



Impact of Corporate Governance on the Financial Performance of Money Deposit Bank in Nigeria

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Abstract

This study examined the impact of corporate governance (CG) on the financial performance of money deposit bank in Nigeria. The study employed exploratory research design. Ten (10) listed money deposit bank were chosen through a purposive sampling technique and data extracted from the annual reports of these banks from year 2009 to 2018. A panel data regression was used to analyze the data. Corporate governance was proxies with board size (BS), board composition (BC), audit committee size (ACS), Dividend (DVDP), and Leverage (LEVR) while Financial performance was proxies with Return on Equity (ROE) and Return on Asset (ROA) . Findings revealed that the variable- Board Composition (BC), Dividend Pay Out (DVDP) Financial Leverage (LEVR) has statistical significant effect on the Return on Equity (ROE) while Board Size (BS) and Audit Committee Meeting (ACM) did not have significant at their individual on Return on Equity (ROE). Results also, show that the variable- Board Composition (BC), Board Size (BS), Dividend Pay Out (DVDP) Financial Leverage (LEVR) has statistical significant effect on the Return on Asset (ROA) while Audit Committee Meeting (ACM) did not have significant at their individual on Return on Asset (ROA). The study recommend that Money deposit bank should strive to improve its performance along indicators of good

governance – Leadership Ethics, Board Composition & Independence, Executive Compensation, audit committee, Transparency and Reporting, Stakeholder Engagement, and Compliance with rules and regulation lay down by Central Bank of Nigeria (CBN).

Keywords: *Corporate Governance, Board Composition, Board Size, Audit Committee Size, Return on Asset.*

Introduction

Corporate Governance in simple words means the extent to which companies are run in an open and honest manner. The committee of U.K in 2002 define corporate governance as the system by which companies are directed and controlled. The essence of the corporate world lies in promoting transparency and accountability and fulfilling the fair expectations of all the stakeholder. Corporate governance is one such tool to achieve this goal and to safeguard the interests of various stakeholder groups. It involves promoting the compliance of law in letter and spirit, and demonstrating ethical conduct. The framework of corporate governance encourages efficient use of resources and also requires accountability for the stewardship of those resources. The three key constituents of corporate governance are - Shareholders, Board of Directors and Management (Priyanka 2013).

Corporate governance is a system by which Companies are directed and controlled. It defines the rights and responsibilities of the key players in the organization. The principal players are the shareholders, management and the board of directors while other stakeholders include employees, suppliers, customers, banks, lenders, regulators, the environment and the community at large.

Corporate governance specifies the structure through which the organization sets objectives, develops plans for achieving the objectives, defines the rules and procedures for making decisions and establishes procedures for monitoring performance. A typical corporate governance gave the shareholders the responsibility of electing or appointing a strong and effective board of directors. The board's duty is to focus on guidance and strategic oversight, while it is management's

duty to run the company's business, with the goal of increasing shareholder wealth. Chief Executive Officers (CEOs) and management need to work with the board to establish the right kind of process and communications to ensure that the company is running effectively and in accordance with the board's basic fiduciary oversight requirements. The board's policies will usually specify ethical practices and provide for the protection of stakeholder interests (Olowe 2011).

The area of corporate governance has acquired heightened attention in the last decade because of various notable corporate scandals and collapses, such as Polaris Bank, Diamond Bank, etc. which involved unethical business practices. It is often said that corporate governance and value creation go hand in hand. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed. Various researches have been conducted to investigate the relationship between corporate governance and financial performance, but the results have been mixed and inconclusive and none has used money deposit bank in Nigeria that covered this length of period (2009 to 2018) as a focal point. The objective of this study is to examine and analyze the impact of corporate governance on financial performance of deposit money bank in Nigeria.

Research Hypothesis

Ho1;

There is no significant relationship between Corporate Governance and Return on Equity in money deposit bank in Nigeria.

Ho2;

There is no significant relationship between Corporate Governance and Return on Asset in money deposit bank in Nigeria.

LITERATURE REVIEW

Dividend Relevance Theory

There are quite a number of advocates to this school of thought, but the major contributors are Walter and Myron (1956), According to them, dividend policy of a firm has a direct effect on the position of the firm in the stock market. They posit that when high dividends are paid, it attract investors thereby increasing the value of the company's share. On the other hand, if a company pays low dividend, it send a wrong signal to the investing public about the company's

profit earning capacity, therefore adversely or negatively affecting the value of the share in the stock market.

According to Walter's (1956) offered an explanations on the impact of dividend policy on the value of the firm. He argued that the decision to pay dividends depends on the profitability of investment opportunity available to the firm. Profitability of investment opportunities can be explained in terms of the relationship between the firms internal rate of return and the shareholder's required rate of return or cost of capital. Thus, in order to maximize the wealth of shareholders, the choice of dividend policy depends on the relationship between the firms internal rate of return and cost of capital.

