Internal Corporate Governance Impact on Return on Equity in Financial Institutions in Nigeria

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Abstract
The main focus of the study is to ascertain the impact of internal corporate governance on the performance of financial institutions in Nigeria. The study adopted the historical research method. All the listed money deposit banks and other financial institutions in Nigeria that are listed formed the population of the study while the sampling method used is the purposive sampling technique. The data used for the analysis were secondary having been collected from existing annual accounts and reports of the 16 listed banks and other financial institutions in Nigeria. The variables on which data were collected include Returns on Equity (dependent variable), and Board Size, Board Composition, Size of Audit committee, Attendance at Board Meeting, and Ownership Concentration (the independent variables) and the period covered is 2009-2018. The data was analysed using SPSS v. 20.0 where the main tools used were the correlation coefficient (r), coefficient of determination (R²), F-test statistic, and t-test statistic (used for the tests of hypotheses). All the tests of hypotheses have been carried out using 5% level of significance (otherwise called 95% confidence interval). The findings were the same for the five independent variables as none had significant impact Returns on Equity of financial institutions in Nigeria. The study recommended that financial institutions in Nigeria should do more than just paying lip service to the issue of board size, board composition, and audit committee size among others but to improve on the quality of such things that affect performance.

Keywords: Internal corporate governance, return on capital employed (roce), financial institutions, recapitalization, and nonperformance

1. Introduction
Internal corporate governance mechanism refers to internal controls put in place in an organization that play a vital role in ensuring the success of a business organization and preventing corporate fraud. Such internal control activities that ensure proper corporate governance include, monitoring by board, internal audits and robust policies, proper balance of power, performance-based remuneration, monitoring by large shareholders and other stakeholders. Corporate governance refers to how a corporation ensures it makes ethical decisions that reflect the needs of all parties involved, including employees, customers and shareholders whereas internal controls are the practical aspects of corporate governance that includes the policies and procedures that a firm uses to ensure compliance with its own moral code.

The goals of internal corporate governance controls typically include, safeguarding assets, minimizing errors, promoting efficiency and minimizing risk while a company may engage in such internal control activities broadly categorized under preventive and detective control mechanisms which include authorization, documentation, reconciliation, security and separation of duties. It is based on this background that this study tends to determine the effect of internal corporate governance on the performance of financial institutions in Nigeria. This is very necessary because a country’s economy depends on the safety and soundness of its financial institutions.

Lack of corporate governance codes in firms have been responsible for the collapse of many business organization through abuse of power; recklessness in handling of finances leading to financial misappropriation; inability to follow laid down internal control systems leading to lack of credible organizational leadership especially as it affects hiring of manpower; flouting of laid down policies that should act as a guide in achieving organizational goals. Issues relating to corporate governance range from bad governance, fraudulent activities, insider abuse, and corruption. All these attract the attention of shareholders and regulators in the banking industry. The financial crisis that erupted from the United States affected the financial institutions of both developed and developing countries, among which Nigerian banks belong. The global financial crisis of 2007-2009, which disrupted the financial sector, affected the Nigerian banking industry (Sanusi, 2012).

Following the conclusion of the consolidation programmes in the sector, a Code of Corporate Governance for Banks in Nigeria was issued in 2006 and a Code of Corporate Governance for Insurance was enacted in 2009. The Codes that addressed similar issues were designed to enhance corporate governance practices within the financial services
industry in view of the fact that governance mechanisms were notably weak. Also, board members of financial institutions were unaware of their statutory and fiduciary responsibilities, and merely endorsed all proposals of executive management regardless of their implications to the financial condition and going concern status of such institutions.

1.1. Statement of the Problem

Greater attention to corporate governance gained more prominence as a result of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activities by corporate officers. It became most pronounced in the United States especially after the collapse of two corporate giants—Enron representing the power sector and WorldCom representing the communication sector in 2001 and 2002 respectively. In addition, one of the world’s top five accounting firms—Arthur Andersen as auditors, collapsed under the Enron corporate scandal. The awareness of major corporate governance issues in Nigeria started with the discovery of overstatements in Cadbury Nigeria Plc. accounts in 2007.

A joint examination by the Central Bank of Nigeria and National Deposit Insurance Corporation in 2009 which revealed among others, poor corporate governance practices in the financial institutions led to the removal of 5 Chief Executive Officers of banks in Nigeria. The banking sector in Nigeria among other sectors has also witnessed several cases of collapses, some of which include the Alpha Merchant Bank Ltd, Savannah Bank Plc and Societe Generale Bank Ltd. There are series of widely publicized cases of accounting improprieties recorded in the Nigerian banking industry in 2009 such as in the case of Oceanic Bank, Intercontinental Bank, Union Bank, AfriBank, Fin Bank and Spring Bank.

According to Sanusi (2010) the banking crises in Nigeria, has been linked with corporate governance malpractice within the consolidated banks because boards ignored best 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. Also attributed to the lack of vigilance are oversight functions by the boards of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders (Uadiale, 2010).

Mehra (2005) identified window dressing (eye-service) as a problem by the directors who are aided by the auditors, coupled with the issue of negligence and misfeasance on the part of the auditors when auditing the financial statement of organizations which is attributable to the lack of independence of the auditors. One will wonder what was really wrong when a bank which has been declaring huge amount of profits and has been declaring dividends to shareholders is suddenly declared bankrupt (Mehra 2005). Hence good corporate governance is required to avoid widow-dressing of financial statements and to safeguard the independence of auditors.

The measure of performance used in the financial statements of financial institutions in the measurement of profitability includes return on assets (ROA), return on capital employed (ROCE), return on Equity (ROE) and Earning per share (EPS). These financial indicators depict various ways of indicating the healthiness of the financial institutions and are used to help investors to encourage, warn or discourage investors in determining the safety of their investment. This study focuses on the impact of internal corporate governance on the performance of the financial institutions, using return on investment (ROI) capital employed (ROCE) as a measure of performance which the gap that the study tends to fill.

1.2. Research Objectives

The main aim of this study is to ascertain the impact of internal corporate governance on the performance of financial institutions in Nigeria while the specific objectives are:

- To determine the impact of Board Size on the Returns on Equity of financial institutions in Nigeria.
- To ascertain the impact of Board Composition on the Returns on Equity of financial institutions in Nigeria.
- To evaluate the impact of Audit Committee composition on the Returns on Equity of financial institutions in Nigeria.
- To examine the impact of Board Meeting Attendance on the Returns on Equity of financial institutions in Nigeria.
- To assess the impact of Ownership Concentration on the Returns on Equity of financial institutions in Nigeria.

1.3. Statement of Hypotheses

The following hypotheses stated in null form will help to explore the research objectives thus:

- H1: Board Size does not have significant impact on the ROE of financial institutions in Nigeria
- H2: Board Composition does not have significant impact on the ROE of financial Institutions in Nigeria
- H3: Audit Committee does not have significant impact on the ROE of financial institutions in Nigeria
- H4: Attendance at Board Meetings does not have significant impact on the ROE of financial institutions in Nigeria
- H5: Ownership concentration does not have significant impact on the ROE of financial institutions in Nigeria

2. Theoretical Framework

Uche (2009) revealed that shareholder activism theory is corporate governance codes which are complementary tools with value as an important aspect of corporate governance. The author explained that the development of shareholders activism in Nigeria is as a result of changes in regulation, corporate practices, expansion in local investment and the establishment of shareholder associations by government institutions. The aims and objectives of Nigerian Shareholders Solidarity Association (NSSA) is to promote the interests of the shareholders of listed companies, liaising with the government and Nigerian Stock Exchange (NSE) on matters of interest to shareholders and especially the Nigerian economy, also, ensuring that there is just and equitable management of listed and unlisted companies in Nigeria.
Okike (2007). In Nigeria, Okike (2007) argues that the various measure taken by government to improve the investment climate and corporate governance, meant to help attract foreign investment, are commendable with the investment potential in Nigeria. However, the government effort cannot yield good results because of corruption in entire sectors in the county. The Global Corruption Report produced by Transparency International, ranks Nigeria as the second most corrupt country in the world after Bangladesh (Afolabi, 2015). ROSC (2004) revealed that corruption is the main obstacle to enforcement of standards and this affects the financial reporting when the auditors connive with management to defraud companies (Okike, 1996, 2004).

