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EFFECT OF CORPORATE GOVERNANCE STRUCTURE ON PERFORMANCE OF DOMESTIC MONEY BANKS IN NIGERIA

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ABSTRACT

This paper examines the influence of corporate governance structure on performance of money deposit banks in Nigeria. Both primary and secondary data were employed and the population consists of 20 money deposit banks, registered by Nigerian Stock exchange as at 31 January 2002. The instruments were validated using cobalt-alpha test. The study concluded that the board composition has no significant effect on performance of banks also higher board size would significantly reduce finance decision of the banks which could affect the overall profit on the long run. This study recommends that board members should adhere strictly to commercial banks prudent guidelines, also the number of individual board members should be reduced.

Keywords: Corporate Governance, Firm Performance, Money deposit bank.

1.0 INTRODUCTION

Nigerian deposit money banks are very crucial to economic growth of the nation for the services they provide such as Financial Meditation between savers and investors, credit creation and encouragement of capital accumulation. Essentially, because a bank is funded primarily by depositors, it has an obligation to ensure that the risk which depositors' funds are exposed to is minimized through an effective and efficient performance (Akintoye,2010). Thus, performance of the banking industry plays a

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significant role in determining Financial stability of the country (Bhagat & Bolton, 2007; Salazar et al., 2012)

Due to its role as intermediary, performance of commercial banks in Nigeria attracts considerable attention from banks regulators and monetary authorities because of the adverse implications that bank regulators is primarily based on poor financial decision of the banks whose overall performance could lead to erosion of customers' confidence and unhealthy competition (Asaolu,2005). Prior to the current financial structure in Nigeria, there is lingering distress in the banking industry; the supervisory structures are inadequate, these are cases of official recklessness amongst the managers and the industry is notorious for gross ethical abuses and poor financial decisions (Dino & Tormar, 2010).

Most especially, poor corporate governance is identified as the major factor responsible for all known instances of bank distress in the country. Poor corporate governance can weaken banks potential and can pave way for financial difficulties (Uwuigbe and Egbide, 2012). Hence, it is therefore pertinent to examine the challenges facing the banking sector following corporate financial scandals, poor corporate governance, ineffective financial decisions and performance of commercial banks in Nigeria.

It is clear that the development of corporate governance in banking requires that understands how regulation affects the principal's delegation of decision making authority and what affect this as on the behavior of their delegated agents. (Coleman and Nickolas-Biekpe, 2006).They further suggests that the regulation has at least four effects on the principle regulation of decision making: the existence of regulation implies the existence of an external force, independence of the market, which affects both the owner and the manager; if the market, which banking firms act is regulated, one can argue that the regulation aimed at the market implicitly create an external governance forces on the firm; the existence of both the regulator and regulations implies that the market forces will discipline both managers and owners in a different way than that in unregulated firms; in order to prevent systemic risk , such as lender of last resort, the current banking regulation means that a second and external party is sharing the bank's risk (Mayes,Halme & Aarno 2001).

From the above, the external forces affecting corporate governance in banks include not only distinctive market forces but also regulation. Better corporate governance is supposed to lead to better corporate performance by preventing the expropriation of controlling shareholders and ensuring better decision-making. In expectation of such an improvement, the firm's value may respond instantaneously to news indicating

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better corporate governance. However, quantitative and firms performance is relatively scanty (Imam, 2006).

Black et al. (2003) provide empirical evidence that there is a positive correlation between corporate governance and performance of selected bank, but they have no explanation about the casual relationship. Mayes et al. (2001) obtained both negative and positive results for different corporate governance variables and Bank performance in Taiwan. Dorbetz, et al. (2003) explored the relationship between firm-level corporate governance and firm's performance. They suggest that good corporate governance leads to higher firm valuation (Performance), hence, investor are willing to pay a premium, and bad corporate governance is punished in terms of Valuation Discounts. Nigerian Banks are faced with countless of problems despite the mandatory action of banks consolidation pronounced by CBN in 2005 so as to make banks more effective and strengthen their performance. However, several banks collapses resulting from weak systems of corporate governance and internal control system have highlighted the need to improve and reform corporate governance at an international level. (Coleman, et al 2006)

Reported high profile accounting scandals involving most Nigerian deposit money banks at the turn of the century, have been a source of serious concerns about corporate governance structure in general and attentions have been directed on firm's performance. A good number of Nigerian deposit money banks have collapsed both nationally and internationally over time as a result of lack of good corporate governance structure (McRitchie, 2001).