Agency Theory

Agency Theory assumes that there is a separation between ownership and management. Management might concern themselves with their personal wealth, job security, and fringe benefits; these concerns may cause managers to make decisions that are not consistent with the firm's goal to maximize shareholder wealth (Gitman and Zutter, 2015). If there is a conflict of interest between shareholders (principal) and management (agent), agency problem may arise which may create agency costs (the costs of the conflict of interest between stockholders and management). According to Ross et. al. (2015), agency costs can be direct (a corporate expenditure that benefits management but costs the shareholders, and an expense that arises from the need to monitor management actions) and indirect (a loss of opportunity).

Concept of Financial Performance

According to Muwidha (2013), financial performance is the achievement of a firm that issues shares that reflect the financial condition and performance of a company. This is usually measured by using financial ratios based on accounting profits. Gitman and Zutter (2015) use return on total assets (ROA), often called return on investment (ROI), to measure the overall effectiveness of management in generating profits with its available assets.

Financial performance is to a large extent expressed in terms of profit and loss, which is observed by the performance of a firm over a given period . Financial performance is considered the best way to determine how a company generates its income through the use of its assets. Performance in the financial perspective involves the pursuit of a financial activity in order to achieve the financial

objectives in a given period. It is not only used to determine the financial status of a given period, but also the results of its operations and policies in monetary terms. These measures are important because they can be used to compare companies in the same sector or in a different sector. Performance is the ability of the company to generate new resources from its daily procedures for a period of time. Financial performance can also refer to the ability of the company to use its resources effectively and efficiently to achieve its goals and objectives. Financial performance is the ability of the business to operate efficiently, to be more profitable, to grow and to survive for a long time.

All organizations survive to use their resources effectively to achieve a high level of performance, especially in financial terms. Thus, financial performance is the result of many activities undertaken by an organization. Ratio is used to summarize large amounts of financial data that can be used as a benchmark to make a qualitative and quantitative judgment about the performance of the company. The measures of financial performance are ROE and ROA. Dabo (2020) suggested two general measures of financial performance, namely an absolute measure and a relative measure. The absolute measure evaluates the performance according to the absolute quantum of profit. The term equivalent result refers to different forms of profit (pre-tax profit, after-tax profit, residual income and economic value added). One of the weaknesses of the absolute measure is its inability to link profit to the resources used to generate a profit. An absolute measure may not provide quality information for performance comparison decisions (Dabo 2020).

Concept of Corporate Governance

Board Composition

The composition of a board should reflect a diversity of thought, backgrounds, skills, experiences and expertise and a range of tenures that are appropriate given the company's current and anticipated circumstances and that, collectively, enable the board to perform its oversight function effectively. Diverse backgrounds and experiences on corporate boards, including those of directors who represent the broad range of society, strengthen board performance and promote the creation of long-term shareholder value. Boards should develop a framework for identifying appropriately diverse candidates that allows the nominating/corporate governance committee to consider women, minorities and others with diverse backgrounds as candidates for each

open board seat. Directors with a range of tenures can contribute to the effectiveness of a board. Recent additions to the board may provide new perspectives, while directors who have served for a number of years bring experience, continuity, institutional knowledge, and insight into the company's business and industry.

Board Size

Solomon (2010) states that board size is an important factor in most corporate governance rating systems that influences the value of the firm (performance). Constraining board size in order to achieve a more effective board seems to be the preferred choice, because a small board size is generally considered to improve the value of the firm because the benefits of increased monitoring by larger boards are out-weighed by poorer communication and decision making abilities of larger groups (Rouf, 2012). Rizwan et. al. (2016) states that board size has a negative relationship with financial performance. In determining appropriate board size, directors should consider the nature, size and complexity of the company as well as its stage of development. Larger boards often bring the benefit of a broader mix of skills, backgrounds and experience, while smaller boards may be more cohesive and may be able to address issues and challenges more quickly.

Dividends

Dividends are payments made by a firm to its owners, either in cash or in stocks, to attract investors and retain exiting shareholders. This is also referred to as the income component of the return on an investment in stock (Ross et. al., 2015). Modigliani and Miller (1963) argue that dividend policies do not remain relevant under the assumption of perfect market conditions. However, study reveals that dividend policies are relevant imperfect market conditions. Rizwan et. al., (2016) states that there is a significant relationship between a firm's financial performance and its' dividend payout ratio.

Audit Committee

The audit committee is responsible for the company's relationship with its outside auditor, including *selecting* and retaining the outside auditor. The audit committee selects the outside auditor; reviews its qualifications (including industry expertise and geographic capabilities), work product, independence

and reputation; and reviews the performance and expertise of key members of the audit team. The committee reviews new leading partners for the audit team and should be directly involved in the selection of the new engagement partner. The committee oversees the process of negotiating the terms of the annual audit engagement. Overseeing the independence of the outside auditor. The committee should maintain an ongoing, open dialogue with the outside auditor about independence issues. The committee should identify those services, beyond the annual audit engagement, that it believes the outside auditor can provide to the company consistent with maintaining independence and determine whether to adopt a policy for preapproving services to be provided by the outside auditor or approving services on an engagement-by-engagement basis.

