit in these findings is

that smaller boards incline to be influenced by the management or dominated by block-holders as larger boards have more effective ability to oversee the top management actions.

2.1.4 Board Independence and Commercial Bank Profitability

The board of directors is a central mechanism as well as the central authority of internal control designed for scrutinizing the top management actions. Jensen & Meckling (1976) suggested that the board effectiveness is a function of its composition. They argued that the presence of non-executive members improves the internal control mechanism through the corporate board. Actually, all board members are supposed to work to ensure the growth of the wealth of shareholders, agency theory argued that non-executive directors, due to their independence and specialized expertise, are mainly influential monitoring device of the actions of executive directors. Non-executive directors are possibly effective as: “outside directors have incentives to develop reputation as experts in decision control” (Jensen & Meckling, 1976). The board also can be considered as an instrument through which managers control other managers. As described by Fama (1980), “if there is competition among the top managers themselves, then perhaps they are the best ones to control the board of directors”. Board composition ensures the impression to make an effective corporate governance mechanism.

2.1.5 Board Expertise and Commercial Bank Profitability

In assertion made by Barton, Coombes, and Wong, (2018) that the boards must have the ability to ask management questions and suggest, actively in helping to set corporate strategy, monitoring risk management, contributing to CEO successions plan and ensuring that companies set and meet their financial and operating targets. Directors, as both, an advice source and counsel for the CEO, are the key role maker to achieve financial reporting quality. Governance, strategic business direction and finance are three significant areas that every director should have a deep perception.

2.1.6 Women on Board and Commercial Bank Profitability

The proportion of women who reach executive positions in the business world is still at the lowest level in most countries especially in Nigeria. It has been proved that the upward movement of women to top management positions in Nigeria is slower than that of men (Damagum, Oba, Chima & Ibikunle, 2018). Women have always been considered as the weaker sex and as such have been alienated in the economic, political and socio-cultural environment. Studies such as that of Damagum, Oba, Chima & Ibikunle, (2018) have uncovered the challenges women go through in getting to top positions in various organizations. These hurdles range from national cultural barriers to difficulty in balancing career and family.

Gender quotas have arrived in the business world. The most widely acknowledged example of the gender quota system is in Norway, where a 40% gender quota for public limited and state owned companies was introduced in December 2003 (Damagum, Oba, Chima & Ibikunle, 2018). A similar board quota has been introduced in Spain (2007), France, Iceland and the Netherlands (2010). France has set a 40% target to be attained in 2016, Spain (2015) while the Netherlands has not set a target date for compliance but simply requires non-compliance to be explained in company’s annual report. Such quota systems are also being deliberated in Belgium, Canada and

Italy where laws are pending at different stages of the ratification process. In Nigeria no such laws exist or are being deliberated. The vision 2020 (National technical Working Committee on Corporate Governance) which was discarded before implementation only advocated for greater participation in corporate governance matters but was without specifics.

2.1.7 Financial Performance

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenues from operations, operating income, or cash flow from operations can be used, as well as total unit sales. Bank performance refers to how well a bank is doing, especially its profitability index and income statement, (Gwaison & Maimako 2021). To understand how well a bank is doing, we need to start looking at a bank's income statement, describing the sources of income and expenses that affect the bank's profitability. The bank's profitability can also be seen as a measure of its return on asset (ROA) (Emeka and Bello, 2018). Santos and Brito (2019) 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, (Gwaison & Maimako 2021). Increasing size, even at the same profitability level, will increase its absolute profit and cash generation.

2.2 Theoretical Framework

The agency theory has remained foundational theory of corporate governance over the past decades. However, in recent years, other theories have been proposed by scholars including the shareholders' theory, resource dependency theory, stewardship theory, social contract theory, legitimacy theory and political theory. The agency theory and stakeholder theory is analyzed below. However, the agency theory is adopted for the purpose of this study.