The theory of power concentration according to Lipman and Lipman permits the chief executive officer to also be the chairman of the board. This is a bad practice (except in private companies), since it permits the chief executive officer to have too much power over the board of directors and undermines the board's fiduciary duty to monitor management. The split of the roles of the chairman and the chief executive officer ensures that a system of checks and balances exists in the running of the affairs of the company. Furthermore, it curtails abuse of power by an all-powerful chief executive officer. In spite of these obvious advantages derivable from the separation of the functions, scholars are not in unanimity in according to the benefits of the separation of powers as between the chairman and the chief executive officer. However, the 2011 SEC Code provides that "the positions of the Chairman of the Board and Chief Executive Officer be separate and held by different individuals." Furthermore, to ensure clarity in the position of the 2011 SEC Code on the issue, section 5.1(a) provides that the Chairman "should not be involved in the day-to-day operations of the company." The day-to-day responsibility of running the company is vested on the Managing Director/Chief Executive Officer and his executive/management team. Section 5.1(a) thereof pointedly declares that the chairman's primary responsibility is to ensure effective operation of the board such that it works towards achieving the company's strategic objectives; and not to be involved in the day-to-day operations of the company.

3. Conceptual Framework

3.1. Legal Framework of Corporate Governance

The legal framework of corporate governance in Nigeria was derived from British Common Law and similar commercial codes. The main statute regulating corporate organizations in the country is the Companies and Allied Matters Act (CAMA) 1990 which replaced the Companies Act of 1968. Apart from the statutory provision of corporate governance in the CAMA, 1990 there has been other corporate governance Codes in force, some of them are industry specific. The corporate governance Codes applicable in the country are the Code of Best Practices on Corporate Governance in Nigeria 2003 which was issued by the Securities and Exchange Commission (SEC) which was later reviewed and posted in the SEC website in 2010. The Code of Corporate Governance for Banks in Nigeria Post- Consolidation 2006, which was issued by the Central Bank of Nigeria (CBN) and the Code of Corporate Governance for Insurance Industry in Nigeria 2009, which was issued by the National Insurance Commission (NAICOM). In June 2011, the Federal Government introduced Financial Reporting Council Act No 6 with the aim to use the Council as a vehicle for improving corporate financial reporting practice in Nigeria.

3.2. Corporate Governance Codes

Corporate Governance Codes are sets out standards of good practice which listed public companies are required to comply with as well as report on how the principles are applied and the extent the principles are complied with in their organization. They include principles which relates to issues such as board composition and development, remuneration, accountability and audit, and relations with shareholders. The principles on which corporate governance codes are based are transparency, accountability, leadership, efficiency, effectiveness, rights and equitable treatment of shareholders, interest of stakeholders, role and responsibility of board of directors. Lately, corporate governance codes in Nigeria have become industry specific. And on this premise, the study reveals three corporate governance codes as follows:

3.3. Security & Exchange Commission Corporate Governance Codes

The power and obligation of the Board of directors is the means by which a corporation is being controlled. The Companies Allied Matter (CAMA) 1990 requires every private company registered in Nigeria to have at least two directors on the board of the company (Okike, 2007) while seven is for the publicly quoted companies. In addition, according the Code of Best Practice of Corporate Governance issue by SEC on April 1st 2011 explained that director should be involved in the day-to-day operations and management of the company, in particularly they should be responsible for the department they head and should answer to the Board through the Chief Executive Director or Managing Director. Also, directors should not be involved in the determination of their remuneration. Non-Executive directors should be key members of the board; they should bring independent judgement as well as necessary scrutiny to the proposals and actions of the management, and executive directors such as issues of strategy, performance, evaluation and key appointments. The Code of Best Practice for corporate governance in Nigeria is based on a unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role of board of directors and management, shareholders rights and privileges, and the audit committee (Aganga 2011). Consequently, the boards of directors are the leader and the controller of the company.

Effective board is fundamental to the success of a company (Okike, 2007). The Code of Best Practice on Corporate Governance SEC (2011) indicates that the board should be a sufficient size relative to the scale complexity of the company's operation and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility and integrity. Also, the members should always be available to attend meetings of the board,
the membership should not be less than five, majority of the board members should be non-executive directors and at least one should be an independent director. In addition, members of the board should be upright personal characteristics, relevant core competent and entrepreneurial spirit, and a good record of tangible achievement and knowledgeable in board matters. They should also possess a sense of accountability, integrity and be committed to the task of good corporate governance. The board should be independent of management so that they can carry out their oversight function in an objective and effective manner.

The government and management of a company require the fashioning out aims, objectives and the appropriate strategies for their realization. As a result, shareholders are one of the strategic stakeholders that should provide checks and balances on the activities of directors. In Nigerian firms, shareholders of listed companies have the duty of monitoring the activities of management. The shareholder rights emanated from Companies Allied Matter Act 1990 which deals with investor protection and creditors and disclosure of information to shareholders (Aganga, 2011). Moreover, Okike (2007) argues that the Nigerian Shareholders Solidarity Association (NSSA) was formed in December 1987 because shareholders in Nigeria can no longer trust auditors in protecting their interest in the corporate affairs of firms. In addition, the author believes the Nigerian Shareholders Solidarity Association was formed as a result of dissatisfaction of the investment of listed firms with the performance of direction and auditors. The Securities Exchange Commission published a Code for shareholders association, the Code specified that the board of listed firms should ensure that they deal association with transparency and strict adherence to the Code of the shareholder association. The SEC Code (2011) also explained that shareholders of listed firms should play a vital role in good corporate governance of firms’ especially institutional investors and other shareholders with large holdings. The Code specified that they should seek to influence positively the standard of corporate governance of firms in which they invested; they should demand compliance with the principles of this Code. Also, they should seek explanations whenever they observe non-compliance with the code.

3.4. CBN Code of Corporate Governance Practices for Banks Post Consolidation

Central Bank of Nigeria (2006) code of corporate governance practices for banks post consolidation restricts direct equity holding in any bank shall be limited to 10% by the end of 2007. It further states that any indirect equity holding in excess of 10% must be by the approval of the CBN. It also seeks to encourage a private sector-led economy which expects that holding by individuals and corporate bodies in banks should be more than the holding by government. It is also recognized that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. Such arrangements should be encouraged.

Another areas where the CBN Code of corporate governance practices for banks post consolidation is to separate the responsibilities of the Chairman of the board of banks from the that of the Managing Director/Chief Executive officer. This means that no one person should combine the post of Chairman/Chief Executive Officer of any bank. It the code does not recognize the position of executive vice-chairman in the structure of the bank. Furthermore, no two members of the same extended family should occupy the position of Chairman and that of Chief Executive Officer or Executive Director of a bank at the same time. It upholds the guideline that only people of proven integrity and who are knowledgeable in business and financial matters should continue to be appointed on the Board of the financial institutions.