Financial Leverage

Financial leverage or gearing is the use of fixed interest sources of long term funds in the capital structure of a company. The fixed interest sources of long term funds usually consist of long term debt and preference share capital. Financial risk is the variability in the earnings of the shareholders as a result of the use of debt finance or fixed interest sources of finance in the capital structure. A firm that employs fixed interest sources of finance in its capital structure is said to be geared or financially levered.

Empirical Review

Erika, Beny and Emir (2019). Carried out study on effect of corporate governance on financial performance in non- financial firms listed on the Indonesian stock exchange from 2012 to 2017. The results indicate that firm size and percentage of board independence has no affect on financial performance, while board size, dividends and financial leverage all effect financial performance.

Priyanka (2013), Investigate the impact of corporate governance on corporate financial performance in an indian context from 2010 to 2011. The study find out that governance ratings have positive and significant impact on corporate financial performance. Kajola (2008) investigated the relationship between indicators of corporate governance (board size, board composition, chief executive status and audit committee) and performance which are proxied with return on equity and profit margin. He sampled 20 Nigerian listed firms from

periods 2000 to 2006 and adopted panel data methodology and OLS to analyse. Results found proved a positive significant relationship between ROE and board size and chief executive status; positive relationship between profit margin and chief executive status; and insignificant relationship between the two performance ratio, board composition and audit committee.

Thuraisinga (2013) in the study of the relationship between corporate governance and company performance of financial service industry with a sample of 33 banks listed in the CSE of Sri Lanka from year 2008 to 2011 and adopting simple linear regression model, discovered an insignificant association between board size, board composition, audit committee (measures of corporate governance) and measures of performance i.e. ROA and ROE. Ibrahim and Abdul Samad (2011) looked at the relationship of corporate governance mechanism and performance between family and non-family ownership of public listed firm in Malaysia from 1999 through 2005 as measured by Tobin's Q, ROA and ROE. Results revealed that family ownership experiences higher value than non-family ownership based on ROE.

Ahmed and Hamdan (2015) investigated impact of corporate governance on firm performance in Bahrain Stock Exchange (BSE), 42 financial companies were sampled from period 2007 to 2011 and descriptive results indicated that ROA and ROE are significantly related to corporate governance but EPS shows no relationship with corporate governance. The study of Zabri, Ahmad and Wah (2015) focused on the relationship between corporate governance practices with firm performance. Descriptive and correlation analysis were used to examine the hypotheses where Board size and Board Independence were the corporate governance's indicators and return on asset (ROA) and return on equity (ROE) as firm performance. The findings revealed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. The other finding indicated that there was no relationship between board independence and firm performance. Olayiwola (2018), Examined the effect of corporate governance on financial performance of listed companies in Nigeria. The study revealed that board size had a significant negative correlation with NPM, Board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM.

METHODOLOGY

The study was quantitative in nature. The population for this study include money deposit bank listed on the Nigerian Stock Exchange. Purposive sampling technique was adopted to select Ten (10) deposit money banks listed on the Nigerian Stock Exchange market. This was due to the fact that data needed were not sufficient in the annual reports of all the listed money deposit bank, hence the use of the Ten (10) deposit money bank. The deposit money bank are Access Bank, First Bank, GT Bank, UBA, Union Bank, Wema Bank, Zenith Bank, Eco Bank, Fidelity Bank, FCMB. The data used for this study were secondary data derived from the annual financial statements reports of the selected deposit money bank. The period considered for this study is from 2009 to 2018 i.e. Ten (10) years. The study involves time series and cross sectional data. Panel Least Square data regression analytical technique was used to observe all variables for the period. The dependent variable, Financial performance was measured using Return on Equity (ROE) and Return on Asset (ROA) while the independent variable, Corporate Governance was measured by Board Size (BS), Board Composition (BC) and Audit Committee Meeting (ACM), Dividend Pay Out (DVDP) and Leverage (LEVR) as its indicators.

Model Specification

To conduct the investigation on the impact of corporate government on financial performance of money deposit banks in Nigeria. The models for this study are stated below;

$$Y = C + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_i X_i + \mu_i$$

Where,

Y = Dependent Variable

C = Intercept

β_1 = Slope of the independent variables

X_1 = Independent Variable and

μ = Error term

The general representation of the models is given in the equation of the analysis below:

Research Hypothesis One: The following hypotheses were tested at 5% level of significance in this study:

H₀: Corporate Government does not have significant effect on Return on Equity in Deposit Money Banks in Nigeria.

Model Representatives (1)

$$\text{ROE} = \beta_0 + \beta_1 \log(\text{BC}) + \beta_2 \log(\text{BS}) + \beta_3 \log(\text{DVDP}) + \beta_4 \log(\text{LEVR}) + \beta_5 \log(\text{ACM}) + \mu_i$$

Where: **ROE** = Return on Equity (proxy to banks financial performance)

BC = Board Composition (proxy to Corporate Governance)

BS = Board Size (proxy to Corporate Governance)

DVDP = Dividend Pay Out (proxy to Corporate Governance)

LEVR = Financial Leverage (proxy to Corporate Governance)

ACM = Audit Committee Meeting (proxy to Corporate Governance)

Research Hypothesis Two:

H₀: Corporate Government does not have significant effect on Return on Assets in Deposit Money Banks in Nigeria.