2.2.1 The Agency Theory

The early works of Ross (1973) and Jensen and Meckling (1976) as cited in Lemo (2018) define the agency theory by the nature of the relationship and series of contracts between the principal and the agent in an agency relationship. In general terms, an agency relationship is the relationship between two parties, where one is a principal and the other is the agent who represents the principal in a given transaction with a third party.

For the purpose of this study, it is important to note that the relationship between the shareholders or owners of the firms and the directors can be likened to that of the agent-principal relationship, such that the shareholders' group who are the owners of the firms is the principal while the board of directors is the agent. The agency theory operates on two major propositions;

a) There are bound to be problems of goal conflict in the principal-agent relationship when the desires or goals of the shareholders and directors are in conflict, and the shareholders are unable to verify what the agent is actually doing. Therefore, the former cannot adequately measure the quality of the information reported.
b) There are bound to be problems of difference in risk preference between the shareholders and the directors when the shareholders and directors have different attitudes towards risk.

In summary, this theory sees the shareholders as the principals and the board as their agents. Asuagwu (2018) stated that Adam Smith was the earliest known economist that addressed the theoretical issues of the role of board of directors in the governance of firms Smith further observed that as a result of the fact that managers control resources other than the owners, it should not be expected that they will watch over the business with anxious vigilance as the possibility of negligence abound.

2.2.2 The Stakeholder Theory

In the works of Okoye, Olokoyo, Okoh, Ezeji and Uzohue (2020), the Stakeholder theory states that the board of directors owes a responsibility to a wider group of stakeholders other than just the shareholders. A stakeholder in this case is any person or group which can affect or be affected by the actions of a business. It includes employees, customers, suppliers, creditors and even the wider community and competitors.

In more recent business models, the board of a company is viewed as a group of specialist appointed to convert the inputs of shareholders and other stakeholders such as employees, creditors and suppliers into forms that are saleable to customers, in order to earn profits and other forms of returns back to its shareholders. This means that the directors are expected to apply their expertise in pursuing the interest of the stakeholders because that is the reason for their appointments. This is why this theory addresses the interests of the stakeholders and the need for the directors to be capable of achieving the objectives of the shareholders and other stakeholders, most important of which is to achieve higher financial performance. For the purpose of this study, we assume that a good corporate governance practice will value the interest of the stakeholder of the firm, and ensure higher financial reporting quality.

2.3 Empirical Review

This area of study, reviews the existing empirical literature on corporate governance and commercial banks profitability. Gwaison, & Maimako (2021) studied effects of corporate governance on financial performance of commercial banks in Nigeria. The study used the survey research design. A secondary source of data was used for this research. The data were collected from financial statements of the five (5) commercial banks selected from the Nigerian Stock Exchange listing for fourteen financial years (2003 – 2017). The study utilized the panel Least Squares Regression Analysis as the method. The result indicated that board size had significant effects on financial performance (ROA) of commercial banks in Nigeria, board composition had significant effects on financial performance (ROA) of commercial banks in Nigeria, board gender diversity had significant effects on financial performance (ROA) of commercial banks in Nigeria, the audit committee has no significant effects on financial performance (ROA) of commercial banks in Nigeria, and board independence had significant effects on financial performance (ROA) of commercial banks in Nigeria. The study, therefore, concludes that the weak corporate governance structure in Nigeria contributed immensely to the recent crisis experienced in the Nigerian banking sector.

In a studied by Oluwole (2021) on the impact of corporate governance on banks profitability in Nigeria. The study covered the period of 2009 to 2018 and secondary data were

obtained from the audited financial statement of the selected banks which are Guarantee Trust Bank Nigeria PLC, Zenith Bank PLC and First Bank of Nigeria PLC. Fixed effect regression technique was used to examine the effect of Audit Committee Size (ACS), Board Size (BS), Audit Committee Number of Meeting (ACNM) and Board Number of Meeting (BNM) on earnings per share (EPS) of the selected banks. The independent variables results showed a positive and significant relationship on Earnings per share of the banks with coefficient and probability (prob.) value of the variables as follows: audit committee size(0.6241;0.0109), board size(0.4349;0.007) and board number of meeting(0.0356) had positive and significant effect on earnings per share of the banks respectively. The study concluded that corporate governance enhances commercial banks performance in Nigeria.

