An Evaluation of the Effect of Corporate Governance on Firm Performance:
Empirical Evidence from selected Listed Commercial Banks in Nigeria

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ABSTRACT

Corporate governance has received much attention in recent years and has been a growing topic for
debate in the public domain in both developed and developing countries. This is mainly because of the
many financial scandals and failures that have occurred in a number of countries. Good corporate
governance is now considered crucial for regulating companies and enhancing their performance.
The main objective of this research is to understand corporate governance and the impact of corporate
governance on organizational performance of commercial Banks in Nigeria. Few existing studies have
dealt with the role of Corporate governance in Nigeria, particularly focusing on financial performance
of some listed Banks and a specific Bank, but no emphasis has been placed on the organizational
performance of commercial Banks in Nigeria.

The conceptual framework of this research describes how good corporate governance—both
principles and mechanisms—can affect organizational performance of Commercial Banks in Nigeria.
In the framework, corporate governance principles are represented by the rights and equitable
treatment of shareholders, the role of stakeholders in corporate governance, disclosure and
transparency, and the responsibilities of the board. The corporate governance mechanism variables
are board size, leadership structure, board composition and audit committee independence. Also, this
research focuses on how to ascertain the relationship between cooperative governance and the
performance of commercial banks in Nigeria, to investigate if there is any significant change in the
performance of banks in Nigeria by the proper implementation of corporate governance by the board
of the directors and to empirically determine factors that militates against successful implementation
of corporate governance framework in commercial banks. To accomplish the research objectives, a
quantitative research method (questionnaire and secondary data) was adopted. Data were collected
through primary and secondary sources. The descriptive survey method was used and the research
tool was questionnaire. A total of 800 respondents were obtained using random sampling technique.
Validity and reliability test was done to test if the instruments were reliable and valid to be used. Data
analysis using Chi-square formula, and regression analysis, also, presentation was done by the use of
tables. The major findings from the study are: the factors that militate against successful
implementation of corporate governance framework in commercial banks are high. On the basis of the
above findings; the study concludes that competitive advantage is an important factor in the strategic
management of companies. On the basis of the above findings it was recommended that: Corporate
Governance is necessary to the proper functioning of banks and that Corporate Governance can only
prevent bank distress only if it is well implemented. Steps should also be taken for mandatory
compliance with the code of corporate governance. Also, an effective legal framework should be
developed that specifies the rights and obligations of a bank, its directors, shareholders, specific
disclosure requirements and provide for effective enforcement of the law. For the purposes of further
studies, further research could explore the relationship in more in specific categories for example, in
not-for-profit organizations, in government organizations, and in family companies. Since this study
focused on the Nigeria banking sector it would be beneficial to have a clearer understanding of
corporate governance roles in other types of organizations. Such research could address the similarities and differences of the roles in different organizations and consider also the legal requirements for different organizations.

Keyword: corporate governance, organizational performance, commercial banks.

1.0 INTRODUCTION

The concept of corporate governance has attracted a good deal of public interest in recent years, because of its apparent importance on the economic health of corporations and society in general. Basically, corporate governance in the banking sector requires judicious and prudent management of resources and the preservation of resources (assets) of the corporate firm; ensuring ethical and professional standards and the pursuit of corporate objectives, it seeks to ensure customer satisfaction, high employee morale and the maintenance of market discipline, which strengthens and stabilizes the bank. The bulk of evidence suggests a positive association between corporate governance and organizational performance (Love, 2011). In this regard, sub-optimal or outright failure of governance systems can therefore be argued to be a major contributor to the collapse of many of the well-celebrated organizations that have littered the world’s corporate landscape. This failure, which translates into an inability of organizations to meet the expectations of their various stakeholders, has often been traced to weaknesses in the internal controls infrastructures and operating environments, and a lack of commitment to high ethical standards.

Globalization and technology have continuing speed which makes the financial arena to become more open to new products and services invented. However, financial regulators everywhere are scrambling to assess the changes and master the turbulence (Sandeep, Patel and Lilicare, 2002:9). An international wave of mergers and acquisitions has also swept the banking industry. In line with these changes, the fact remains unchanged that there is the need for countries to have sound resilient banking systems with good corporate governance. This will strengthen and upgrade the institution to survive in an increasingly open environment (Qi, Wu and Zhang, 2000; Köke and Renneboog, 2002 and Kashif, 2008). Corporate governance is therefore about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance.