Model Representatives (2)

$$\text{ROA} = \beta_0 + \beta_1 \log(\text{BC}) + \beta_2 \log(\text{BS}) + \beta_3 \log(\text{DVDP}) + \beta_4 \log(\text{LEVR}) + \beta_5 \log(\text{ACM}) + \mu_i$$

Where: **ROE** = Return on Assets (proxy to banks financial performance)

BC = Board Composition (proxy to Corporate Governance)

BS = Board Size (proxy to Corporate Governance)

DVDP = Dividend Pay Out (proxy to Corporate Governance)

LEVR = Financial Leverage (proxy to Corporate Governance)

ACM = Audit Committee Meeting (proxy to Corporate Governance)

RESULTS AND DISCUSSION OF FINDINGS

Regression was employed in the study to forecast relationship between variables and estimate the influence of each explanatory variable to the dependent variable. The panel pooled data of ten (10) Deposit Money Banks in Nigeria was analyzed using multiple regression models which adopt Panel Least Square (PLS) method in estimating the parameter of the models between 2009-2018. This is possible by estimating the control variables; Board Composition (BC), Board Size (BS), Financial Leverage (FL), Dividend Pay Out (DVDP), and Audit Committee Meeting (ACM) proxy for the Corporate governance against the Return on Asset (ROA), and Return on Equity (ROE) as a proxy for the Financial Performance to know the effect of macroeconomic variables on the financial ratios performance. Before we estimate the explanatory variables

on dependent variable, descriptive statistics will be carryout as a preliminary test in the analysis of our study.

Correlation Coefficient Analysis

	BS	BC	ACM	DVDP	LEVR	ROA	RDE
BS	1.000000	0.022737	-0.221127	0.109364	-0.253985	0.115858	0.072728
BC	0.022737	1.000000	-0.080252	-0.041963	0.127209	-0.091937	0.030916
ACM	-0.221127	-0.080252	1.000000	0.010263	0.021409	-0.066627	0.115378
DVDP	0.109364	-0.041963	0.010263	1.000000	-0.023820	0.029412	0.031727
LEVR	-0.253985	0.127209	0.021409	-0.023820	1.000000	0.044965	0.114927
ROA	0.115858	-0.091937	-0.066627	0.029412	0.044965	1.000000	0.640910
RDE	0.072728	0.030916	0.115378	0.031727	0.114927	0.640910	1.000000

Source: E-views 9.0, Analyzed 2020

Descriptive Statistics

Date: 07/24/20 Time: 08:23

Sample: 2009 2018

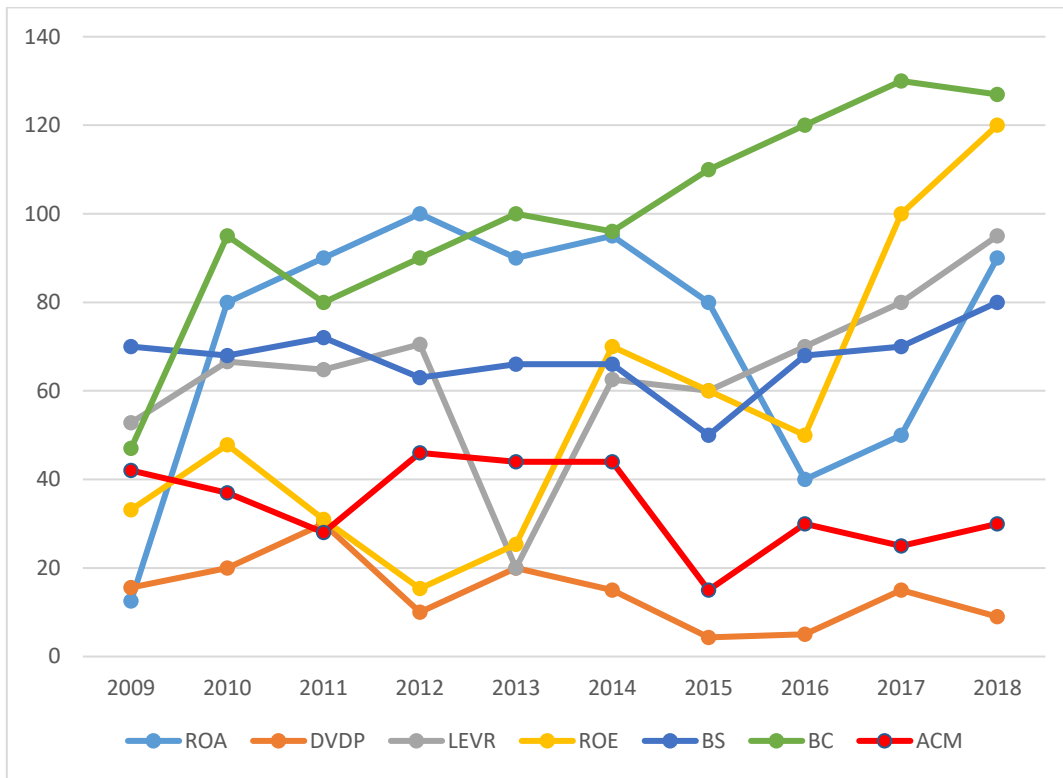
	ACM	BC	BS	DVDP	LEVR	ROA	RDE
Mean	4.051020	13.47959	6.857143	0.555714	6.440408	1.644796	2.357449
Median	4.000000	14.000000	7.000000	0.420000	6.100000	1.660000	2.185000
Maximum	7.000000	17.000000	9.000000	14.000000	11.870000	10.220000	13.970000
Minimum	1.000000	7.000000	4.000000	0.060000	0.260000	0.000000	0.000000
Std. Dev.	1.143087	1.730441	1.235222	1.389696	1.823248	1.534186	1.703485
Skewness	-0.141618	-0.919337	-0.188510	9.375884	0.260753	3.581675	3.485991
Kurtosis	3.789540	5.028408	2.005478	91.23598	4.097624	20.75953	23.68027
Jarque-Bera	2.873018	30.60526	4.619135	33226.97	6.030051	1497.418	1944.819
Probability	0.237756	0.000000	0.099304	0.000000	0.049045	0.000000	0.000000