So also Okoye, Evbuomwan, Achugamonu and Araghan (2018) studied impact of corporate governance on the profitability of the Nigerian banking sector. Return on equity (ROE) and return on assets (ROA) were adopted as proxies for banking sector profitability while capital adequacy ratio (CAR), liquidity ratio (LQR) and ratio of non-performing loans to total loans (NPL) were adopted as proxies for corporate governance. Inflation rate was introduced as a control variable. Empirical evidence from the study shows significant impact of corporate governance on the profit performance of the Nigerian banking sector. We recommend that the regulatory authorities (CBN, NDIC and SEC) should diligently exercise their oversight functions to ensure strict compliance, by the banking sector, to extant regulations on corporate governance so as to consolidate, or possibly, improve on the gains of the initiative.

An empirical investigation in Okoye, Olokoyo, Okoh, Ezeji, and Uzohue, (2020) on the effect of corporate governance on the financial performance of commercial banks in Nigeria. It adopts the size of bank board and directors' stake as proxies for corporate governance, with return on assets and return on equity as representations for financial performance. The research incorporates firm size as a controlled variable. The estimation technique of the Generalized Method of Moments was employed. Evidence from the research reveals that board size, directors' equity, and firm size substantially affect Nigerian banks' financial performance. Besides, the study shows a robust effect of lagged return on equity on the current level of performance. Therefore, the study asserts that governance in business entities strongly affects their financial performance and recommends maintaining optimum board size to minimize boardroom conflicts.

As narrated in Agbaeze & Ogosi (2018) study corporate governance and profitability of Nigerian banks for the period 2005 to 2015. The ex-post facto research design was adopted and data were obtained from the annual financial statements and accounts of five selected banks in Nigeria. Profitability was measured by profit after tax while the number of members in the board was used as a measure of corporate governance. The number of employee was introduced as a control variable. Correction and Regression test statistic was used to test the hypotheses stated. The correlation result revealed that there is a positive relationship between profitability of Nigerian banks and corporate governance measured by number of members in the board of Nigerian banks and also there was a positive relationship between profitability of Nigerian banks and the number of employees and, corporate governance measured by number of members on the board had a positive and significant impact on profitability of Nigerian banks.

Related examination by Inyang, Inah, & Eyo (2020), how corporate governance influences the profitability of deposit money banks in Nigeria with a view to understanding how profitability in the Nigerian banking sector is affected by corporate governance. To achieve the foregoing objective, the study employs the expo facto research design. The Secondary data which were extracted from the annual reports of a Nigerian deposit money bank between 2009 and 2018 were used for the analysis. The study revealed that board composition and audit committee activities have no significant relationships with the profitability of deposit money banks in Nigeria.

Finally, Okonkwo & Azolibe (2020) examines corporate governance and bank performance in Nigeria for the period 2006-2018. The study adopted secondary time series data obtained from annual reports of banks, publications of the Central Bank of Nigeria and Nigeria Stock Exchange annual reports and factbook. A diagnostic test was conducted to ensure that the models are in line with basic econometric assumptions. The granger causality test was applied to examine the effect of the independent variable on the dependent variable. The findings show that corporate governance has a significant effect on performance.

2.5 Knowledge Gape

From the above review of related literature and the works of researchers such as Okoye, Evbuomwan, Achugamonu and Araghan (2018), Okoye, Olokoyo, Okoh, Ezeji, and Uzohue, (2020), Agbaeze & Ogosi (2018) and Okonkwo & Azolibe (2020) among others did not proper capture effect of corporate governance on earnings of quoted commercial banks in Nigeria in the years under review. Thus this work is a gap bridge to exhume the variables that has brought about the effect of corporate governance on earning of quoted commercial banks in Nigeria.