On quality of Board membership the code states that institutions should be headed by an effective Board composed of qualified individuals that are conversant with its oversight functions as well as the need for regular training and education of board members on issues pertaining to their oversight function should institutionalized and adequate budget made annually by banks. It also makes it imperative that Board should have the latitude to hire independent consultants to advise it on certain issues and the cost borne by the banks. It further states that the number of non-executive directors should be more than that of executive directors subject to a maximum board size of 20 directors and that at least two (2) non-executive board members should be independent directors (who do not represent any particular shareholder interest and hold no special business interest with the bank) appointed by the bank on merit. On the issue of determination of the remuneration of executive directors, it gives such responsibility to a committee of non-executive directors and that the remuneration of non-executive directors should be limited to sitting allowances, directors’ fees and reimbursable travel and hotel expenses. The code provides also that in order to ensure both continuity and injection of fresh ideas, non-executive directors should not remain on the board of a bank continuously for more than 3 terms of 4 years each, i.e. 12 years while it further provides that banks should have clear succession plans for their top executive. There should be, as a minimum, three board committees namely, Risk Management Committee, Audit Committee, and the Credit Committee.

The code stresses the need for Board Performance Appraisal or appraisals as a new concept to ensure successful or exceptional performance as it is often not sufficient condition for the bank to strictly adhere to corporate governance principles with the necessity for successful performance of boards. Each Board should identify and adopt, in the light of the company’s future strategy, its critical success factors or key strategic objectives; Boards should determine the skills, knowledge and experience that members require to achieve those objectives; a Board should work effectively as a team towards those strategic objectives; there should be annual Board and Directors’ review/appraisal covering all aspects of the Board’s structure and composition, responsibilities, processes and relationships, as well as individual members’ competencies and respective roles in the Board’s performance. The review should be carried out by an outside consultant and the review report presented at the AGM and a copy sent to the CBN.

The code specifically makes other provisions in areas of quality management, reporting relationship, Industry Transparency, Due Process, Data Integrity and Disclosure Requirements as Core Attributes of Sound Corporate Governance Practices in order to ensure good corporate governance codes for the banking institutions. Other areas that the code covers are risk management, role of internal and external auditors.

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3.5. Code of Good Corporate Governance for the Insurance Industry in Nigeria

This code applies to ALL Insurance and Reinsurance Companies where the National Insurance Commission (NAICOM) is the primary regulator. Application of the Code shall be effective from 1st March 2009. The corporate governance framework shall be anchored on an effective and accountable Board of Directors who are appointed to ensure the strategic guidance and effective management of the company. The essence of this corporate governance code is to draw the meaning that the collective terms for Directors is that the main functional organ of any business is the Board of Directors and that the insurance institutions must be governed by an effective Board that is collectively responsible for its operations. The code with respect to ensuring good corporate governance in insurance institutions stresses on such areas like board structure which states that board shall not be dominated by any one person; no one person shall occupy the position of chairman and Chief Executive Officer at the same time to avoid concentration of power on one person; no two members of the same extended family shall occupy the position of the Chairman and Managing Director/Chief Executive of Insurance Company at the same time.

On Board Structure, the code provides that there shall be a chairman who will have the responsibility of ensuring that the Board directs the company effectively and that it retains the confidence of the shareholders and management. The following shall apply to ensure balance of power and authority: responsibilities at the top Management of a company shall be well defined; all insurance institutions shall operate independently and be responsible and accountable for the activities of the company irrespective of any relationship with other companies or group; the Chairman shall be a non-Executive director of the company and shall not draw remunerations beyond the normal entitlements for Board appointment.

On the Quality of Board Members, the code states that good Corporate Governance hinges upon the competence and integrity of Directors and the Boards. Therefore, in selecting a director, the following factors shall be consideration shall be focused on the relevance of the candidate’s experience and knowledge in the insurance industry; record of diligence, integrity, willingness and ability to be independent and objective as well as to serve actively as a director; limited insider relationships and links with competitors; knowledge of relevant special issues related to insurance business as well as environmental factors; relevant training of the Board Members on issues pertaining to their oversight functions shall be put in place and implemented; a track record of success in business with familiarity and experience in performing the role of a board Member; directors whose track records show lack of competence in discharging their duties of directorship shall not be re-elected; the Commission shall arrange relevant training on insurance principles and practice, Director’s responsibilities and liabilities, and update on insurance market at periodic intervals to which attendance by members of the Board shall be mandatory.

On Composition of the Board of Directors, the code states that without prejudice to the provisions of CAMA, no insurance company shall have less than seven (7) members and not more than fifteen (15) members on its Board; the Board shall consist of Executive and non-executive Directors out of which not more than 40% of the members shall be in the executive capacity; membership of the Board shall include at least one Independent Director, who does not represent any particular shareholder interest nor hold any business interest; the independent Director is critical in the evaluation of the performance of the board and management; mediate where interests of management, the company and its shareholders may diverge such as executive remuneration, succession planning, changes of corporate control, take-over defenses, large acquisitions and audit function; the Independent director shall be appointed by the Board to be ratified at the company’s Annual General Meeting (AGM) for a period to be determined at the AGM; all nominated members of the Board shall complete and file with the Commission, Personal History Statement (PHS) Form not later than four (4) weeks after nomination; non-Executive Directors shall not be re-nominated and appointed for more than 3 terms of 3 years each; appointment of Non-executive Directors shall be decided by the entire Board through a defined selection process; each Non-executive Director shall demonstrate that he/she has sufficient time to devote to the business of the company; the Chief Executive Officer of the company shall be the person approved by the Commission and shall be a member of the Board throughout his/her tenure; any individual taking major action in the running of the company must either be a member of the Board, the management or paid consultant; copy of any global management consulting agreement with any consultant outside Nigeria shall be filed with the Commission.

Other areas of corporate governance which the code make adequate provisions include duties of the Board, responsibility of the boards, Conduct of the Board of Directors, right of shareholders, Conflict of Interest and meetings of the board and Committees of the board which shall include Audit and Compliance Committee, Finance and General Purposes Committee, Investment Committee and Enterprise Risk Management Committee.

3.6. Similarities between CBN and NAICOM Corporate Governance Codes in Nigeria

The principle of leadership ensures that every company should be headed by an effective board with clear division of responsibilities between the running of the board and the executive responsibilities of running the business of the company and shall be collectively responsible for the long-term success of the company. This presupposes that no one individual should have unfettered powers of decision in the running of the business of the company. Effectiveness is the ability of the board and its committees to discharge their respective duties and responsibilities effectively through the use of appropriate balance of skills, experience, independence and knowledge to ensure transparency in procedures for appointment, remuneration and training of members of the board and management. The principle of accountability denotes a fair, balanced and understandable assessment of the company’s position and prospects. It includes the institution of internal controls, checks and balances, risk management and assessments within the organization in order to achieve its strategic objectives. Listed companies are required to report on how they have applied the main principles of
the Code, and either to confirm that they have complied with the Code's provisions or – where they have not – to provide an explanation.