In the last two decades, most developing countries includes Nigerian deposit money banks have recorded failures occasioned by corporate governance structure issues. (Binno & Tormar, 2010). Such Nigerian banks are, Savannah Bank, Societe Generale Bank of Nigeria, Peak Merchant Bank, Oceanic Bank, Intercontinental Bank, Union Bank, Afribank, Finbank, ETB, Springbank) also investors lost huge amount of money as a result of weak corporate governance structures shown by their long term insolvency and illiquidity. For instance, some of the banks that have failed due to weak oversight of the board, financial mismanagement and established cases of board complicity are Intercontinental bank, Oceanic bank, Fin bank and Bank PHB (Kajola, 2008). But to what extent does the influence of weak corporate governance structures have on firms performance in Nigerian deposit banks ?

The current financial crisis in the banking sector of Nigerian economy which has been credited to the abuse of corporate governance structure is identified as one of the major factors responsible for the failure of many banks in Nigeria. Ajala , Amuda and Arubogun (2012) pointed out that banks play three crucial roles to the development of any nation. Corporate governance structure involves the controls and procedures that exist to ensure management acts in the best interest of shareholders. However, in the lights of recent financial crisis around the world especially in Nigeria, there is unprecedented attention paid to corporate governance principles and standards by academics, government institutions and corporate structure. Securities and Exchange Commission (SEC), code of corporate governance, 2008 was aimed at strengthening the corporate governance structures of all public listed companies. It serves as a minimum standard to guide companies in building best practices of corporate governance structures (Imam ,2006)

Research question of this paper focus on**,** to what extent does the relationship exist between corporate governance structure and firm's performance in Nigerian deposit money banks? While the Objective of the Study is to assess the relationship exist between corporate governance structure and firm's performance in Nigerian deposit money banks. `Also**,** Research Hypothesis base on null hypothesis.

Hypothesis 1: There is no significance relationship exist between corporate governance structure and firm's performance in Nigerian deposit money banks.

This study would be of help to depiction bank regulators, investors, academics and other relevant shareholders to understanding the degree to which the banks that are investing on their corporate governance structure have been compliant with different sections of the codes of best practice and where they are experiencing difficulties. Boards of directors will find the information of value of profitability ratio that provides how much profit a company is able to generate from its total assets. This study would be of benefit as resource base to other researchers interested in carrying out further research to provide new explanation to the topic beyond

2.0 THEORETICAL FRAMEWORK AND REVIEW OF RELATED LITERATURE

Conceptual issues

Concept of Corporate Governance

According to Demstz (2016), defines corporate governance as a system that ensures that directors and managers of enterprise execute their function within a framework of accountability and transparency. This will promote investors' confidence in the business enterprise and when such enterprise is a bank, will boost public confidence, which is a core ingredient that gives flavour to the business of banking. The recent banking sector consolidation has made the issue of corporate governance imperative

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in order to guarantee investors' confidence in the sector, further suggested by Demstz, (2016).

Mayes, Halme and Hamon(2001), defines corporate governance could also be defined as the process structure through which the board of directors oversees what the executives do. Both the board and management have key roles to play to ensure the institution of corporate governance. Governance and management should be mutually re-enforcing in bringing about the best corporate governance performance. Transparency and disclosure of information are key attributes of good corporate governance, which banks must cultivate with new zeal so as to provide stakeholders with necessary information to judge whether their interest is being taken care of.

Corporate governance looks at the institution and policy framework for corporations- from their very beginning in entrepreneurship, through their governance structure, company law, privatization, to market exit and insolvency. Imam (2006) opines that good corporate governance, therefore, is the set of rules and practices that govern the relationship between managers and stakeholders of corporations as well as other stakeholders like employees, creditor, tax authorities, trade union and other public authorities. In other words, good corporate governance is all about proper conduct of the affairs of business.

According to Salarozar, Solo and Mosoquede,(2012), suggested that the objective of corporate governance is to achieve business excellence and enhance shareholder value, while not neglecting the need to balance the interest of all stakeholders. Though the board has the primary responsibility, best result are achieved through collaborative governance- involving all interested parties. Imam,, (2006) opines that good corporate governance emphasizes the need of transparency, full disclosure, fairness to all stakeholders and effective monitoring of the state of corporate affairs.