Given the fury of activities that have affected the efforts of banks to comply with the various consolidation policies and the antecedents of some operators in the system, there are concerns on the need to strengthen corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, 2004). According to Heidi and Marleen (2003:4), banking supervision cannot function well if sound corporate governance is not in place. Consequently, banking supervisors have strong interest in ensuring that there is effective corporate governance at every banking organization. As opined by Mayes, Halme and Aarno (2001), changes in bank ownership during the 1990s and early 2000s substantially altered governance of the world’s banking organization. These changes in the corporate governance of banks raised very important policy research questions. The fundamental question is how do these changes affect bank performance?

It is therefore necessary to point out that the concept of corporate governance of banks and very large firms have been a priority on the policy agenda in developed market economies for over a decade. Further to that, the concept is gradually warming itself as a priority in the African continent. Indeed, it is believed that the Asian crisis and the relative poor performance of the corporate sector in Africa have made the issue of corporate governance a catchphrase in the development debate (Berglof and Von-Thadden, 1999). Corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, it keeps the organization in business and creates a greater prospect for future opportunities.

The anxiety over the current banking sector crisis in Nigeria is understandable given the vital role played by the banking sector in the economic development of any nation. The banking industry plays a
major intermediation role in an economy by mobilizing savings from surplus units and channeling these funds to the deficit units particularly the private enterprises for the purpose of expanding their production capacities. The concern over corporate governance stems from the fact that sound governance practices by organizations, banks inclusive results in higher firm’s market value, lower cost of funds and higher profitability (Block, Jang & Kim, 2006 & Claessen, 2006).

Eight chief executives and executive directors of some Nigerian banks were summarily dismissed between August and October, 2009 due to issues related to poor corporate governance practices. This was sequel to the conclusion of audit investigations embarked upon by the Central Bank of Nigeria to determine the soundness of Nigerian banks. The release of these reports led CBN to conclude that the affected banks have acted in manners detrimental to the interest of depositors and creditors. This was at variance to the clean bill of good health earlier given to these banks by regulatory authorities (CBN inclusive) and their so called appointed reputable external auditors. In developing economies, the banking sector among other sectors has also witnessed several cases of collapses, some of which include the Alpha Merchant Bank Ltd, Savannah Bank Plc, Societe Generale Bank Ltd (all in Nigeria), The Continental Bank of Kenya Ltd, Capital Finance Ltd, Consolidated Bank of Kenya Ltd and Trust Bank of Kenya among others (Akpan, 2007).

Corporate governance is the rules and practices that govern the relationship between the managers and shareholders of a corporation, as well as its stakeholders. It contributes to growth and financial stability by reinforcing market confidence, financial market integrity and economic efficiency (Organisation for Economic Cooperation and Development (OECD), 2004). As a result, corporate governance distributes the rights and responsibilities among the various participants in a company, such as the board, managers, shareholders and other stakeholders; it also ensures that rules and procedures for making decisions regarding corporate affairs are clear (Feleaga et al., 2011). Corporate governance practice is considered an internal mechanism for monitoring management. Good corporate governance is an effective tool for helping a firm to attain better performance (Ghabayen, 2012). The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company’s objectives are set and the means of attaining those objectives and monitoring performance. This definition is in line with the submissions of, Wolfensohn (1999) Uche (2004) and Akinsulire (2006).

This study is a contribution to the ongoing debate on the examination of the relationship that exists between corporate governance mechanisms and organizational performance. Mixed and tenuous findings have been made from previous studies in Nigeria, especially those ones that were conducted in developed nations, particularly USA, UK, Japan, Germany and France.

1.1 Objectives of Study
This study seeks to evaluate the impact of board composition, size and structure on the performance of banks in Nigeria and as well ascertain the relationship between corporate governance and the organizational performance of commercial banks in Nigeria, examine if there is any significant change in the organizational performance of banks in Nigeria by the proper implementation of corporate governance by the board of the directors and to empirically determine factors that militates against successful implementation of corporate governance framework in commercial banks.