| S/No. | ITEM                                           | BANKS                                                                 | INSURANCE                                                                 | SIMILARITIES                                      |
|-------|----------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------|
| 1.    | Composition of the Board of Directors        | The number of non-executive directors should be more than that of executive directors | The Board shall consist of Executive and non-executive Directors out of which not more than 40% of the members shall be in the executive capacity. | Higher number of non-executive directors in the board |
| 2.    | Board Size                                   | A maximum board size of 20 directors.                                 | No insurance company shall have less than seven (7) members and not more than fifteen (15) members on its Board. | Large Number                                      |
| 3.    | Tenure of Board Members                      | No director should remain on the board of a bank continuously for more than 3 terms of 4 years each | Non-Executive Directors shall not be re-nominated and appointed for more than 3 terms of 3 years each. | Not more than 3 terms                             |
| 4.    | Power concentration                          | No one person should combine the post of Chairman/Chief Executive Officer of any bank. For the avoidance of doubt, also no executive vice-chairman is recognized in the structure. | No one person shall occupy the position of Chairman and Chief Executive Officer at the same time to avoid concentration of power on one person | Power separation                                   |
| 5.    | Standard Committees                          | Risk Management Committee, Finance and General-Purpose Committee, Audit Committee, and the Credit Committee. | Finance and General-Purpose Committee, Investment Committee, Enterprise Risk Management Committee, Audit and Compliance Committee, and Establishment and Governance Committee | Finance and General-Purpose Committee, Risk Management Committee, Audit Committee |
| 6.    | Audit CommitteeComposition                   | Should be non-executive directors and ordinary shareholders appointed at the AGM, and should be knowledgeable in internal control processes. | Composed of Non-Executive Directors at least two of whom shall have requisite knowledge of accounting, financial analysis and financial reporting. | No Executive Director                             |
| 7.    | Appointment of Auditors                      | Appointment of External Auditors will continue to be approved by the CBN | Appointment of External Auditor for Insurance and Reinsurance Companies shall be approved by the National Insurance Commission. | Approved by Regulator                             |
| 8.    | Family Membership of the Board               | No two members of the same extended family should be on the board of a bank at the same time. | No two members of the same extended family shall occupy the position of the Chairman and Managing Director/Chief Executive of Insurance Company at the same time. | Extended Family Members abhorrence                |
| 9.    | Ownership Concentration                      | An equity holding of above 5% by any investor is subject to CBN's prior approval. | Shareholder who owns directly or indirectly a minimum of (5%) five percentage of shares of the company shall be disclosed | Discouraged large equity holding of more than 5% |

Table 1: Similarities

Sources: Code of Good Corporate Governance for the Insurance Industry in Nigeria, 2009&Code of Corporate Governance for Banks in Nigeria Post Consolidation, 2006
| S/No. | ITEM                          | BANKS                                                                 | INSURANCE                                                                 |
|-------|-------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------|
|       | External Auditor              | 2 External Auditors to provide joint auditing                        | 1 External Auditor                                                      |
|       | Equity Holding                | Government direct and indirect equity holding in any bank shall be limited to 10%. An equity holding of above 5% by any investor is subject to CBN’s prior approval. | Information about each shareholder who owns directly or indirectly a minimum of (5%) five percentage of shares of the company as well as the shareholders who control the company when acting in concert shall be disclosed but not subject to any approval. |
|       | Internal Audit                | The Head of Internal Audit should not be below the rank of GM and should be a member of a relevant professional body. | The Internal Audit Unit shall be headed by a professionally qualified Accountant not below the rank of an AGM or its equivalent. |
|       | Appointment of External Auditor| The tenure of the auditors in a given bank shall be for a term of five years in the first instance and is renewable for another term of five years subject to CBN’s approval. Furthermore, such audit firm shall not be reappointed in the bank until after a period of ten years. | The tenure of an appointed External Auditor shall be for a maximum period of five (5) years. |
|       | Non-Executive Directors        | At least two (2) non-executive board members should be independent directors who, though appointed by the bank, should be accountable to the shareholders and the CBN. | Membership of the Board shall include at least one Independent Director, who does not represent any particular shareholding interest nor hold any business interest. |
|       | Determination of Remuneration | A committee of non-executive directors should determine the remuneration of executive directors and report same to the shareholders at AGMs for ratification. | The Board of Directors will determine compensation for directors and seek approval at the AGM. |
|       | Appointment of Non-Executive Directors | Appointment of Non-executive Directors shall be decided by the entire Board through a defined selection process. | |
|       | Approval of CEO               | The Chief Executive Officer of the company shall be the person approved by the Commission and shall be a member of the Board throughout his/her tenure. | |
|       | Quality Assurance Auditing     | Quality assurance auditing should be engaged whenever the CBN suspects a cover-up by auditors, and where proved, erring firms would be blacklisted from being auditors of banks and other financial institutions for a length of time to be determined by the CBN. | |
|       | Internal Auditor              | He should report directly to the Board Audit Committee but forward a copy of the report directly to the MD/CEO of the bank as well as to the Banking Supervision Department of the CBN. | The Head of the Internal Audit Unit shall report directly to the MD/CEO but a copy of the Audit Report shall be forwarded to the Audit Committee on regular basis. |
|       | Board Meeting Attendance      | Disclose Board Meeting attendance record of members                   | |

Table 2: Dissimilarities
Source: Code of Good Corporate Governance for the Insurance Industry in Nigeria, 2009 & Code of Corporate Governance for Banks in Nigeria Post Consolidation, 2006

4. Empirical Review
Ajala, Amuda and Arulogun (2012) examined the effect of corporate governance on the performance of Nigerian banking sector. The secondary source of data was sought from published annual reports of the quoted banks. In examining the level of corporate governance disclosure of the sampled banks, a disclosure index was developed and guided by the Central Bank of Nigeria code of governance. The Person Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firms’ performance. The study revealed that a negative but significant relationship exists between board size and the financial performance of these banks while a positive and significant relationship was also observed between directors’ equity interest, level of corporate governance disclosure index and performance of the sampled banks. The study recommends that efforts to improve corporate governance should focus on the value of the stock ownership of board members and that steps should be taken for mandatory compliance with the code of corporate governance.
Ogboi, Aderimiki and Enilolobo (2018) investigated the relationship between corporate board diversity and performance of quoted deposit money banks in Nigeria. The aspects of board diversity studied consist of gender diversity, ethnic diversity, board composition, and foreign directorship. Return on asset (ROA) and Tobin Q were used as performance indicators. The fixed effect Generalized Least Square Regression was used to examine the effect of board diversity on bank performance for the period: 2011-2015. Results showed that gender diversity and board composition was positively linked to financial performance, while ethnic diversity and foreign directorship were not significantly related to financial performance. The results also revealed that ethnic diversity is positively related to market performance, while board composition and foreign directorship are negatively related to market performance. The study recommends among other things, that there should be more representation of female directors on corporate boards and that hiring of foreign directors should be discouraged by Deposit Money Banks in Nigeria. Keywords: Corporate, board diversity, performance, Nigeria.

Akeem, Terer, Temitope, and Feyitimi (2014) examined the impact of corporate governance on the performance of the Nigerian insurance company. It examined the relationship that exists between corporate governance and performance in the insurance company. Two Corporate Governance (CG) mechanisms (board size, board composition) and one insurance performance measure; return on equity (ROE) was used as the independent and dependent variables of three sampled Nigerian listed insurance firms between 2002 and 2008. Two hypotheses were formulated. Data was gathered from the financial statements of selected firms. The technique for data analysis employed for this study is multiple regression analysis. The results however could not provide significant impact of the two CG mechanisms (board size, board composition) on ROE. The result also shows no significant evidence to support the idea that board size, and board composition help promote insurance firm performance in Nigeria. The study recommends that board size should not be regulated by (NICOM), board composition should comprise Minority Shareholders.