Concept of Corporate Governance structure and Banks

Corporate governance structure is a crucial issue for the management of banks, which can be observed from two dimensions. One is the transparency and control in the corporate function, thus protecting the investors' interest (reference to agency problem), while the other is concerned with having a complete risk management system in place like banks, (Uwuigbe & Egbide 2012) 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:

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Board size

The two most important functions of the board of directors are those of advising and monitoring (Kajola, 2005; and Akintoye, 2010). Therefore, the board of directors has been considered a vital corporate governance mechanism for aligning the interests between managers and all stakeholders in a firm (Amaratunga, & Baldry, 2003). Muhammed , (2013) classified two main roles of the board: it should control the operations of the firm and the activities of the CEO; and it should enhance the image of the firm and sustain a good relationship between the stakeholders and firm management to encourage the organisation culture. This shows that these board functions could develop the performance of a firm. Small board size was favored to promote critical, genuine and intellectual deliberation and involvement among members, which presumably might lead to effective corporate decision-making, monitoring and improved performance (Akinsulire, 2006).

Board composition

The board of directors plays an important role in corporate governance practices because it is responsible for planning and monitoring a company's objectives (Bhagat & Bolton, 2007; Imam, 2006). Thus, an effective board director with an appropriate composition of directors is important in order to help the board accomplish its aim and ensure the success of the company (Nauyen et al., 2017). The composition of the board has a direct effect on the company's activities (Kajola, 2005). Generally, the composition of the board refers to the proportion of inside and outside directors serving on the board. Boards of directors include both executive and non-executive directors. Executive directors refer to dependent directors, while non-executive directors refer to independent directors (Bino & Tormar, 2010).

Bino and Jormar (2010) indicates that the presence of most non-executives should be effective in enhancing board independence and firm performance. The Code of Best Practice recommended that the board of directors include non-executive directors of sufficient number and caliber in order to give non-executive directors an important influence on the board's decisions. In this regard, best practice recommendations on corporate governance require boards to be composed of a majority of non-executive directors (ASX Corporate Governance Council, 2003). In the UAE, the board of directors should consider an appropriate balance between executive and non-executive and independent board members, provided that at least one-third of members are independent members and that a majority of members are non-executive members (UAE Code of Corporate Governance, 2009).

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Non-executive directors are outside directors who offer checks and balances to protect the interests of shareholders, and inside directors, who participate directly in the day-to-day management of the firm (Uwigbe. & Egbide 2012). Ajala ,Amuda & Arulogun (2010) argue that a higher proportion of independent non-executive directors increases board effectiveness in monitoring managerial opportunism and, consequently, increases voluntary disclosures. In a similar vein, Imam (2006) argues that the inclusion of non-executive directors on corporate boards enhances the quality of financial disclosure and reduces the benefits of withholding information. Asaolu (2005) identify the following major functions that non-executive directors should fulfill: preventing the undue exercise of power by executive directors, safeguarding shareholders' interests in board decision-making, contributing to strategic decision-making and ensuring competitive performance.

Audit committee

The separation of corporate ownership and control results in agency conflict problems that require the effective functioning of audit committees as governance mechanisms to solve. The audit committee is seen as an effective subcommittee of a board of directors, which is important in good corporate governance. Kajola, (2005) argue that independent audit committee could enhance the quality and credibility of financial reporting. Cohen and Hanno (2000) emphasis the significance of audit committee independence to appraise management actions regarding risk assessment. In addition, independent directors do not have personal or economic interests in the company in their role of overseeing and monitoring the company's executive management as professional referees (Bhagat & Bolton, 2007).

Theoretical Framework

Several economic and accounting theories have been proposed to run an effective system in an organization; therefore, corporate governance is generally classified under different theories. However, three models of corporate governances were identified in the literature analysis as theories. The models are agency theory steward-ship theory and the market theory model (Akintoye 2010).

The agency theory states that in the presence of information asymmetry, the agent is likely to pursue interests that may be detrimental to the principal (Dorbetz & Zimmermann,2003). The reason for this is because the pay-off structure of the claims of different classes of stakeholders (including board of directors) is fundamentally different. The process of aligning these interest and claims gives rise to potential conflicts among the stakeholders. Left alone, each class of stakeholder will pursue its own interest which may be at the expense of other stakeholders and hence the need for a moderating instrument-corporate governance in a modern firm (Mayes,Halme & Hamon ,2005).