3.0 RESEARCH METHODOLOGY

In order to analyze the impact of corporate governance measures on the performance of quoted commercial banks in Nigeria, this study adopts the ex-post facto research design. The adoption of this method is due to the fact that the data gathered were both time-series and cross-sectional. Although the quoted firms used for the purpose of this study were selected using the judgmental sampling technique, but a great deal of care was exercised during data collection on all measures of corporate governance. Secondary data were collected from 10 banks (Zenith bank Plc., Access bank Plc., Guarantee trust bank, UBA, Sterling bank, First bank, Fidelity bank, Union bank, Eco bank and First City Monument Bank), over a period of 10 years from 2012 to 2021. These banks are listed on the Nigerian Stock Exchange (NSE) as at December 2021. Data were analyzed using the Ordinary Least Square (OLS) regression estimation technique with the use of Eviews 9.0 statistical package.

3.1 Model Specification:

$$Y = \alpha_0 + \beta_x + \varepsilon \quad \text{------------------------} \quad \text{Eqn 3.1}$$

With equation 1 defined in terms of the objectives of this study as;

$$EAT = f(CG) + \varepsilon \quad \text{---------------------------} \quad \text{Eqn 3.2}$$

Given that EAT represents profit after tax, while CG represents corporate governance. When all variables are finally entered, the equation becomes:

Earnings after Tax = *f* (*Board Size, Board Independence, Board Expertise, Bank Size, Women Directors*) + ε--------------Eqn 3.3

Then the variables are coded into the main regression model as shown below;

$EATy = \alpha_0 + \beta_1 BRDSZ + \beta_2 BRDID + \beta_3 BRDEX + \beta_3 BNKSZ + \beta_3 WMBRD + \varepsilon$ --Eqn 3.4

Where:

EAT: = Earning after tax reported as the profit derived after deducting taxation.
BRDSZ: = Board size as measured by the number of directors on the board.
BRDID: = Board independence as measured by the ratio of independent directors to the board. (non-executive directors on the board divided by total directors on the board)
BRDEX: = Board expertise as measured by the ratio of directors with backgrounds in Accounting, Finance, Banking, Law and Business Management.
BNKSZ: = Bank Size as measured by the total number of assets.
WMBRD: = Women on board as measured by the number of women serving as directors (number of women in board divided by the total number of directors in board)
α_0: = a constant, equals the value of Y when the value of X = 0
β: = coefficient of the independent variables
ε: = the error term

y: = coefficient of the dependent variable

4.0 PRESENTATION, ANALYSIS OF DATA AND DISCUSSION OF RESULTS

Table 4.1: Descriptive Statistics

	EAT	BRDSZ	BRDID	BRDEX	BNKSZ	WMBRD
Mean	17974139	9.773623	0.546436	0.550985	12.83000	0.294260
Median	58138.00	10.32190	0.529510	0.528110	13.00000	0.276370
Maximum	1.789080	14.67251	0.910100	0.979430	22.00000	0.800100
Minimum	3170.000	1.210198	0.102900	0.252500	7.000000	0.000000
Std. Dev.	41334160	3.142947	0.175478	0.173242	2.981610	0.170377
Skewness	2.507086	-0.657536	0.312587	0.582152	0.427557	0.766944
Kurtosis	8.605922	2.680003	2.346133	2.648998	3.389832	3.419028
Jarque-Bera	235.7012	7.632555	3.409939	6.161700	3.679952	10.53499
Probability	0.000000	0.022010	0.181778	0.045920	0.158821	0.005157
Sum	1.80E+09	977.3623	54.64364	55.09849	1283.000	29.42600
Sum Sq. Dev.	1.69E+17	977.9335	3.048476	2.971274	880.1100	2.873789
Observations	100	100	100	100	100	100