Yimka, Babatunde and Okezie (2014) examined corporate governance practices eight years after (2010), given the instability in the political and economic environment under which they operated. The study also examined the relationship between corporate governance practices and firms’ financial performance in the selected manufacturing companies in Lagos State, Nigeria. The study employed a comparative analysis to gauge the changes to corporate governance practice between the years 2003 to 2010 by manufacturing companies. The companies were selected based on availability of data from the stock exchange in terms of activities of trading and existence of reports on corporate governance in the companies’ annual reports. The Panel data of the ten companies for the 8 years was used, employing ordinary least square (OLS) method of analysis. Analysis shows that there was positive relationship between the return of equity and legal compliance, though the relationship is weak given the value of R as 0.197. Also, there were weak relationships between return on equity (ROE) and board compliance as $R = -0.4430$ and proactive indicators $R = -0.2345$. These imply that while the companies obey the regulations in terms of board composition, legal compliance and production projections, which are the major concerns of this study. Meanwhile, some other variables impacted more on ROE.

Nibedita (2018) examined the impact of corporate governance on the performance of insurance companies. The study was conducted to apprehend the relationship between corporate governance mechanisms (board size, board composition, board meetings and board audit committee) and performance of the insurance company. The population for the study defined as listed insurance companies in DSE. The sample comprises of 10 listed insurance companies. Multiple linear regression and Pearson correlation were applied to the secondary data for the period of 2010 to 2016. This study finds that the corporate governance has an impact on the performance of the insurance sector in Bangladesh. The independent variables of corporate governance (board size, board composition, board meetings and board audit committee) determine 38.20 percent of the performance (ROE) variance. Using Pearson correlation, the results provide evidence of a positive relationship between board sizes and ROE as well as board meetings. The result further reveals that a negative relationship between ROE and board composition. However, the study could not provide any association between performances of the insurance (ROE) and board audit committee.

5. Methodology

The study adopted the historical research method. All the listed money deposit banks in Nigeria that are listed formed the population of the study while the sampling method used is the purposive sampling technique. The data used for the analysis are secondary having been collected from existing annual accounts and reports of the 16 listed banks and other financial institutions in Nigeria. The variables on which data were collected include Returns on Equity (dependent variable), and Board Size, Board Composition, Size of Audit committee, Attendance at Board Meeting, and Ownership Concentration (the independent variables). The period covered is 2009-2018 and the study has been conducted on Nigeria financial sector.

The tool of analysis is the simple regression model which takes cognizance of the effect of the individual independent variables on the returns on equity of the financial institutions during the period. The model specifications are expressed as follows:

\[ \text{ROE}_i = \beta_0 + \beta_1(\text{BS}_i) + \mu \]  
\[ \text{ROE}_i = \beta_0 + \beta_2(\text{BC}_i) + \mu \]  
\[ \text{ROE}_i = \beta_0 + \beta_3(\text{SAC}_i) + \mu \]  
\[ \text{ROE}_i = \beta_0 + \beta_4(\text{ABM}_i) + \mu \]  
\[ \text{ROE}_i = \beta_0 + \beta_5(\text{OC}_i) + \mu \]

The model variables are expressed as follows:

ROE, represents returns on equity (i.e. the dependent variable) for the ith year
BS<sub>i</sub> represents the board size of the financial institution for the ith year
BC<sub>i</sub> represents the board composition of the financial institution for the ith year
SAC<sub>i</sub> represents the size of auditing committee of the financial institution for the ith year
ABM<sub>i</sub> represents the attendance at board meetings of the financial institution for the ith year
OC<sub>i</sub> represents ownership concentration of the financial institution for the ith year

The data was analysed using SPSS v. 20.0 where the main tools used were the correlation coefficient (r), coefficient of determination (R<sup>2</sup>), F-test statistic, and t-test statistic (used for the tests of hypotheses). All the tests of hypotheses have been carried out using 5% level of significance (otherwise called 95% confidence interval).

The decision rule for the tests of hypothesis is as follows:
Accept H<sub>0</sub> if p-value > critical value (5%), otherwise reject.

### 6. Analysis

| Year | Average Board Size | Average Board Composition % | Average Board Audit Committee % | % Of Actual Over Expected Attendance | % Of Shareholding More Than 5% | Return On Equity (ROE) |
|------|--------------------|-------------------------------|----------------------------------|-------------------------------------|-----------------------------|----------------------|
| 2009 | 14                 | 0.55                          | 0.41                             | 0.81                                | 0.65                        | -7.01                |
| 2010 | 12                 | 0.56                          | 0.46                             | 0.72                                | 0.76                        | 4.25                 |
| 2011 | 14                 | 0.56                          | 0.50                             | 0.74                                | 0.28                        | -0.89                |
| 2012 | 15                 | 0.58                          | 0.49                             | 0.81                                | 0.28                        | -10.77               |
| 2013 | 14                 | 0.58                          | 0.49                             | 0.83                                | -0.09                       | 7.66                 |
| 2014 | 20                 | 0.58                          | 0.49                             | 0.84                                | 0.71                        | 12.85                |
| 2015 | 13                 | 0.55                          | 0.49                             | 0.86                                | 0.63                        | -0.36                |
| 2016 | 13                 | 0.50                          | 0.49                             | 0.85                                | 0.65                        | 22.21                |
| 2017 | 13                 | 0.49                          | 0.49                             | 0.92                                | 0.76                        | 18.48                |
| 2018 | 13                 | 0.54                          | 0.50                             | 0.83                                | 0.67                        | 20.39                |

Table 3: Pooled Averages of the Variables
Source: Researcher’s Compilation Based on the Outcomes of the Appendices

### 6.1. Restatement of Objective 1

To determine the impact of Board Size on the Returns on Equity of financial institutions in Nigeria

The model summary under objective 1 reveals that r = 0.041 while the R<sup>2</sup> = 0.002. This means that there is a weak but positive correlation between Board Size and Return on Equity (ROE) of financial institutions in Nigeria. The coefficient of determination also supports this result proving that board size was not a strong determinant of the variations in ROE of banks in Nigeria during the period investigated.

The analysis also shows that the regression coefficients did not contribute significantly to the marginal increase in ROE of financial institutions during the period. The model for estimation for this objective is fitted as follows:

\[
\text{ROE}_i = 9.687 - 0.213(\text{BS}_i) + \mu
\]

The model shows a constant annual contribution of ₦9.687m to ROE due to contribution of the Board Size (BS) which is insignificant at p-value = 0.721. The marginal contribution of BS represents a decrease of 0.213 during the period.
6.1.1. Test of Hypothesis 1

| Model  | Sum of Squares | df | Mean Square | F      | p-value |
|--------|----------------|----|-------------|--------|---------|
| 1      | Regression     | 2 040 | 1    | 2.040 | .013    | .910^b   |
|        | Residual       | 1210.064 | 8 | 151.258 | | |
| Total  | 1212.104       | 9 | | | |

a. Dependent Variable: ROE
b. Predictors: (Constant), BS

Table 6

- Decision: Since p-value > 0.05, we accept H_0 and conclude that board size has no significant impact on the ROE of financial institutions in Nigeria.

6.2. Restatement of Objective 2

To ascertain the impact of Board Composition on the Returns on Equity of financial institutions in Nigeria

| Model | R      | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------|----------|------------------|---------------------------|
| 1     | .612^a | .374     | .296             | 9.737                     |

a. Predictors: (Constant), BC

Table 7

At r = 0.612 and R^2 = 0.374 or 37.4 percent, we found that there is a high and positive correlation between Board Composition (BC) and Returns on Equity of financial institutions in Nigeria. However, the result indicates there was no strong determination of ROE by board composition. It implies that at 37.4 percent, board composition is not a very strong determinant of ROE.

| Model | Unstandardized Coefficients | Standardized Coefficients | t     | p-value |
|-------|-----------------------------|---------------------------|-------|---------|
| 1     | (Constant)                  | 129.321                   | 56.153| 2.303   | .050    |
|       | BC                          | -223.387                  | -102.129| -0.612 | -2.187 | .060   |

a. Dependent Variable: ROE

Table 8

When the coefficients are fitted into the model, the regression equation would be shown as follows:

\[ \text{ROE}_i = 129.321 - 223.387(\text{BC}) + \mu \]

The result shows that board composition contributed a constant annual value of ₦129.321m to ROE but there was a negative variation in the marginal contribution by board composition during the period. The constant annual increase was significant (p-value is 0.050) whereas the marginal change was not also significant (p-value = 0.060).