The stewardship theory: This upholds that, because people can be trusted to act in the public good in general and in the interest of their shareholders in particular, it makes sense to create management and authority structures, because they provide unified command and facilitate autonomous decision making, enable companies to act (and react) quickly and decisively to market opportunities. This approach leads, for instance, to the combination of the roles of chairman and CEO, and for audit committees to be either non-existent or lightweight. Resistance to the modern corporate governance movement to a day tends to be based on this theory, (Asaolu, 2005).

The market theory: This theory upholds that is does not really matter whether managers see themselves as steward or agents, because shareholders will simply sell in the market the stocks and shares of those companies whose directors are not generating adequate returns for their investment. To the extent that this theory was genuinely held, it was fatally undermined by the corporate scandals at the turn of the century: shareholders in Enron (including many of its employees) were unable to sell their shares (many of which were held in pension plans) once it became clear that the company's governance was wholly inadequate.(Ajala, et al ,2012).

Review of Related Empirical studies

Amaratunga & Baldry (2003) studied the impact of corporate governance on the performance of the banks in Nigeria. The study made use of secondary data obtained from the financial reports of nine (9) banks for a period of ten (10) years (2001-2010). Data were analyzed using multiple regression analysis. The study supported the hypothesis that corporate governance positively affects performance of banks.

Mayes, et al. (2011) examined the relationship between board independence and firm financial performance, using data of varying sample size (ranging from 89 firms for regression to 205 firm for descriptive analysis) obtained from the Nigerians Stock Exchange for the period 1996 through 2004. The key results were that share ownership was highly concentrated in Nigeria, and this structure tended to engender board structures with close family affiliations in which the chief executive officers (CEOs) were active members of audit committees. They thus suggested the need for the Nigerian firms to adopt better corporate governance mechanism in order to make the boards of directors more independent, avoid unnecessary intervention of CEOs in important committees, and in that way aid financial performance.

Kajola (2008) examined the relationship between four corporate governance mechanism (board size, board composition, chief executive status and audit committee) and two firm performance measure (return on equity ROE, and profit margin, PM), of a sample of twenty Nigerian listed firms between 2000 and 2006 using panel methodology and OLS as a method of estimation, the result provide evidence of a positive significant relationship between ROE and board size as well as chief executive status. However, the results could not provide a significant relationship between the two performance measures and board composition and audit committee. He thus recommended that the board size should be limited to a sizeable limit and that the post of the chief executive and the board chair should be occupied by different person.

A research work carried out by Nguyen et al. (1998) find that size of board and performance have significant positive relationship. Also, a study done by Mayes, Halme and Aarn (2001) on dataset of 93 Nigerian Listed firms shows that board size and profitability (return on equity) have positive relationship. Moreover, Imam (2006) research work in India on manufacturing firm shows that size of board and financial performance have significant positive relationship. However, Kajola (2005) finds that there is a negative relationship between board size and firm performance (Tobin's Q) on dataset of 452 top level US public firms. Also, Eisenberg et al. (1998) research work on 879 small and middle level firms find an adverse relationship between board size and return on asset (ROA).

Board independence and Firm Performance

Akintoye (2010) reports that non-executive directors and performance (ROA and ROE) have positive relationship among 950 Italian companies. Bino and Tormar (2010) purport that a high percentage of outside director's increased board independence, and their results also show that board independence positively performance. Also, Muhammed (2013) review that ROE, Tobin's q and ROA (performance measures) and non-executive directors have significant positive relationship. These positive relationships show that outside directors can effectively monitor the activities of managers and this agrees the opinion of resource dependency and agency theories. However, per the works carried out by Black, Jang and Kim (2003), a negative relationship is found between performance and independent directors.

3.0 MATERIAL AND METHOD

The study was carried out in Lagos and Abuja, Nigeria. The study areas chosen because of its precedence, geographical location and most of the banks have their headquarters situated in the study areas. Both primary and secondary data were used. The primary data involves a structured questionnaire, which was distributed among the top officials of the sample banks. This is due to the framework of corporate governance and Financial Decisions which rested on the administrative structure of the banks. The instrument was validated using cronbach-alpha test. Statement Bulletins Annual Account of 20 Nigerian deposit money banks that operated during 2004-2019 period constitute that sampling frame.