1.2 Research Hypothesis
The following hypotheses form the basis for carrying out this study.

\[ H_1: \text{There is a significant relationship between board diversity and size on the organizational performance of banks in Nigeria.} \]

\[ H_2: \text{There is no evidence to show significant relationship between cooperate governance and the organizational performance of commercial banks in Nigeria} \]

\[ H_3: \text{There is evidence to show significant change in the organizational performance of banks in Nigeria by the proper implementation of corporate governance by the board of the directors} \]
2. LITERATURE REVIEW

2.1 What is Corporate Governance?
Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solutions lie in multidisciplinary fields i.e. economics, accountancy, finance among others (Cadbury, 2002). As such it is essential that a comprehensive framework be codified in the accounting framework of any organization. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends on the underlying soundness of its individual components and the connections between them.

According to Morck, Shleifer and Vishny (1989), among the main factors that support the stability of any country’s financial system include: good corporate governance; effective marketing discipline; strong prudential regulation and supervision; accurate and reliable accounting financial reporting systems; a sound disclosure regimes and an appropriate savings deposit protection system. Corporate governance has been looked at and defined variedly by different scholars and practitioners. However they all have pointed to the same end, hence giving more of a consensus in the definition. Coleman and Nicholas-Biekpe (2006) defined corporate governance as the relationship of the enterprise to shareholders or in the wider sense as the relationship of the enterprise to society as a whole. However, Mayer (1999) offers a definition with a wider outlook and contends that it means the sum of the processes, structures and information used for directing and overseeing the management of an organization. The Organization for Economic Corporation and Development (1999) has also defined corporate governance as a system on the basis of which companies are directed and managed. It is upon this system that specifications are given for the division of competencies and responsibilities between the parties included (board of directors, the supervisory board, the management and shareholders) and formulate rules and procedures for adopting decisions on corporate matters.

This study therefore adopts the broader view and defines corporate governance in the context of banking as the manner in which systems, procedures, processes and practices of a bank are managed so as to allow positive relationships and the exercise of power in the management of assets and resources with the aim of advancing shareholders’ value and shareholders” satisfaction together with improved accountability, resource use and transparent administration.

2.2 Historical Overview of Corporate Governance
Over centuries, corporate governance systems have evolved, often in response to corporate failures or systemic crises. The first well-documented failure of governance was the South Sea Bubble in the 1700s, which revolutionized business laws and practices in England. Similarly, much of the security laws in the United States were put in place following the stock market crash of 1929. There has been no shortage of other crises, such as the secondary banking crisis of the 1970s in the United Kingdom, the U.S. savings and loan debacle of the 1980s, East-Asian economic and financial crisis in the second half of 1990s (Flannery, 1996). In addition to these crises, the history of corporate governance has also been punctuated by a series of well-known company failures: the Maxwell Group raid on the pension fund of the Mirror Group of newspapers, the collapse of the Bank of Credit and Commerce International, Baring Bank and in recent times global corporations like Enron, WorldCom, Parmalat, Global Crossing and the international accountants, Andersen (La Porta, Lopez and Shleifer 1999). These were blamed on a lack of business ethics, shady accountancy practices and weak regulations. They were a wake-up call for developing countries on corporate governance. Most of these crisis or major corporate failure, which was a result of incompetence, fraud, and abuse, was met by new elements of an improved system of corporate governance (Iskander and Chamlou, 2000).

2.3 Corporate Governance and Commercial Banks.
Corporate governance is a crucial issue for the management of banks, which can be viewed from two dimensions. One is the transparency in the corporate function, thus protecting the investors’ interest (reference to agency problem), while the other is concerned with having a sound risk management system in place (special reference to banks) (Jensen and Meckling, 1976).
The Basel Committee on Banking Supervision (1999) states that from a banking industry perspective, corporate governance involves the manner in which the business and affairs of individual institutions are governed by their boards of directors and senior management. This thus affect how banks:

i) Set corporate objectives (including generating economic returns to owners);
ii) Run the day-to-day operations of the business;
iii) Consider the interest of recognized stakeholders;
iv) Align corporate activities and behaviours with the expectation that banks will operate in safe and sound manner, and in compliance with applicable laws and regulations; and protect the interests of depositors.

The Committee further enumerates basic components of good corporate governance to include:

i. The corporate values, codes of conduct and other standards of appropriate behaviour and the system used to ensure compliance with them;
ii. A well articulated corporate strategy against which the success of the overall enterprise and the contribution of individuals can be measured;
iii. The clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the board of directors;
iv. Establishment of mechanisms for the interaction and cooperation among the board of directors, senior management and auditors;
v. Strong internal control systems, including internal and external audit functions, risk management functions independent of business lines and other checks and balances;
vi. Special monitoring of risk exposures where conflict of interests are likely to be particularly great, including business relationships with borrowers affiliated with the bank, large shareholders, senior management or key decision makers within the firm (e.g. traders);
vii. The financial and managerial incentives to act in an appropriate manner, offered to senior management, business line management and employees in the form of compensation, promotion and other recognition;
viii. Appropriate information flows internally and to the public.