Source: Author's Computation using Eviews 9.0

Table 4.1 provides a summary of the descriptive statistics obtained from the panel data used for the purpose of this study. Findings show that on the average, EAT for the selected quoted banks is 17974, while the maximum level of EAT obtained is 1.789080 which is quite on the high side. For BRDSZ, the average number of directors on the board for the selected firms is 9 with a minimum of 2 directors and a maximum of 14 directors from time to time. Generally, a BRDID of 0.546436 simply indicates that there was an average of about 54% of independent directors on the board of the selected banks for the selected period. BRDEX with an average of 0.550985 is an indication that more than 50% of the directors had expertise in Accounting, Finance, Banking, Law and Business Management. For WMBRD which measure the presence of women on the board, an average of 29% means that there have been fewer women board members for the selected banks, while the highest ratio for WMBRD being 80% approximately for 6 consecutive years from 2015 to 2020.

Table 4.2 Panel Unit Root Test Result

Variables	Method	Statistics	Probability	Test	Check for Stationary
PAT	Levin, Lin & Chu Test	-4.14958	0.0000	1(0)	Stationary
	Im Pesaran and Shin W-Test	-1. 94384	0.0260	1(0)	Stationary
	Augmented Dicker-Fuller's Test	37.4106	0.0104	1(0)	Stationary
	PP Fisher Test	39.1609	0.0064	1(0)	Stationary
BRDSZ	Levin, Lin & Chu Test	-7.02758	0.0000	1(0)	Stationary
	Im Pesaran and Shin W-Test	-4.53167	0.0000	1(0)	Stationary
	Augmented Dicker-Fuller's Test	58.2864	0.0000	1(0)	Stationary
	PP Fisher Test	72.5011	0.0000	1(0)	Stationary
BRDID	Levin, Lin & Chu Test	-2.71779	0.0033	1(0)	Stationary

	Im Pesaran and Shin W-Test	-1.62093	0.0525	1(0)	Stationary
	Augmented Dicker-Fuller's Test	31.9144	0.0442	1(0)	Stationary
	PP Fisher Test	37.6807	0.0097	1(0)	Stationary
BRDEX	Levin, Lin & Chu Test	-5.33944	0.0000	1(1)	Stationary
	Im Pesaran and Shin W-Test	-2.41416	0.0079	1(1)	Stationary
	Augmented Dicker-Fuller's Test	40.9118	0.0038	1(1)	Stationary
	PP Fisher Test	48.6552	0.0003	1(1)	Stationary
BNKSZ	Levin, Lin & Chu Test	-9.46938	0.0000	1(1)	Stationary
	Im Pesaran and Shin W-Test	-4.41471	0.0000	1(1)	Stationary
	Augmented Dicker-Fuller's Test	52.7639	0.0000	1(1)	Stationary
	PP Fisher Test	87.8283	0.0000	1(1)	Stationary
WMBRD	Levin, Lin & Chu Test	-7.41569	0.0000	1(1)	Stationary
	Im Pesaran and Shin W-Test	-3.67097	0.0001	1(1)	Stationary
	Augmented Dicker-Fuller's Test	54.1576	0.0001	1(1)	Stationary
	PP Fisher Test	66.0493	0.0000	1(1)	Stationary

Source: E-VIEWS, 9.0 Output (2022).

Table 4.2 shows the results of the panel unit root test for the independent variables BRDSZ, BEDID, BERDEX, BNKSZ, WMBRD as well as the dependent variable (PAT), for the ten deposit money banks over a ten-year period. The result must show a probability value that is lower than the critical value at any level of significance, in order to reject the null hypothesis. From Table 4.3 above, the Levin, Lin, and Chu Tests, Im Pesaran and Shin W-Tests, Augmented Dicker-Test,

Fuller's and PP Fisher Test statistics are greater than the test critical values; while each variable showed the absence of unit root (i.e. stationary) at 5% level of significance. The whole variables shows stationary at order 1(0), except BRDEX, BNKSZ and WMBRD that showed stationary at first difference 1(1). Therefore, we hereby accept the null hypothesis which states that the data has no unit root.