The 2SLS model was used to evaluate the effect of corporate governance structure such as board composition, board size and ownership structure on performance measure (for example, Profit) is based on the theoretical argument in the literature for endogeneity of governance variables such as owner ship structure as regresses on firm performance model (Black et al. 2003; Bhagat and Bolton, 2007). If the corporate governance variables are not exogenous, then their estimated co-efficient are not consistent and inferences about the direction of causality of the variables are not clear. The exogeneity of governance variables, in particular, board structure could be in question, as others (Demsetz, 2016) have shown that such variable and firm performance can be determined.

Model Specification

The model used was the 2SLS to measure the effect of corporate governance on performance and the Hausman test to test for endogeneity. Implicitly, the 2SLS model could be expressed as:

$$Y_i=\alpha + \beta p_i + yX_i + \mathcal{E}_i \text{ ---(1)}$$

Where Y_i is an effect outcome variable and in this study represents the performance measure for banks return on capital employed (ROCE) in a sample size **n** and **β** is the vector of observable control covariates. $\mathbf{P_i}$ is the vector of parameters to be estimated, **y** represents the instrumented variables while the **X** represents the corresponding instrument to be estimated. Specifically, the dependent variable for the study is firm's performance of the sample banks while the independent variables are broad size, banks size's board composition, CEO duality and audit committee.

$$\textbf{ROCE} = \boldsymbol{f(BS, BC, BZ, CEOD, AD, \varepsilon)}\text{--------------------------------------(2)}$$

$$ROCEt = \beta 0 + \Sigma n\ \beta 1BSt + \beta 2BCt + \beta 3BZ\ t + \beta 4CEODt + \beta 5AC\ t + \varepsilon \text{ ----------(3)}$$

Board size is measured as the total number of directors serving in a bank's board, banks size measured by the of banks involved, board composition is the ratio of outside directors to the total number of directors (i.e. number of outside directors divided by total numbers of directors). CEO duality exists if the CEO is also the chairman of the board of directors in a company and it is measured as dummy (1, if yes, 0 otherwise. The choice of instrumental variable is critical to the consistent estimation of the objectives of the study.

The choice of instrumental variables was motivated by the extant of literature; additionally, all the analyses involving instrumental variables included test for weak instruments as suggested by Dwivedi (2005), and the Hausman (1978) test for endogeneity. Specifically, variables such as CEO tenure and CEO age were considered as instruments in the estimation process. CEO tenure refers to the number of years the CEO has been CEO while the CEO age refers to the median director's age

Table 1 Descriptive statistics

Author's Computation, 2020. (*Using E-view 9)*

Variables	Obs.	Mean	SD	Min	Max
Board Size	55	7.96	2.32	4.00	12.00
Audit committee	55	0.1293	0.0996	0.00	0.40
Board Composition	55	0.5896	0.2613	0.125	0.875
CEOD	55	43.909	17.766	6.00	80.00
Bank Size	55	$7.48e+07$	7.57e+07	1.314378	$29.8e+08$
ROCE	55	-1.8518	11.1926	-80.692	0.524

Table 1 shows the descriptive statistics of the dependent and explanatory variables for the study. From Table 1, it is indicated that board size is fairly isolated with a minimum of four (4) and a maximum of twelve (12) board members. On the average, the size of boards of Nigerian deposit money banks in is approximately eight (8) indicating the significance such firms place on corporate governance. Also, result shows that in Nigerian deposit money banks, majority of directors (59 percent) on

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board composition of selected firms which is similar with 58 percent reported by Klein (1998) in the US. Regarding audit committee, an average of 12.9 percent are more focus and more effectives on boards of selected firms in Nigeria. The results reveal that the maximum representation of such proportion on selected firms' boards is four (4) while on the average, the audit committee of Nigerian deposit money banks in is approximately thirteen (13) indicating the significance such firms place on corporate governance firms.

Also, CEOD at a minimum of 6 and a maximum of 80, the average selected firms has existed for over 43 years, implying that sample firms are relatively stable. With a minimum bank size of 1.3 million Nigeria Currency and a maximum of 29.8 billion Nigeria Currency, the average bank size is however 7.5 billion Nigeria Currency. In terms of ROCE, the results show that there is a huge gap in terms of profitability among the manufacturing listed firms during the years under review. This could be the extraordinarily large losses incurred by firms in a particular fiscal period. The result also indicates that as some of the firms are doing extremely well with higher return on equity at 52percent, others are making abnormal losses at -80.7 percent

Table 2. Pearson's Correlation for the dependents and independent Variables for the Study