On a theoretical perspective, corporate governance has been seen as an economic discipline, which examines how to achieve an increase in the effectiveness of certain corporations with the help of organizational arrangements, contracts, regulations and business legislation. It is not a disputed fact that banks are crucial element to any economy; this therefore demands that they have strong and good corporate governance if their positive effects were to be achieved (Basel Committee on Banking Supervision, 2003).

King and Levine (1993) and Levine (1997) emphasized the importance of corporate governance of banks in developing economies and observed that: first, banks have an overwhelmingly dominant position in the financial system of a developing economy and are extremely important engines of economic growth. Second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for majority of firms. Third, as well as providing a generally accepted means of payment, banks in developing countries are usually the main depository for the economy’s savings.

Banking supervision cannot function if there does not exist what Hettes (2002) calls “correct corporate governance” since experience emphasizes the need for an appropriate level of responsibility, control and balance of competences in each bank. Hettes explained further on this by observing that correct corporate governance simplifies the work of banking supervision and contributes towards corporation between the management of a bank and the banking supervision authority.

2.3.1 Corporate Governance and the Current Crisis in the Nigerian Banking Sector

Although the consolidation process in the Nigerian banking sector created bigger banks, it however failed to overcome the fundamental weaknesses in corporate governance in many of these banks. The huge surge in capital availability occurred during the time when corporate governance standards at banks were extremely weak. In fact, failure in corporate governance at banks was indeed a principal factor contributing to the financial crisis.
According to Sanusi (2010) it was well known in the industry that since consolidation, some banks were engaging in unethical and potentially fraudulent business practices and the scope and depth of these activities were documented in recent CBN examinations. Governance malpractice within the consolidated banks has therefore become a way of life in large parts of the sector, enriching a few at the expense of many depositors and investors. Sanusi further opined that corporate governance in many banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining un-secured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. In addition, the audit process at all banks appeared not to have taken fully into account the rapid deterioration of the economy and hence of the need for aggressive provisioning against risk assets.

As banks grew in size and complexity, bank boards often did not fulfill their functions and were lulled into a sense of well-being by the apparent year-over-year growth in assets and profits. In hindsight, boards and executive management in some major banks were not equipped to run their institutions. Some banks’ chairmen/CEOs were seen to often have an overbearing influence on the board, and some boards lacked independence; directors often failed to make meaningful contributions to safeguard the growth and development of the bank and had weak ethical standards; the board committees were also often ineffective or dormant.

The Central Bank of Nigeria published details of the extent of insider abuse in several of the banks and it was revealed that CEOs set up Special Purpose Vehicles to lend money to themselves for stock price manipulation or the purchase of estates all over the world. For instance, one bank borrowed money and purchased private jets which the Apex bank later discovered were registered in the name of the CEO’s son. In another bank, the management set up 100 fake companies for the purpose of perpetrating fraud. Sanusi also disclosed that 30% of the share capital of Intercontinental bank was purchased with customer deposits. Afri bank used depositors’ funds to purchase 80% of its IPO. It paid N25 per share when the shares were trading at N11 on the NSE and these shares later collapsed to under N3. The CEO of Oceanic bank (now Eco bank) controlled over 35% of the bank through SPVs borrowing customer deposits. The collapse of the capital market wiped out these customer deposits amounting to hundreds of billions of naira. Therefore, a lot of the capital supposedly raised by these so called “mega banks” was fake capital financed from depositors’ funds. Based on this, we can conclude that the consolidation process was a sham and the banks never raised the capital they claimed they did (www.centbank.com).

2.3.2 Good Corporate Governance Practice

Corporate governance has become a considerable worldwide issue because of the failure of businesses such as Enron, World Com and HIH (Farrar, 2008; Du Plessis et al., 2011). In addition, Zheka (2006) stresses that because firms represent more than 90% of productivity worldwide and there has been rapid growth over the past decades, corporate governance is one of the essential, foundational ingredients for long-term economy and the stability of companies (Ibrahim, Rehman & Roof, 2010). Thus, corporate governance is a necessary element for a firm’s performance and for the overall growth of a country’s economy (Brav et al., 2008).