6.2.1. Test of Hypothesis 2

| Model  | Sum of Squares | df | Mean Square | F      | p-value |
|--------|----------------|----|-------------|--------|---------|
| 1      | Regression     | 453.608 | 1    | 453.608 | 4.784   | .060^b   |
|        | Residual       | 758.496 | 8 | 94.812 | | |
| Total  | 1212.104       | 9 | | | |

a. Dependent Variable: ROE
b. Predictors: (Constant), BC

Table 9

- Decision: The test of hypothesis shows that p-value = 0.060> the critical value, hence we accept H_0 and conclude that board composition does not have significant impact on ROE of financial institutions in Nigeria.

6.3. Restatement of Objective 3

To evaluate the impact of Audit Committee composition on the Returns on Equity of financial institutions in Nigeria
The analysis under this objective shows \( r = 0.432 \) while \( R^2 = 0.186 \). Both the audit committee composition and the Returns on Equity have a weak but positive correlation and it also reveals that audit committee composition is not a strong determinant of the changes in amount of returns on equity of financial institutions in Nigeria.

### Coefficients

| Model | Unstandardized Coefficients | Standardized Coefficients | t  | p-value |
|-------|-----------------------------|---------------------------|----|---------|
|       | B                           | Std. Error                | Beta |          |
| 1     | (Constant)                 | -81.724                   | 65.385 | 1.250    | .247 |
|       | SAC                        | 183.795                   | 135.739 | .432 | 1.354 | .213 |

*a. Dependent Variable: ROE*

The coefficients of the simple regression model are fitted into the equation as follows:

\[
\text{ROE}_i = -81.724 + 183.795(SAC_i) + \mu
\]

It shows a negative and insignificant constant contribution that the size of auditing committee makes being \(-81.724\), on the annual ROE of financial institutions in Nigeria. The marginal change over the years was 183.795 which were also not significant or impressive.

#### 6.3.1. Test of Hypothesis 3

| Model | Sum of Squares | df | Mean Square | F    | p-value |
|-------|----------------|----|-------------|------|---------|
| 1     | Regression     | 225.993 | 1 | 225.993 | 1.833 | .213 | ^{b} |
|       | Residual       | 986.112 | 8 | 123.264 |      |       |
|       | Total          | 1212.104 | 9 |     |      |       |

*a. Dependent Variable: ROE*

*b. Predictors: (Constant), SAC*

- Decision: The test of hypothesis reveals that \( p-value = 0.213 > 0.05 \) hence we accept \( H_0 \) and conclude that the size of auditing committee does not have significant impact on the returns on equity of financial institutions in Nigeria.

### 6.4. Restatement of Objective 4

To examine the impact of Board Meeting Attendance on the Returns on Equity of financial institutions in Nigeria

The correlation between attendance at board meetings and ROE is positive but weak as well (where \( r = 0.466 \) and \( R^2 = 0.217 \)). It indicates that attendance at board meetings (ABM) has not strongly determined the changes in ROE of the financial institutions in Nigeria during the period studied.
The regression equation for the relationship between ROE and annual board meetings is expressed as follows:

$$\text{ROE}_i = -70.596 + 94.126(\text{ABM}_i) + \mu$$

The model exhibits a constant annual negative influence on the ROE of financial institutions in Nigeria and a
dismal marginal increase (being N94.126m) attributable to ABM over the period studied.

6.4.1. Test of Hypothesis 4

$$\begin{array}{l|llll}
\text{Model} & \text{Sum of Squares} & \text{Df} & \text{Mean Square} & \text{F} & \text{p-value} \\
\hline
1 & 263.043 & 1 & 263.043 & 2.217 & .175^b \\
 & 949.062 & 8 & 118.633 & & \\
 & 1212.104 & 9 & & & \\
\hline
\end{array}$$

- Decision: Since p-value > the critical value, we accept $H_0$ and conclude that attendance at board meetings has no
  significant impact on the ROE of financial institutions in Nigeria.

6.5. Restatement of Objective 5

To assess the impact of Ownership Concentration on the Returns on Equity of financial institutions in Nigeria

**Model Summary**

$$\begin{array}{l|lll}
\text{Model} & \text{R} & \text{R Square} & \text{Adjusted R Square} \\
\hline
1 & .354^a & .125 & .016 \\
\hline
\end{array}$$

- a. Predictors: (Constant), OC

Like the other four independent variables ownership structure also has a weak but positive correlation (as $r = 0.354$) with the ROE of financial institutions in Nigeria. It also means that ownership concentration does not strongly
determine the ROE of financial institutions in Nigeria (since $R^2 = 0.125$ or 12.5 percent).

The analysis has also revealed that there was a negative and insignificant contribution made by ownership
composition to ROE (i.e. an annual decrease of N1.088m) of financial institutions in that period. The annual marginal
changes in ROE due to ownership structure were also insignificant (i.e. $\beta_i = N14.659m$) and the regression equation
representing this can be expressed as below:

$$\text{ROE}_i = -1.088 + 14.659 + \mu$$
6.5.1. Test of Hypothesis 5

| Model     | Sum of Squares | Df | Mean Square | F    | p-value |
|-----------|----------------|----|-------------|------|---------|
| Regression| 151.711        | 1  | 151.711     | 1.145| .316b   |
| Residual  | 1060.393       | 8  | 132.549     |      |         |
| Total     | 1212.104       | 9  |             |      |         |

*a. Dependent Variable: ROE
b. Predictors: (Constant), OC

Table 18

- Decision: From the analysis it is also obvious that the decision to accept the null hypothesis is correct because p-value is 0.316 and is greater than the critical value, 0.05. Hence, we conclude that ownership structure does not have significant impact on the ROE of financial institutions in Nigeria.

7. Summary of Findings, Conclusion and Recommendations

7.1. Summary of Findings

The result is the same for the five independent variables as weighed against the Returns on Equity of financial institutions in Nigeria. The findings are as follows:

- Board size does not have significant impact on the return on assets of financial institutions in Nigeria.
- Board Composition does not have significant impact on the returns on assets of financial institutions in Nigeria.
- Size of Audit Committee does not have significant impact on the returns on equity of financial institutions in Nigeria.
- Attendance at Board Meetings does not have significant impact on the returns on equity of financial institutions in Nigeria.
- Ownership Concentration does not have significant impact on the returns on equity of financial institutions in Nigeria.

8. Conclusion

Internal corporate governance invigorates internal control mechanism and gives firm footing to a corporate organization in terms of the sustenance of resources. The net value of firms is based on the assets in use and the proper application of necessary internal mechanisms would help safeguard the assets for proper evaluation and appropriate uses in the immediate and distant future.

The main focus of the study was to ascertain the impact of internal corporate governance on the performance of financial institutions in Nigeria. The aim has been realized and it was discovered that internal corporate governance has no significant impact on the performance (proxy by Returns on Equity) of financial institutions in Nigeria. It is important for users of this information to adopt the findings for proper digesting of the concept of internal corporate governance and performance.