Sum		397.000	1321.000	672.000	54.4600	631.1600	161.1900	231.0300
		0		0	0			
Sum	Sq.	126.7449	290.4592	148.0000	187.3316	322.450	228.3114	281.4807
Dev.						6		
Observations		100	100	100	100	100	100	100

Source: *E-view Statistical Software Version 9.0; Analyzed, 2020*

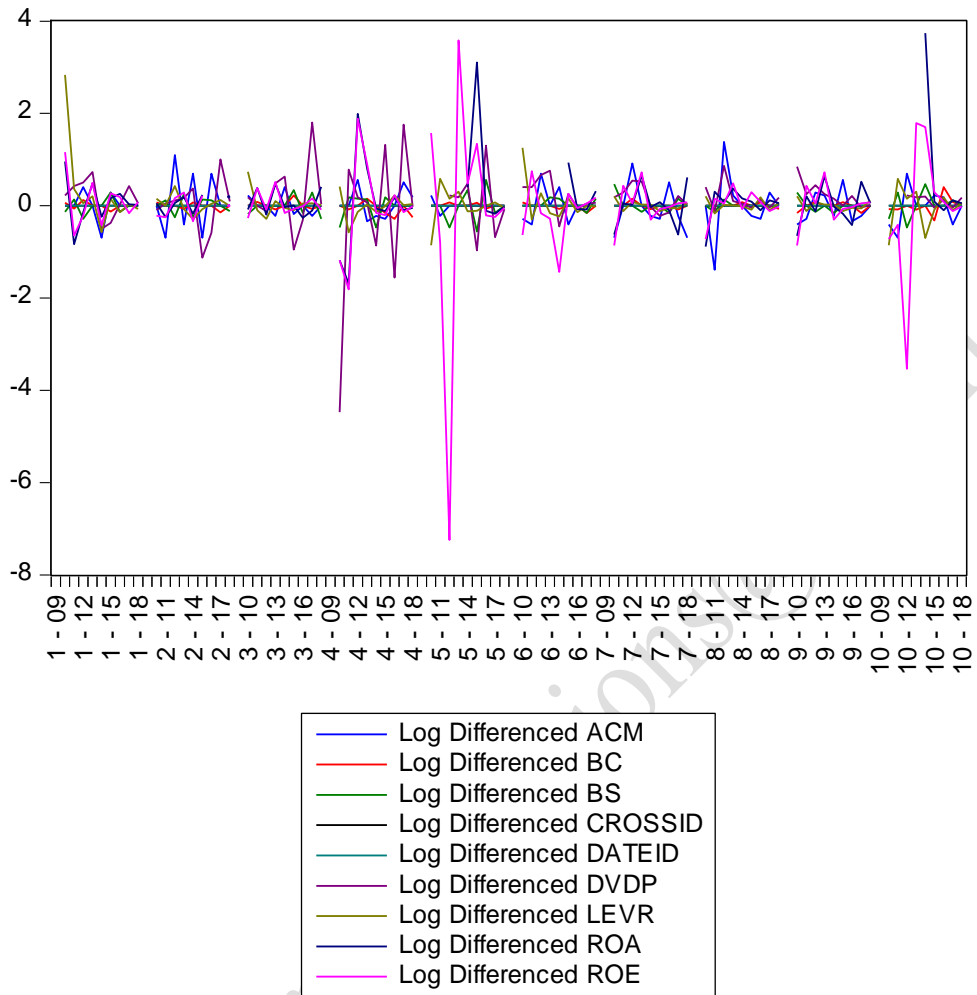
From the descriptive Statistics above, it shows that Audit Committee Meeting (ACM) was **4.05 ± 1.14** mean and standard with Probability of 0.237756 > 0.05 level of significant; Board Composition (BC) was **13.47 ± 1.73** mean and standard with Probability of 0.000000 < 0.05 level of significant; Board Size (BS) was **6.85 ± 1.23** mean and standard with Probability of 0.099304 > 0.05 level of significant; Dividend Pay Out (DVDP) has **0.55 ± 1.38** mean and standard with Probability of 0.000000 < 0.05 level of significant; Financial Leverage (LEVR) has **6.44 ± 1.82** mean and standard with Probability of 0.049045 < 0.05 level of significant; Return on Assets (ROA) has **1.64 ± 1.53** mean and standard with Probability of 0.000000 < 0.05 level of significant; and Return on Equity (ROE) was **2.35 ± 1.70** mean and standard with Probability of 0.000000 < 0.05 level of significant.