Therefore, different countries and markets have used the basic common guidelines of the OECD Principles to bring about good codes of corporate governance practice (Maher & Andersson, 2000; Gul & Tsui, 2004). Good governance means ‘little expropriation of corporate resources by managers or controlling shareholders, which contributes to better allocation of resources and better performance’ (Ali Shah, Butt & Hassan, 2009, p. 625). Further, good corporate governance plays a balancing role in terms of expediting the performance of firms in both developed and developing countries. However, as there are differences in the social and economic circumstances of developing and developed countries, the structure of corporate governance within each country might be diverse. This may lead to differences between the relationship of corporate governance and the value of firms in developed and developing financial markets (Rashid & Islam, 2008). A number of studies have examined the relationship between corporate governance and firm performance (e.g., Ehikioya, 2009; Bauer et al., 2008; Gurbuz, Aybars & Kutlu, 2010). The findings of this research emphasize the positive influence of good corporate governance on corporate performance.
The studies referred to above indicate that good corporate governance improves firm performance and enables access to outside capital, which leads to added sustainable economic development (Maher & Andersson, 2000). As a result, corporate performance should be measured in terms of the satisfaction level of all stakeholders of a firm. Clearly, corporate governance is accountable to a broad variety of stakeholders, including shareholders, managers, employees, customers, suppliers, labour unions, providers of finance, regulators and the community (Jhunjhunwala & Mishra, 2009).

In addition to improving firm performance, Brown, Beekes and Verhoeven (2011), Carcello, Hermanson and Ye (2011) and Stefanescu (2011) highlight that much research has investigated the issue and effect of corporate governance on accounting, finance and auditing. For instance, in accounting, Mensah et al. (2003), Halter, De Arruda and Halter (2009), Wu (2005) and Watson and Hirsch (2010) focus on the linkage between corporate governance and corruption, and all emphasize that poor corporate governance is a significant cause of corruption, and that transparency can be used as a method to reduce this corruption. Beasley et al. (2000), Fich and Shivdasani (2007) and Zhao and Chen (2008) find that a higher level of governance quality detects fraudulent financial reporting, while Hermalin and Weisbach (2007) and Price, Roman and Rountree (2011) claim that one of the main objectives of corporate governance is to increase transparency.


Li (2010), Ramly and Rashid (2010), Zhu (2009), Byun, Kwak and Hwang (2008), Ashbaugh, Collins and LaFond (2004), Guangming, Menghua and Xun (2011) and Reverte (2009) investigate the relationship between corporate governance and cost of equity capital, finding that firms with stronger governance reduce the cost of equity capital through a reduction in agency problems and information asymmetry. Bauwhede and Willekens (2008), Cormier et al. (2010) and Cai, Qian and Liu (2009) find
that good corporate governance leads to a lower level of information asymmetry, thereby improving investor confidence in the reported accounting information.

### 2.3.3 Elements of Corporate Governance in Banks

Different authors and management specialists have argued that corporate governance requires laid down procedures, processes, systems and codes of regulation and ethics that ensures its implementation in organization (Altunbas, Evans and Molyneux, 2001). Some suggestions that have been underscored in this respect include the need for banks to set strategies which have been commonly referred to as corporate strategies for their operations and establish accountability for executing these strategies. El-Kharouf (2000), while examining strategy, corporate governance and the future of the Arab banking industry, pointed out that corporate strategy is a deliberate search for a plan of action that will develop the corporate competitive advantage and compounds it. In addition to this, the BCBS (1999) contends that transparency of information related to existing conditions, decisions and actions is integrally related to accountability in that it gives market participants sufficient information with which to judge the management of a bank. The Committee advanced further that various corporate governance structures exist in different countries hence, there is no universally correct answer to structural issues and that laws do not need to be consistent from one country to another. Sound governance therefore, can be practiced regardless of the form used by a banking organization. The Committee therefore suggests four important forms of oversight that should be included in the organizational structure of any bank in order to ensure the appropriate checks and balances. They include:

1. Oversight by the board of directors or supervisory board;
2. Oversight by individuals not involved in the day-to-day running of the various business areas;
3. Direct line supervision of different business areas, and;
4. Independent risk management and audit functions.