9. Recommendations

The study recommends the following to all interested users of the information:

- Financial institutions in Nigeria should do more than just paying lip service to the issue of board size as a factor in performance. More attention should be put on the quality of board members contributions and the ideas that would turn things around for the sector.
- Management of financial institutions should address more seriously the issue of board composition as a way of improving the performance of the sector. Board members should be individuals that are more acquainted and versed with the knowledge of 21st century global experience in financial performance indicators. The days of sit tight attitude is over as it is hoped that better board composition that is broad based would be embraced.
- The size of internal audit committee should not be considered as a serious direct factor in the performance of financial institutions in Nigeria. It is not the size but the efficacy of the committee that matters most.
- Board meetings should be taken more seriously in order to raise the level of performance of financial institutions. Meetings afford the board members the opportunity to address all matters as provided under the relevant laws establishing the board.
- Financial institutions are advised to improve on the ownership composition of the various firms in the sector through encouraging share

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### Appendix

| Name of Bank       | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|------|------|------|------|------|------|------|
| Access Bank        | 14   | 14   | 16   | 16   | 21   | 16   | 16   | 15   | 17   | 15   |
| UBA                | 20   | 20   | 19   | 18   | 19   | 16   | 16   | 19   | 19   | 19   |
| Fidelity           | 17   | 17   | 15   | 16   | 20   | 20   | 17   | 18   | 14   | 12   |
| Union Bank         | 14   | 14   | 17   | 17   | 17   | 19   | 19   | 18   | 15   |      |
| FCMB               | 13   | 15   | 18   | 15   | 10   | 10   | 10   | 12   | 12   |      |
| Wema Bank          | 7    | 7    | 10   | 15   | 11   | 14   | 12   | 12   | 12   | 12   |
| Zenith Bank        | 15   | 14   | 14   | 14   | 15   | 12   | 12   | 13   | 14   | 13   |
| Stanbic IBTC       | 30   | 12   | 24   | 30   | 26   | 11   | 10   | 10   | 21   | 24   |
| Sterling Bank      | 15   | 12   | 9    | 15   | 12   | 9    | 15   | 12   | 9    | 15   |
| Unity Bank         | 15   | 13   | 15   | 14   | 14   | 14   | 17   | 15   | 12   | 9    |
| GTB                | 20   | 17   | 19   | 12   | 17   | 19   | 12   | 19   | 17   | 19   |
| Leadway            | 9    | 9    | 9    | 10   | 9    | 9    | 9    | 11   | 9    | 9    |
| AIICO              | 11   | 8    | 10   | 9    | 8    | 10   | 9    | 8    | 8    | 10   |
| AXA Mansard        | 11   | 10   | 10   | 11   | 11   | 11   | 11   | 11   |      |      |
| African Alliance Plc| 6    | 8    | 8    | 8    | 7    | 7    | 7    | 5    |      |      |
| Linkage            | 0    | 0    | 12   | 12   | 12   | 12   | 12   | 11   | 10   | 9    |
| TOTAL BS           | 217  | 190  | 225  | 232  | 219  | 319  | 202  | 209  | 209  | 206  |
| AVERAGE BS         | 14   | 12   | 14   | 15   | 14   | 20   | 13   | 13   | 13   | 13   |

*Source: Annual Accounts and Statements of Quoted Banks and Insurance Companies in Nigeria*

**Table 19: Board Size**

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## Table 20: Board Composition (%)

| Name of Bank          | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| Access Bank           | 0.5  | 0.5  | 0.5  | 0.5  | 0.38 | 0.50 | 0.44 | 0.47 | 0.47 | 0.47 |
| UBA                   | 0.40 | 0.55 | 0.53 | 0.56 | 0.53 | 0.50 | 0.50 | 0.42 | 0.42 | 0.42 |
| Fidelity              | 0.53 | 0.53 | 0.56 | 0.56 | 0.60 | 0.60 | 0.41 | 0.39 | 0.50 | 0.54 |
| Union Bank            | 0.57 | 0.57 | 0.59 | 0.76 | 0.59 | 0.63 | 0.53 | 0.56 | 0.47 | 0.53 |
| FCMB                  | 0.46 | 0.53 | 0.61 | 0.61 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 |
| Wema Bank             | 0.57 | 0.57 | 0.60 | 0.53 | 0.64 | 0.50 | 0.50 | 0.33 | 0.50 | 0.57 |
| Zenith Bank           | 0.47 | 0.43 | 0.43 | 0.43 | 0.47 | 0.58 | 0.42 | 0.38 | 0.43 | 0.46 |
| Stanbic IBTC          | 1.01 | 0.80 | 0.70 | 0.70 | 0.67 | 0.83 | 0.60 | 0.55 | 0.57 | 0.66 |
| Sterling Bank         | 0.60 | 0.58 | 0.44 | 0.60 | 0.58 | 0.44 | 0.60 | 0.58 | 0.44 | 0.60 |
| Unity Bank            | 0.53 | 0.62 | 0.60 | 0.60 | 0.50 | 0.50 | 0.47 | 0.60 | 0.58 | 0.44 |
| GTB                   | 0.62 | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | 0.57 | 0.54 | 0.54 | 0.54 |
| Leadway               | 0.56 | 0.56 | 0.56 | 0.50 | 0.56 | 0.56 | 0.22 | 0.64 | 0.56 | 0.56 |
| AIICO                 | 0.55 | 0.75 | 0.70 | 0.67 | 0.75 | 0.70 | 0.57 | 0.63 | 0.63 | 0.60 |
| AXA Mansard           | 0.55 | 0.60 | 0.50 | 0.50 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 |
| African Alliance Plc  | 0.33 | 0.75 | 0.50 | 0.50 | 0.43 | 0.43 | 0.43 | 0.43 | 0.43 | 0.25 |
| Linkage               | 0.00 | 0.00 | 0.67 | 0.67 | 0.67 | 0.67 | 0.73 | 0.70 | 0.70 | 0.70 |
| **Total Bc**          | **8.87** | **9.92** | **9.07** | **9.27** | **9.20** | **9.27** | **8.75** | **7.95** | **7.87** | **8.59** |
| **Average Bc**        | **0.55** | **0.56** | **0.56** | **0.58** | **0.58** | **0.58** | **0.55** | **0.50** | **0.49** | **0.54** |

*Source: Annual Accounts and Statements of Quoted Bank and Insurance Companies in Nigeria*

## Table 21: Board Audit Committee

| Name of Bank          | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| Access Bank           | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| UBA                   | 0.50 | 0.40 | 0.50 | 0.43 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Fidelity              | 0.25 | 0.25 | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Union Bank            | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| FCMB                  | 0.5  | 0.5  | 0.5  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  |
| Wema Bank             | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.43 | 0.44 | 0.50 | 0.50 | 0.50 |
| Zenith Bank           | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Stanbic IBTC          | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Sterling Bank         | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Unity Bank            | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| GTB                   | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Leadway               | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| AIICO                 | 0.50 | 0.50 | 0.43 | 0.43 | 0.50 | 0.50 | 0.43 | 0.43 | 0.50 | 0.50 |
| AXA Mansard           | 0.4  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| African Alliance Plc  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Linkage               | 0.00 | 0.00 | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| **TOTAL**             | **6.65** | **7.15** | **7.93** | **7.86** | **7.90** | **7.83** | **7.77** | **7.83** | **7.83** | **8.00** |
| **AVERAGE**           | **0.41** | **0.46** | **0.50** | **0.49** | **0.49** | **0.49** | **0.49** | **0.49** | **0.49** | **0.50** |