Figure 1 Average Value of the Corporate Governance and Financial Performance in the Commercial Banks in Nigeria between years 2009 - 2018.



Source: Authors' Conceptualization (2020).

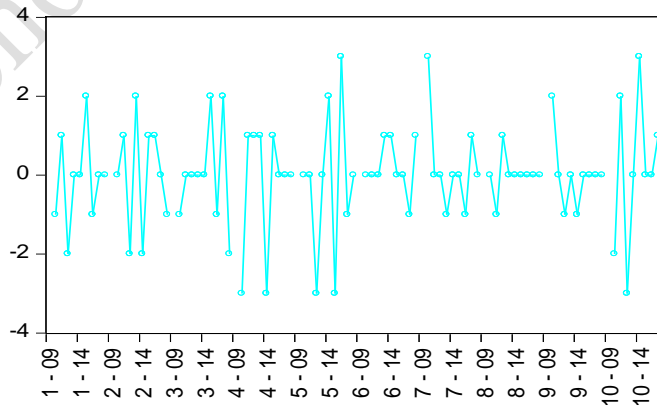
Figure 1: Stationary Graph at Level, with Log Difference for the Combined Variables

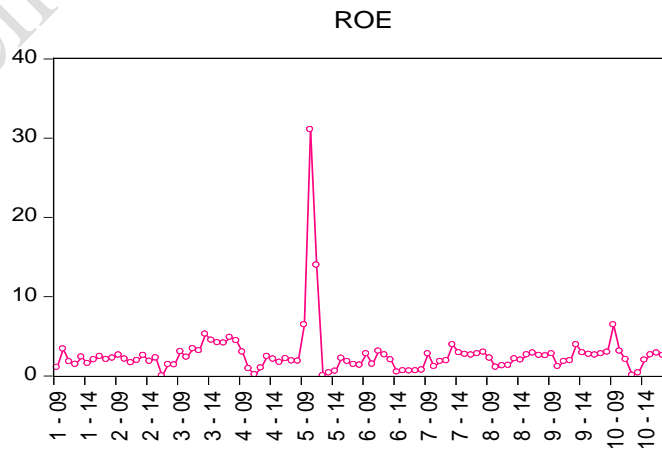
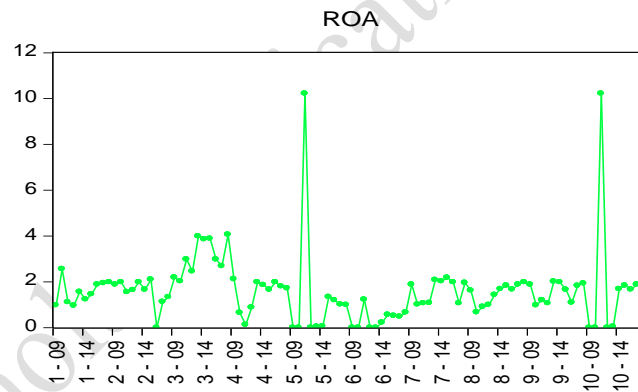
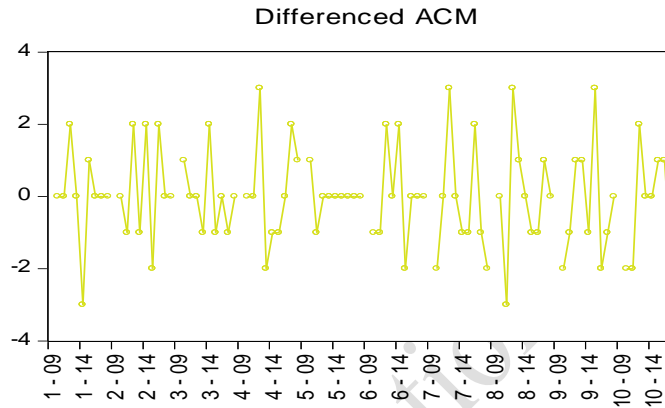
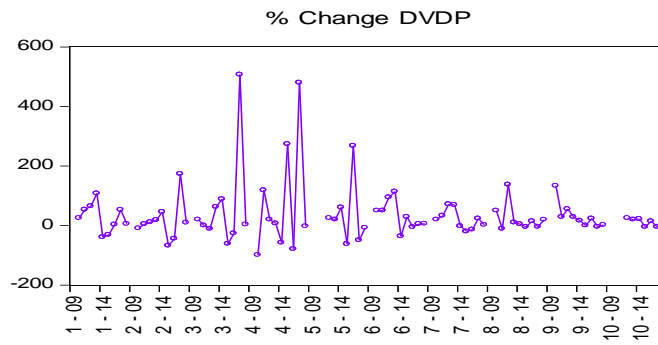