In summary, they demonstrate the importance of key personnel being fit and proper for their jobs and the potentiality of government ownership of a bank to alter the strategies and objectives of the bank as well as the internal structure of governance hence, the general principles of sound corporate governance are also beneficial to government-owned banks. The concept of good governance in banking industry empirically implies total quality management, which includes six performance areas (Klapper and Love, 2002). These performance areas include capital adequacy, assets quality, management, earnings, liquidity, and sensitivity risk. Klapper and Love argued that the degree of adherence to these parameters determines the quality rating of an organization.

### 3. RESEARCH METHODOLOGY

A qualitative research is normally a broad idea that could be derived from research issues, methods employed, analysis strategies and the scientific justification of procedure used to generate the result (Heyink and Tymstra, 1993: 292). It generally refers to qualitative meaning of the data by recognising the social constructivist nature of the research, as it mainly constructs the study through the perceptions of the others. In other words, it treats individuals’ perceptions and explanations as crucial information to validate the whole study, which is the major strength of this method. It offers a rich, in-depth descriptive of perception, behaviour, attitude, motivation, belief and many other traits. Quantitative survey research design was used for this study. This research involved a bank to bank survey of selected sample which represented the population of staffs of commercial banks in Abuja, Nigeria. Hence, it focuses on impact of corporate governance on organizational performance of commercial banks in Nigeria.

This is the process of gathering data through direct notice and close watch. As a technique for gathering data, it is reputed for being the most difficult and most unreliable (Anikpo, 1986). The data collected for the research representing corporate governance mechanisms and performance measures is analysed with statistical methods. Charts and tables are initially used to display data gathered. The data is further analysed using descriptive statistics which describes the mode, median and standard deviation.

The hypotheses are tested using inferential statistics which include the regression tests and the test of correlation. Factor analysis which is estimated with the KMO and Bartlett’s test was done to explain
the impact of corporate governance on bank performance while the test of correlation measures the degree of association of the corporate governance mechanisms with the performance measures. STATA statistics package special edition 21 was used for the analysis of this study.

4. RESULTS AND DISCUSSION

4.1 Characteristics of the sample

The demographic data of the respondents were collected to provide a background of the respondents used for the study. Basic demographic data such as gender, age, ethnicity, region, highest educational level attained, monthly income and occupation were collected from all the respondents. Moreover, the shopping characteristics of respondents’ like frequency of buying products online, hours spent on social media sites per day, amount spent on purchases and type of products frequently purchased on sites advertised on social media were also collected. Table 4.1 presents the summary of respondents’ profile.

Table 4.1: Summary of Respondents Demographic Data

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Classification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>367</td>
<td>52.1%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>338</td>
<td>47.9%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>705</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td>20-24</td>
<td>75</td>
<td>10.6%</td>
</tr>
<tr>
<td></td>
<td>25-29</td>
<td>128</td>
<td>18.2%</td>
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<tr>
<td></td>
<td>29-34</td>
<td>176</td>
<td>25.0%</td>
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<tr>
<td></td>
<td>33-39</td>
<td>222</td>
<td>31.5%</td>
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<tr>
<td></td>
<td>40 &amp; above</td>
<td>104</td>
<td>14.8%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>705</td>
<td>100%</td>
</tr>
<tr>
<td>Education</td>
<td>Secondary</td>
<td>1</td>
<td>.1%</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>295</td>
<td>41.8%</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>262</td>
<td>31.2%</td>
</tr>
<tr>
<td></td>
<td>Masters &amp; above</td>
<td>147</td>
<td>20.9%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>705</td>
<td>100%</td>
</tr>
<tr>
<td>Position</td>
<td>Branch manager</td>
<td>11</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td>Board members</td>
<td>12</td>
<td>1.7%</td>
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<tr>
<td></td>
<td>Financial analyst</td>
<td>218</td>
<td>30.9%</td>
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<tr>
<td></td>
<td>Bank tellers</td>
<td>416</td>
<td>59.0%</td>
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<tr>
<td></td>
<td>Internal Auditor</td>
<td>48</td>
<td>6.8%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>705</td>
<td>100%</td>
</tr>
<tr>
<td>Experience</td>
<td>Less than 5 years</td>
<td>379</td>
<td>53.8%</td>
</tr>
<tr>
<td></td>
<td>5-10 years</td>
<td>199</td>
<td>28.2%</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>113</td>
<td>16.0%</td>
</tr>
<tr>
<td></td>
<td>16-20 years</td>
<td>11</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td>More than 20 years</td>
<td>3</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>705</td>
<td>100%</td>
</tr>
</tbody>
</table>