*Source: Annual Accounts and Statements of Quoted Banks and Insurance Companies in Nigeria*
| Name of Bank       | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|------|------|------|------|------|------|
| Access Bank       | 1.00 | 0.87 | 0.95 | 0.88 | 0.67 | 0.60 | 0.63 | 0.91 | 0.89 | 0.90 |
| UBA               | 0.89 | 0.96 | 0.99 | 0.99 | 0.55 | 0.94 | 0.95 | 0.96 | 0.91 | 0.90 |
| Fidelity          | 0.70 | 0.88 | 0.89 | 0.94 | 0.65 | 0.65 | 0.76 | 0.86 | 0.92 | 1.00 |
| Union Bank        | 0.89 | 0.91 | 0.87 | 0.89 | 0.87 | 0.96 | 0.84 | 0.91 | 0.87 | 0.89 |
| FCMB              | 0.92 | 0.83 | 0.91 | 0.88 | 0.93 | 0.87 | 0.86 | 0.88 | 0.92 | 0.96 |
| Wema Bank         | 0.88 | 0.84 | 0.78 | 0.75 | 0.91 | 0.95 | 0.79 | 0.87 | 0.90 | 0.86 |
| Zenith Bank       | 0.93 | 0.95 | 0.88 | 0.96 | 0.93 | 0.88 | 0.92 | 0.88 | 0.92 | 0.90 |
| Stanbic IBTC      | 0.85 | 0.83 | 0.90 | 0.73 | 0.82 | 0.80 | 0.95 | 0.88 | 0.95 | 0.81 |
| Sterling Bank     | 0.90 | 0.75 | 0.83 | 0.84 | 0.82 | 0.89 | 0.87 | 0.93 | 0.96 | 0.95 |
| Unity Bank        | 0.93 | 0.95 | 0.80 | 0.92 | 0.87 | 0.88 | 0.77 | 0.71 | 0.85 | 0.89 |
| GTB               | 0.91 | 0.81 | 0.94 | 0.98 | 0.96 | 0.50 | 0.93 | 0.81 | 0.87 | 0.87 |
| Leadway           | 0.78 | 0.72 | 0.78 | 0.88 | 0.89 | 0.92 | 0.84 | 0.74 | 1.00 | 0.89 |
| AIICO             | 1.00 | -    | -    | -    | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| AXA Mansard       | 0.80 | 0.90 | 0.90 | 0.98 | 0.95 | 0.98 | 0.95 | 0.84 | 0.93 | 0.91 |
| African Alliance Plc | 0.61 | 0.33 | 0.46 | 0.55 | 0.57 | 0.71 | 0.79 | 0.74 | 1.00 | 0.75 |
| Linkage           | -    | -    | -    | 0.85 | 0.93 | 0.85 | 0.93 | 0.68 | 0.86 | 0.75 |
| TOTAL             | 12.99| 11.52| 11.88| 13.02| 13.32| 13.38| 13.78| 13.60| 14.75| 13.23|
| AVERAGE           | 0.81 | 0.72 | 0.74 | 0.81 | 0.83 | 0.84 | 0.86 | 0.85 | 0.92 | 0.83 |

*Table 22: Percentage of Actual over Expected Attendance*

*Source: Researcher’s Compilation from the Annual Accounts and Statements of Quoted Banks and Insurance Companies in Nigeria*
### Table 23: Percentage of Shareholding More Than 5%

Source: Annual Accounts and Statements of Quoted Banks and Insurance Companies in Nigeria

| Name of Bank          | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| AllICO                | 0.86 | -    | -    | -    | 0.86 | 0.82 | 0.88 | 0.88 | 0.88 | -    |
| AXA Mansard           | 0.97 | 0.97 | 0.97 | 0.97 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 |
| African Alliance Plc  | 0.91 | 0.91 | 0.94 | 0.91 | 0.91 | 0.91 | 0.91 | 0.91 | 0.91 | 0.91 |
| Linkage               | -    | -    | -    | 0.89 | 0.75 | 0.83 | 0.84 | 0.84 | 0.85 | 0.85 |
| TOTAL                 | 10.44| 12.14| 4.46 | 4.44 | -1.55| 11.32| 10.11| 10.42| 12.16| 10.75|
| AVERAGE              | 0.65 | 0.76 | 0.28 | 0.28 | -0.09| 0.71 | 0.63 | 0.65 | 0.76 | 0.67 |

### Table 24: Return on Equity (ROE)

Source: Annual Accounts and Statements of Quoted Banks and Insurance Companies in Nigeria

| Name of Bank          | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| Access Bank           | (2.63)| 6.34 | 9.10 | 16.49| 15.45| 15.72| 18.10| 15.72| 13.86| 19.68|
| UBA                   | 1.29 | 0.34 | (4.62)| 28.96| 20.47| 18.43| 17.93| 16.13| 15.22| 16.26|
| GTB                   | 12.32| 18.19| 20.89| 31.12| 27.51| 14.37| 11.52| 34.36| 0.03 | 32.79|
| Fidelity              | 1.19 | 4.49 | 3.90 | 11.10| 4.72 | 7.97 | 7.58 | 5.25 | 9.27 | 11.79|
| Union Bank            | 118.06| (86.28)| (16.33)| 3.79 | 2.90 | 2.15 | 5.88 | 5.77 | 3.85 | 8.25 |
| FCMB                  | 3.10 | 5.89 | (8.42)| 11.45| 11.13| 13.80| 2.93 | 8.02 | 4.99 | 8.17 |
| Wema Bank             | 16.74| 106.64| (67.47)| 394.32| 3.86 | 5.42 | 5.05 | 5.28 | 4.55 | 2.07 |
| Zenith Bank           | 2.46 | 5.18 | 11.63| 21.35| 18.13| 18.01| 17.80| 18.43| 21.43| 23.76|
| FBN                   | (2.58)| 10.52| 5.52 | 18.12| 15.12| 15.97| 0.56 | 2.28 | 5.55 | 11.51|
| Stanbic IBTC          | 10.11| 11.29| 8.32 | 12.19| 22.03| 16.28| 15.27| 20.80| 26.57| 31.62|
| Sterling Bank         | 42.80| 19.31| 11.34| 14.91| 13.04| 10.63| 10.77| 6.03 | 8.28 | 9.43 |
| Unity Bank            | (233.11)| 28.44| 6.76 | 12.01| (80.04)| 14.02| 5.68 | 2.63 | 6.16 | 0.52 |
| Leadway               | 10.71| 12.69| 12.55| 9.32 | 17.24| 15.43| 36.44| 20.97| 25.02| 12.96|
| AllICO                | (48.36)| (40.01)| (0.30)| 11.61| (7.15)| 19.50| 12.76| 122.75| 12.17| 21.70|
| AXA Mansard           | 4.09 | 5.00 | 7.22 | 11.36| 14.67| 9.29 | 10.93| 15.13| 1.32 | 11.88|
| African Alliance Plc  | (48.36)| (40.01)| (17.03)| (5.00)| 20.81| 6.52 | (181.04)| 52.59| 122.87| 84.96|
| Linkage               | -    | -    | 2.70 | 1.21 | 2.70 | 2.08 | 3.12 | 3.29 | 14.49| (1.62)|
| TOTAL ROE             | -112.17| 68.02| -14.24| -172.32| 122.59| 205.59| -5.72| 355.43| 295.63| 326.39|
| AVERAGE ROE           | -7.01| 4.25 | -0.89| -10.77| 7.66 | 12.85| -0.36| 22.21| 18.48| 20.39|