Variables	1	2	3	4	5	6	7
ROCE	1.0000						
ROE	0.292	1.0000					
CEOD	0.3055	0.1400	1.0000				
Bank Size	-0.1462	-0.2866	-0.1733	1.0000			
Audit Committee	0.2606	0.0853	0.4749	0.0293	1.0000		
Board Composition	0.1498	-0.1586	-0.3340	0.1458	-0.3723	1.0000	
Bank Size	-0.382	-0.2336	0.2456	0.6849	0.105	0.3180	1.0000

Author's Computation, 2020. (*Using E-view 9)*

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4.2 Multicollinearity Test

The study uses Pearson correlation matrix to test the probable degree of collinearity among the variables. Show the results of correlation among the variables may affect the efficacy of the estimated coefficients. Depicts that the predicting variables represented by board size and board composition are negatively correlated with CEOD though the correlation is weak. Similarly, audit committee and bank size have a positively weak correlation with CEOD. Generally, the correlation coefficients are not significantly large to cause multicollinearity problems in the regressions. Again, referring to

Table :3 Vector inflation factor (VIF)

Variables	VIF	1/VIF	ROCE	VIF	1/VIF
Bank Size	2.12	0.13	Bank Size	1.51	0.22
CEOD	1.75	0.14	CEOD	1.95	0.25
Board Composition	1.49	0.24	Board Composition	1.93	0.34
Board Size	2.54	0.39	Board Size	1.99	0.50
Audit committee	1.30	0.77	Audit committee	1.26	0.79
Mean VIF	1.84		Mean VIF	1.73	

Computation, 2020. (*Using E-view 9)*

Vector inflation factor (VIF) to test the probable degree of co linearity among the variables. Given the outcome of the correlation analysis above, the study further checked if the estimates of the regression model can be uniquely computed because as the degree of multi co-linearity increases, the coefficients of the regression model become unstable and the standard errors for the coefficients can be inflated. Numerous authors emphasized that a VIF that is below 3 and a tolerance value that is less than 1 indicate no harmful effect of multi co-linearity. Judging from the result, the average VIF values are 4.52 (for models without moderating variable) and 2.93 (models with moderating variable) which are far less than 3. Specifically, BO, CEOD, BC BZ and AC have VIF values of 2.12., 1.75 1.40 ,2.54 and 1.30 respectively (in panel A) while BO,, CEOD,, BC,BZ and AC have VIF values of 1.15,1.95,1.93,1.99 and 1.26 respectively (in Panel B). Also, the corresponding reciprocal of tolerance is less than 1. This indicate that the variables under consideration are not a perfect linear relationship between the variable that is capable of causing multi co-linearity.

Table 4. GLS Panel regression model results (ROCE)

Variable	Co-efficient	Standard Error	Prob.
Board Size	-0.127803	0.648262	0.844
Audit committee	0.966228	0.298958	0.001
Board Composition	1.032930	0.377556	0.006
CEOD	1.132340	0.999124	0.257
Bank Size	-0.002744	0.195874	0.989
Constant	-3.276187	2.076702	0.115
Number of Observation	55		
Wald chi^2	24.86		
Prob. (Chi^2)	0.0001		

Author's Computation, 2020. (*Using E-view 9)*

Source: Author's Computation, underlying data from2004-2019 annual reports of firms listed on NSE. BO = Board size, AC = Audit committee, BC = Board composition, CEOD = CEO duality, BS = bank size; Source: Author's Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

4.3 Regression Results

Table 4 shows the regression results for the model From Table 4, our results show that board independence and return on equity (ROCE) have positive significant relationship at 1 percent significance level. Thus, the existence of outside directors in terms of their strict supervision, advice, expertise in financial, legal and other areas and their external influences positively affects the organizational performance of selected deposit money bank listed firms in Nigeria. This means that as the number of non-executive director's increases, of selected firms tend to perform better. The result agrees with the opinions of the advocates of both resource dependency and agency theories that postulate that board composition and performance of firms have a positive causal relationship.

Particularly, Dorhetz and Zimmemann (2003) assert that executive directors, by their virtue of status possess much information that are likely to collude with managers and make decisions against shareholders' interest or worth. They again propose that outside directors in neutral position, act as supervisors and this can help eliminate principal-agency problem as evident through the positive relationship in the result is also consistent with the findings of Black, Jang and Kim (2003) who asserts that board composition has significant positive relation with firm performance. The empirical results again show that audit committee has a positive significant relationship with ROCE at 1 percent significance level. Thus, as the proportion number of audit committee on board increases firms' ROCE tend to improve.