Field Survey 2016

Table 4.1 showed that 367 males, representing 52.1% and 338 females, representing 47.9% participated in the study. In terms of age, the respondents range between 20 and above years of age. Most of the respondents are between 20-24 years old 75 (10.6%), followed by those who are between 25-29 years old 128(18.2%). Respondents who are between 30-34 years old represent 176(25.0%)
while those between 35-39 years represent 222(31.5%). 401(14.8%) were made up of those between 40 and above years.
In terms of the highest educational level attained, about 1% are O’level holders, 41.8% are diploma holders, 31.3% were first degree holders), 20.9% were masters holder and above.
The positions of the respondents were also represented. Out of those surveyed, 1.6% of them are branch managers, 1.7% are board members, while 30.9% are financial analyst, 50.0% are bank tellers and 6.8% are internal auditor.
Besides, the results showed the experience of the respondents. Less that 5years of experience are 53.8%, 5-10 years is 28.2%, 11-15years are 16.0%, 16-20 years are 1.6% while above 20 years is 4%.

4.2 Analyses
4.2.1 Factor Analysis
Factor analysis is very good to construct and test a questionnaire as it measures any quantity of traits. So it will always find a factor solution to any set of variable. Hence, the reliability of factor analysis is also dependent on sample size. Therefore, Factor analysis is any of several methods for reducing correlation data to a smaller number of dimensions or factors; beginning with a correlation matrix, a small number of components or factors that are regarded as the basic variables that account for the interrelations Observed in the data are extracted. Factor analysis is a compilation of methods that is used to inspect how essential constructs manipulate or influence the reaction.
The two major statistical measurements that have been used to test the factor ability of a data is the Kaiser Meyer Olkin (KMO) and the Bartlett’s test of sphericity measure of sampling adequacy. This has been used in the SPSS as part of the analysis carried in relation to this research. This two statistical measurements have an acceptable value according to the researchers (Tabachnick and Fidell, 2001), which is a measure greater than 0.5.
Hence, for this study to be said reliable, the KMO of the constructs must be above 0.5 to be significant which is regarded as highly reliable in relation to the section been analyzed.

<table>
<thead>
<tr>
<th>KMO and Bartlett's Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 4.4</td>
</tr>
</tbody>
</table>

Kaiser-Meyer-Olkin Measure of Sampling Adequacy. .925
Bartlett's Test of Sphericity

|Approx. Chi-Square| 16213.864 |
|Df               | 21        |
|Sig.             | .000      |

The above displayed table shows the KMO result of the factor analysis. The KMO (KAISER MAYER OLKIN) statistical table measure sampling adequacy and Bartlett’s test of sphericity. The KMO statistic varies between 0 and 1. A value of 0 indicates that the sum of partial correlation is large relative to the sum of correlation, indicating diffusion in the pattern of correlation (hence, factor analysis is likely to be in appropriate). A very close to 1 indicates that patterns of correlations are relatively compact so factor analysis should yield distinct and reliable factor. Kaiser (1974) recommends accepting values greater than 0.5 as acceptable. (values below this will require either the collection of more data or a rethink on the variable to include). However, values between 0.5 and 0.7 are mediocre, between 0.7 and 0.8 are good, 0.8 and 0.9 are great and values of 0.9 and above are superb (See Hutcheson and Sofroniou 1999, p. 224-225).
For this study, the overall KMO was .925; the communalities further explained the viability in the preceding result. This listed result is above 0.5 which is not only acceptable but also recommendable for further research analysis that factor analysis is appropriate for this kind of study and it instrument used.
The Bartlett analyses test the null hypothesis that the original correlation matrix is an identity matrix. Here, the correlation coefficient would be zero for the test to be significant. For this study, we have the Bartlett’s test of Sphericity (sig) as .000 which shows that the Bartlett’s test is highly significant. (p < 0.0001).
The communalities show the output for before and after extraction. The principal component works on the initial assumption that all variance are common. Therefore before extraction, the communalities are all 1. However, after extraction in communalities all the result differs from another, in some cases, some items are discarded due to result below expected value or result causing singularity. And some information is los. Hence for the variables above, all can be explained by the factors and were retained. This means that they can be explained by the factor analysis.