Table 4.3: Regression Estimation Result

Dependent Variable: PAT
Method: Panel Least Squares
Date: 04/18/22 Time: 22:00
Sample: 2011 2020
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-12814953	25376394	-0.504995	0.6147
BRDSZ	-0.023200	0.012113	-1.915346	0.0085
BRDID	-2.784442	0.788421	-3.531668	0.0006
BRDEX	9.458730	27943506	3.559279	0.0006
BNKSZ	-14.52477	1409732.	-0.103032	0.9182
WMBRD	-18.10807	29928642	-0.605042	0.5466

R-squared	0.888350	Mean dependent var	-0.712289
Adjusted R-squared	0.871773	S.D. dependent var	0.443983
S.E. of regression	0.254363	Akaike info criterion	0.158015
Sum squared resid	6.081848	Schwarz criterion	0.314326
Log likelihood	-1.900772	Hannan-Quinn criter.	0.221277
F-statistic	41.52412	Durbin-Watson stat	1.969645
Prob(F-statistic)	0.019522		

Source: E-VIEWS, 9.0 Output (2022).

The above regression result shows R-squared value of approximately 89% which interprets the ability of the independent variables to account for 89% of the systematic variations in the dependent variable, while the error term is responsible for the remaining 11%. The Adjusted R-squared value of approximately 87% means that the model has a high predictive power, as the independent variables can predict about 87% of the changes in the dependent variable. There is absence of autocorrelation as revealed by the Durbin Watson statistics of 1.96, while the F-statistics is high at 41.52412, the linear relationship between the explanatory variables and the dependent variable is revealed by the overall result which is significant with a P-value of 0.019522. This summary simply confirms the statistical reliability of the selected model, showing that there

is a significant link between corporate governance variables and the performance of commercial banks in terms of profitability.

4.0 Discussion of Results

4.1 Board Size (BRDSZ) and Earnings after Tax (EAT)

The regression result as shown in Table 4.3 the coefficient of regression for BRDSZ is -0.023200. This indicates that board size has an inverse effect on earnings after tax (EAT). The inference is that, holding all other variables constant, an increase in the number on directors on the board of quoted banks in Nigeria will result to a 2% decrease in the amount reported as profit by managers. Furthermore, the p-value of 0.0085 shows that board size has a significant effect on the profit after tax of quoted banks in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis which states that board size has no significant effect on the profit after tax of quoted banks in Nigeria. This finding is in line with the work of (Gwaison, & Maimako 2021).

4.1.2 Board Independence (BRDID) and Profit After Tax (PAT)

From the regression result as shown in Table 4.3 the coefficient of regression for BRDID is -2.78444. This indicates that board independence has an inverse effect on profit after tax (PAT). The inference is that, holding all other variables constant, an increase in the number of non-executive directors on the board of quoted banks in Nigeria will result to a 2% decrease in the amount reported as profit by managers. Furthermore, the p-value of 0.000 shows that board independence has a significant effect on the profit after tax of quoted banks in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis which states that board independence has no significant effect on the profit after tax of quoted banks in Nigeria. This finding is in line with the work of (Okoye, Olokoyo, Okoh, Ezeji, and Uzohue, 2020).

4.1.3 Board Expertise (BRDEX) and Profit After Tax (PAT)

From the regression result as shown in Table 4.3 the coefficient of regression for BRDEX is -9.458. This indicates that board expertise has a positive effect on profit after tax (PAT). The inference is that, holding all other variables constant, an increase in the number of board expertise on quoted banks in Nigeria will result to a 9% increase in the amount reported as profit by managers. Furthermore, the p-value of 0.0006 shows that board expertise has a significant effect on the profit after tax of quoted banks in Nigeria at 5% level of significance, leading to the rejection of the null hypothesis which states that board expertise has no significant effect on the profit after tax of quoted banks in Nigeria. This finding is in line with the work of (Agbaeze & Ogosi 2018).