The empirical evidence supports the view that audit committee members on the board can massively increase the organization performance of firms. A plausible reason for this positive association is the assertion made by Ajala et al. (2010) who argue that audit committee on board provide better understanding of control indicators as compared to other factors. Hence, they can bring better images in the perception of the community for a firm and this can positively contribute to firms' performance. The positive relationship reaffirms the proposition of the resource dependency theorist who predict a positive causal relationship between corporate governance indicators and firm performance. Coleman et al. (2013) find similar results by using other firm's performance proxies.

Also, findings shows that there is no statistical relationship between board size and ROCE. This contradicts large extant literature that found either a positive relationship (Nguyen et al., 2017) or a negative relationship (Imam 2006 and Nguyen et al., 20017) between board size and organizational performance. Interestingly, the result shows that there is no statistical relationship between CEOD and bank size.

Robustness Check

To obtain a robust estimate, ROCE is used as the dependent variable. We find a positive significant relationship between board composition and ROCE at 1 percent significance level (see Table 5) which is robust to model 1 above. Although our result in model 1 above shows a positive significant relationship between CEOD and firm performance (measured by ROCE), it is not robust' We thus find no significant statistical relationship between gender and ROCE. Board size does not have any significant statistical relationship with firm performance (ROCE), thus robust to results in model 1 above. This implies that the size of the board does not matter, however, the constituent, or the characteristics of people in the board room is a matter of importance since board composition and audit committee seems to predict

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performance significantly. Contrary to results in model 1, CEOD and bank size respectively has positive and negative significant relationships with ROCE.

Discussion of Finding

The significance of corporate governance has been argued commonly among public listed firms without paying attention to specific industries. This paper emphasis on the importance of corporate governance in the deposit money banks in Nigeria. The result shows that board composition and audit committee have positive significant effect on the organizational performance of Nigerian deposit money bans listed firms. The resil generally suggest that the implementation of corporate governance principles has some imperative implications for deposit money banks in Nigeria firms. The study notes that board composition ensures better management practices through boards exerting much needed pressure, greater opportunities, stronger internal auditing, and strategic outlook through external directors. find under representation of audit committee on boards of selected firms at 12.9 percent and yet resulted in significant positive relationship with firm performance (ROCE).

Although the positive relationship between audit committee on board and firm performance was not statistically robust when ROCE is used as performance indicator. From the result, there is absolutely no evidence that an increased proportion of audit committee in the boardroom has a negative effect on firms' performance. Again, there no link between board size and organizational performance. This implies that the size of boards today does not really matter, however the caliber of people on the board is a matter of importance since board composition and audit committee had a significant influence on the organizational performance. The study also finds empirical evidence to support the view that bank size and CEOD can affect the performance of the firm significantly. Based on our empirical findings, we propose that firms should appoint audit committee board members in the Nigerian deposit money bank because the audit committee can make significant contribution to organizational's performance. Again, firms should ensure the appointment of outside directors on their boards as it contributes positively to firm's performance. The study is limited to Nigerian deposit money bank firms listed on the Nigeria Stock Exchange (NSE), hence findings of study cannot be generalized. We therefore suggest that future studies should consider both listed and non-limited

5.0 CONCLUSIONS AND RECOMMENDATIONS

The result shows that high board size would significantly reduce finance decision of the banks which could affect the overall performance on the long run. Hence, high board is not a good way to raise the performance of deposit money banks in Nigeria. The result provides evidence that larger board size tends to ensure that the

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management control of the banks is weak. Consequently, such weakness in control generates negative influence on the managers to effectively manage the conflict of interest and personal interest and thus, unable to ensure that the managers and bank administrators strive to work for the overall improvement of the banks.

It is against the background that these recommendations are made that, board members should adhere strictly to Nigerian deposit money banks prudent guidelines. Besides, Nigerian deposit money banks should reduce the number of individuals in their board if they desire to maintain or sustain a good level of performance as well as maintaining a good investment decision for the overall performance of deposit money banking institutions in Nigeria. Also, Portfolio Selection and Good Management (Stocks, bonds, treasury, bills, mutual funds, etc.) that maximizes the investor's utility should be put in place to maximized shareholder's potential wealth.

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