Total Variance Explained
Table 4.6

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>6.864</td>
<td>98.053</td>
</tr>
<tr>
<td>2</td>
<td>.061</td>
<td>.868</td>
</tr>
<tr>
<td>3</td>
<td>.037</td>
<td>.523</td>
</tr>
<tr>
<td>4</td>
<td>.015</td>
<td>.211</td>
</tr>
<tr>
<td>5</td>
<td>.013</td>
<td>.181</td>
</tr>
<tr>
<td>6</td>
<td>.007</td>
<td>.099</td>
</tr>
<tr>
<td>7</td>
<td>.005</td>
<td>.065</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

The total variance explained table display the eigenvalues associated with the linear component (factor), before extraction, after extraction and before rotation. This table shows you the actual factors that were extracted. The “Rotation Sums of Squared Loadings,” shows only those factors that met the cut-off criterion (extraction method). In this case, there we have our % of variance as 98.053 with eigenvalues which met the cut-off. The “% of variance” column tells you how much of the total variability (in all of the variables together) can be accounted for by each of these summary scales or factors. Hence, the factor accounted for 98.053% of the variability.

Component Matrixa
Table 4.7

<table>
<thead>
<tr>
<th>Component</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Right_of_shareholder</td>
</tr>
<tr>
<td></td>
<td>Equitable_treatment_of_shareholders</td>
</tr>
<tr>
<td></td>
<td>The_role_of_stakeholders</td>
</tr>
<tr>
<td></td>
<td>Disclosure_and_transparency</td>
</tr>
<tr>
<td></td>
<td>The_responsibility_of_board_directors</td>
</tr>
<tr>
<td></td>
<td>Factors</td>
</tr>
<tr>
<td></td>
<td>Organizational_Performance</td>
</tr>
<tr>
<td>993</td>
<td>.988</td>
</tr>
<tr>
<td>.985</td>
<td>.994</td>
</tr>
<tr>
<td>.996</td>
<td>.993</td>
</tr>
<tr>
<td>.983</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
This output shows the correlation matrix before rotation. It contains the loading of each item into the variable. Note, it was suggested that all loading less than 0.4 should be suppressed in the output and so since all loading are greater than 0.4, there will be no need for suppression.

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Sree spot is a graphical representation of the factor analysis, linking a point to another with an irregular line for identification and interpretation purpose. In most cases, Sree spot are not usually necessarily explained even if it is displayed as part of the analysis. For this analysis, the sree spot would be displayed but would not be considered for decision rule because almost all begin to drop after one factor before a stable plateau is reached which will make us only justifying some factors. Hence, we display for graphical purpose but it is safe if we assume Kaiser Criterion for appropriate result to avoid confusion.

5. CONCLUSION
Corporate governance is a pertinent contemporary issue because of the prominence of corporate scandals mostly arising from creative accounting, and other financial misappropriations. The companies listed on the Nigerian Stock Exchange are guided by the Securities and Exchange Commission Code of Corporate Governance developed in October 2003. The corporate governance mechanisms complied with by companies is specified in this code of best practices. In order to curb agency cost which could be monetary and non-monetary and increase firm performance, corporate governance indices are identified. The effect of these corporate governance mechanisms on commercial bank’s structure, size and performance is observed. The responsibility of board directors is found to be .9 which is in concordance with what is expected to measure the performance of corporate governance. The audit committee also results in an impact on performance based on return on equity and profit margin.
In attaining deeper insight into the relationship between corporate governance and commercial banks performance and also into the research findings, the study makes some propositions to that effect. Importantly, sectors specific effects should be taken into consideration before formulating codes of corporate governance that determine the right of a shareholder, disclosure and transparency of the firm, characteristics of the audit committee or the board structure as well as factors that influence the firms performance. The Securities and Exchange Commission should take into cognizance this condition in formulating a code of corporate governance.
In addition, the Corporate Governance Committee of companies should endeavor to do a regular appraisal of their corporate governance compliance status as it affects performance. This is because the study is able to identify that corporate governance has an impact on sector’s performance.
Conclusively, diminishing profits should be investigated because it is apparent that there are scenarios where profits keep reducing till they eventually turn to losses. The performance indicators used in the study, measure below 10% on the average which indicates poor performance and increasing agency costs.

REFERENCE


Nikomborirak, D (2001): An Assessment of The Role of Board of Directors in Building Good Corporate Governance: The Case of Thailand. The Third Asian Round Table on Corporate Governance, Thailand Development Research Institute, Bangkok. April, 7.