4.1.5 Bank Size (BNKSZ) and Profit After Tax (PAT)

From the regression result as shown in Table 4.3 the coefficient of regression for BNKSZ is -14.524. This indicates that bank size has a negative effect on profit after tax (PAT). The inference is that, holding all other variables constant, a decrease in the size of a bank will result to a 14% increase in the amount reported as profit by managers. Furthermore, the p-value of 0.918 shows that bank size does not have a significant effect on the profit after tax of quoted banks in Nigeria at 5% level of significance, leading to the acceptance of the null hypothesis which states

that bank size has no significant effect on the profit after tax of quoted banks in Nigeria. This finding is in line with the work of (Inyang, Inah, & Eyo 2020).

4.1.6 Women on Board (WMBRD) and Profit After Tax (PAT)

From the regression result as shown in Table 4.3 the coefficient of regression for WMBRD is -18.108. This indicates that women on board has a negative effect on profit after tax (PAT). The inference is that, holding all other variables constant, a decrease in the number of women on board will result to 18% increase in the amount reported as profit by managers. Furthermore, the p-value of 0.5466 shows that women on board does not have a significant effect on the profit after tax of quoted banks in Nigeria at 5% level of significance, leading to the acceptance of the null hypothesis which states that women on board has no significant effect on the profit after tax of quoted banks in Nigeria. This finding is in line with the work of (Inyang, Inah, & Eyo 2020).

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The following were the summary of findings

i. Board size has significant effect on the financial performance of quoted commercial bank in Nigeria.
ii. Board independence has significant effect on the profitability of quoted commercial Banks in Nigeria.
iii. Board expertise has significant effect on the earning of quoted commercial Banks in Nigeria.
iv. Bank Size has no significant relationship with the performance of quoted commercial Banks in Nigeria.
v. Board gender mix significantly affect the profitability of quoted commercial Banks in Nigeria.

5.2 Conclusion

Following the results obtained and discussed in earlier sections and in relation to the critical review of past literatures, this study concludes that corporate governance has a significant effect on the performance of commercial banks in terms of profitability in Nigeria.

This study examined the effect of corporate governance on the performance of commercial banks in terms of profitability in Nigeria. Corporate governance was captured by such measures as board size, board independence, board expertise, bank size and the presence of women board members, while financial reporting quality was measured using profit after tax.

To this end, the study aimed at determining if; board size, board independence, board expertise, bank size and the presence of women board members have any significant effect on the performance of commercial banks in Nigeria. To achieve this, a sample of 10 quoted commercial banks which are (Zenith bank Plc., Access bank Plc., Guarantee trust bank, UBA, Sterling bank, First bank, Fidelity bank, Union bank, Eco bank and First City Monument Bank), they were judgmentally drawn and data were collected from the annual reports of the selected quoted firms. The study adopted the ex-post factor research design and a study period of 10 years from 2011 to

2020. The OLS regression estimation technique was used for the purpose of data analysis, and this was implemented using the Eviews 9.0 statistical software.

The results revealed that board size has an inverse but significant effect on the performance of commercial banks in Nigeria; board independence also has an inverse but significant effect on the performance of commercial banks in Nigeria; board expertise has a positive and significant effect on the performance of commercial banks in Nigeria;

Bank size has a negative and insignificant effect on the performance of commercial banks in Nigeria; while the presence of women board members has a negative but insignificant effect on the performance of commercial banks in Nigeria.

5.3 Recommendations

Following the findings obtained, this study therefore recommends that;

a) Shareholders and other relevant stakeholders of quoted banks in Nigeria should implement out for a balanced board system where there is high independence. They have the responsibility to agitate for more independent directors in order to ensure high board independence.
b) The regulatory authorities like Central bank of Nigeria, Security and Exchange commission and NDIC should diligently exercise their oversight functions to ensure compliance with extant regulations on corporate governance so as to consolidate, or possibly, improve on the gains of the initiative.
c) Bank size and gender should not be considered major determiner of bank performance in quoted commercial bank in Nigeria.
d) Staff expertise should be considered relevant in board membership as it will help in determining issues that affect performance evaluation process.

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