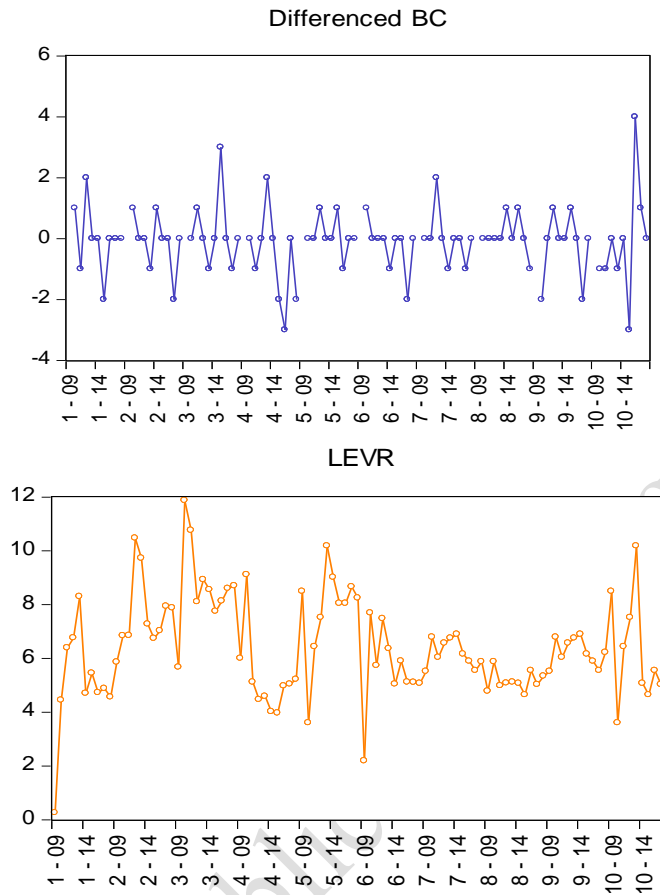
Source: Authors' Conceptualization (2020)

Figure 2 Stationary Graph at the Level for Individual Variables

Differenced BS







Source: Authors' Conceptualization (2020).

Research Hypothesis One:

Estimation Command:

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=====
LS(?) ROE C BC BS DVDP LEVR ACM
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Estimation Equation:

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ROE = C(1) + C(2)*BC + C(3)*BS + C(4)*DVDP + C(5)*LEVR + C(6)*ACM
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Substituted Coefficients:

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=====
ROE = -1.00121464467 + 0.0214144971595*BC + 0.191478338105*BS +
0.0238059848723*DVDP + 0.135281716143*LEVR +
0.215380753972*ACM
```


Dependent Variable: ROE
 Method: Panel Least Squares
 Date: 07/22/20 Time: 18:27
 Sample: 2009 2018
 Periods included: 10
 Cross-sections included: 10
 Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.001215	2.045258	0.978465	0.0056
BC	1.021414	0.101666	10.046760	0.0036
BS	0.191478	0.150143	1.275304	0.2054
DVDP	0.923806	0.125862	7.339832	0.0204
LEVR	0.135282	0.099420	1.360704	0.0069
ACM	0.215381	0.156315	1.377866	0.1716
R-squared	0.644702	Mean dependent var		2.357449
Adjusted R-squared	0.627216	S.D. dependent var		1.703485
S.E. of regression	1.709621	Akaike info criterion		3.969690
Sum squared resid	268.8978	Schwarz criterion		4.127953
Log likelihood	-188.5148	Hannan-Quinn criter.		4.033704
F-statistic	110.8602	Durbin-Watson stat		0.149654
Prob(F-statistic)	0.000000			

Source: E-view Statistical Software Version 9.0; Analyzed, 2020

Interpretation of the coefficients of determination

The estimation results show that the variable- Board Composition (BC), Dividend Pay Out (DVDP) Financial Leverage (LEVR) has statistical significant effect on the Return on Equity (ROE) proxy to banks financial performance at 5% alpha level of significance, while Board Size (BS) and Audit Committee Meeting (ACM) did not have significant effect at their individual on Return on Equity (ROE). However, the estimation shows that the co-efficient of determination R-squared is 0.644702 reveals that (corporate government) as explanatory variables jointly account for 64.4% changes in the ROE. It tells us the model is of good fit, that the independent variables to a very large degree explain the changes in the dependent variable. It also shows that explanatory variable has relationship at overall level of significance.

The adjusted R^2 0.627216 shows the supports for the coefficient of determination R^2 . It tells us the model is of good fit that the independent variables to a very large degree explain (62.7%) changes in the dependent variable.

The Durbin Watson statistic is a number that tests for [autocorrelation](#) in the residuals from a statistical [regression](#) analysis. The Durbin-Watson statistic is always between 0 and 4. A value of 2 means that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation. From the estimation, Durbin Watson statistics is (0.149654), this implies that there is positive serial correlation or autocorrelation. So there is evidence of positive first order serial correlation.

Also the F-statistics value is (110.8602) with a probability or significant level of 0.000000 shows the overall analysis of variance of the model and while the result indicates that all explanatory variable is fundamental explaining the variation in the dependent variable.

In conclusion, since at the overall level, Board Composition, Dividend Pay Out, Financial Leverage, Board Size and Audit Committee Meeting were jointly explaining the significant changes in the Return on Equity, therefore null hypothesis (H_0) which says, *Corporate Government does not have significant effect on Return on Equity in deposit money banks in Nigeria*, is rejected while alternative hypothesis (H_1) is accepted since at overall, the explanatory variable has significant effect on the explained variable.

Research Hypothesis Two:

H_0 : Corporate Government does not have significant effect on Return on Assets in deposit money banks in Nigeria

Estimation Command:

=====
LS(?) ROA C BC BS DVDP LEVR ACM

Estimation Equation:

=====
 $ROA = C(1) + C(2)*BC + C(3)*BS + C(4)*DVDP + C(5)*LEVR + C(6)*ACM$

Substituted Coefficients:

=====

$$\text{ROA} = 1.60751866754 - 0.0976330935027*BC + 0.161202959749*BS + 0.0147056779373*DVDP + 0.0785097389694*LEVR - 0.0656296723464*ACM$$

Dependent Variable: ROA

Method: Panel Least Squares

Date: 07/22/20 Time: 18:29

Sample: 2009 2018

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.607519	1.853233	0.867413	0.0080
BC	0.097633	0.092121	-1.059833	0.0020
BS	0.161203	0.136047	1.184910	0.0031
DVDP	0.014706	0.114045	0.128946	0.0177
LEVR	0.078510	0.090086	0.871498	0.0058
ACM	-0.065630	0.141639	-0.463360	0.0742
R-squared	0.933007	Mean dependent var		1.644796
Adjusted R-squared	0.919547	S.D. dependent var		1.534186
S.E. of regression	1.549108	Akaike info criterion		3.772506
Sum squared resid	220.7757	Schwarz criterion		3.930769
Log likelihood	-178.8528	Hannan-Quinn criter.		3.836520
F-statistic	155.6280	Durbin-Watson stat		0.199372
Prob(F-statistic)	0.000000			

Source: E-view Statistical Software Version 9.0; Analyzed, 2020

Interpretation of the coefficients of determination

The estimation results show that the variable- Board Composition (BC), Board Size (BS), Dividend Pay Out (DVDP) Financial Leverage (LEVR) has statistical significant effect on the Return on Asset (ROA) proxy to banks financial performance at 5% alpha level of significance while Audit Committee Meeting (ACM) did not have significant at their individual on Return on Asset (ROA). However, the estimation shows that the co-efficient of determination R-squared is 0.933007 reveals that the (corporate government) as explanatory variables were jointly account for 93.3% changes in the ROA. It tells us the

model is of good fit, that the independent variables to a very large degree explain the changes in the dependent variable. It also shows that explanatory variable has relationship at overall level of significance.

The adjusted R^2 0.919547 shows the supports for the coefficient of determination R^2 . It tells us the model is of good fit that the independent variables to a very large degree explain (91.9%) changes in the dependent variable.

From the estimation, Durbin Watson statistics is here (0.199372), this implies that there is positive serial correlation or autocorrelation. So there is evidence of positive first order serial correlation.

Also the F-statistics value is (155.6280) with a probability or significant level of 0.000000 shows the overall analysis of variance of the model and while the result indicates that all explanatory variable is fundamental explaining the variation in the dependent variable.

In conclusion, since at the overall level, Board Composition, Dividend Pay Out, Financial Leverage, Board Size and Audit Committee Meeting were jointly explaining the significant changes in the Return on Assets, therefore null hypothesis (H_0) which says, *Corporate Government does not have significant effect on Return on Assets in deposit money banks in Nigeria*, is rejected while alternative hypothesis (H_1) is accepted since at overall, the explanatory variable has significant effect on the explained variable.

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of corporate governance on financial performance of selected deposit money bank listed on the Nigerian Stock Exchange. Findings showed that there is a significant positive impact on Board Composition, Dividend Pay Out, Financial Leverage, Board Size and Audit Committee Meeting which was jointly explaining the significant changes in the Return on Equity (ROE). Finding also revealed, that there is a significant positive impact on Board composition, Dividend payout, financial leverage, and board size on Return on Asset (ROA). This result corroborates with the findings of Priyanka (2013) while Audit Committee did not have significant impact at their individual Return on Asset (ROA). This is in line with the study of Olayiwola (2018). Base on this conclusion the following are recommended; We find that corporate governance and corporate financial performance are correlated and governance rating of money deposit bank has significant positive impact on its financial performance. This research finding may support decision of money deposit bank to improve its corporate governance structure. Money

deposit bank should strive to improve its performance along indicators of good governance – Leadership Ethics, Board Composition & Independence, Executive Compensation, audit committee, Transparency and Reporting, Stakeholder Engagement, and Compliance with rules and regulation lay down by Central Bank of Nigeria (CBN). Money deposit bank should understand that improving corporate governance and sustainability performance is as important as improving the financial performance.

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