IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE, FACULTY OF MANAGEMENT SCIENCES, DELTA STATE UNIVERSITY, ASABA CAMPUS.

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DECLARATION

I hereby declare that this dissertation is my original work and has not been previously presented wholly or in part for the award of other degrees.

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Signature…… **Date…….**

CERTIFICATION

We the undersigned, certify that this research dissertation titled Impact of Corporate Governance on the Performance of Deposit Money Banks in Nigeria: An Empirical Review is the original work of the candidate and has been fully supervised, and found worthy of acceptance in partial fulfillment of the award of Master of Science (M.Sc.) Degree in Banking and Finance.

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DEDICATION

This Dissertation is dedicated to Almighty God who has given me the wisdom and strength to accomplish this degree.

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ABSTRACT

This study is predicated by the unresolved questions of the true relationship between various aspects of corporate governance and its impact on the performance of deposit money banks in Nigeria. The main objective of this study is to ascertain the impact of corporate governance on the performance of deposit money banks in Nigeria. Panel data were extracted from the annual reports of ten (10) selected deposit money banks from 2006 - 2015. Pearson Correlation and the regression analyses were adopted based on the OLS technique using E-View 7.0. The findings revealed that board size (BS), director's equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS) do not have significant impact to returns on equity (ROE) but board size (BS) and directors equity holdings (DEH) have significant impact on return on asset (ROA) of deposit money banks in Nigeria . It also revealed a positive relationship between the independent variables and performance of banks in Nigeria. The results are consistent with previous literature that the correlation between corporate governance and bank performance is positive. The study recommends that adequate measures should be taken to enhance efficiency and effectiveness of governance frameworks in the banking sector, the CBN should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on bank customer account, corporate organizations should ensure that quality and experienced individuals are appointed as members of the board of Director'. The study also suggests that efforts to improve corporate governance should ensure that there exists a sound internal control system and non-compliance with the standard of reporting and disclosure requirement is sanctioned.

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INTRODUCTION

1.1 Background to the Study

Corporate governance has become a most topical issue in the modern business world today. Financial institutions all over the world, whether big or small, are concerned about financial performance, increasing profitability and shareholders' return is usually a top priority.

Corporate governance refers to the ways by which an organization guarantees that its owners or stockholders receive a fair return on their investment, while the expectations of other stakeholders are also met (Jenkinson and Mayer, 1992). It is considered to be a means by which affairs of the firm are directed and controlled so as to protect the interest of all stakeholders (Sullivan, 2009). The narrow view perceives corporate governance in terms of issues relating to shareholders protection, suppliers of finance to corporation, management efficiency, agency problems of economic theory, roles of board of directors, the independence of external meetings etc. (Oyejide and Soyibo, 2001 & Asekunowo, 2001).

Given the foregoing explanations, corporate governance can be seen as the way to protect shareholders' rights. The shareholder has zero tolerance for poor performance and therefore, it is argued that the outcome of good governance is good performance (Tandelilin, 2007; De Andres, 2008; Aebi, Sabato, and Schmid,2010; Yang, 2011). The worldwide financial crisis of 2008, which started in the United States, was attributable to United States banks' excessive risk-taking. Consequently, in order to control such risk and draw people's attention to the agency problem within banks, there are statements made by bankers, central bank officials, and other related authorities, emphasizing the importance of effective

corporate governance in the banking industry since 2008 and until now (Beltratti and Stulz 2009; and Peni and Vahamaa 201 1). Emphasis is not just on how well the organization succeeds in its profitability goal, but how well it is managed, run and internally regulated, both formally and informally (Parker, 2006). Therefore, any similar crisis that occurred or that may occur in the future might be explained as a result of bank governance failure.

In Nigeria however, evidences emerging from some of the collapsed banks in 2008, hitherto assumed to be run professionally or on sound principles, succinctly demonstrates that there will always be discrepancies or misalignments between the various organizational stakeholders' interests (Sanusi, 2010). Therefore, managing these conflicting interests in a way that produces mutually satisfying outcomes for all stakeholders is at the core of the good corporate governance.

The issue of corporate governance has been given the front burner status by all sectors of the economy. The government in its effort to ensure good corporate governance through Securities and Exchange Commission (SEC) set up the Peterside Committee on corporate governance in public companies. The Bankers" Committee also set up a sub-committee on corporate governance for banks and other financial institutions in Nigeria. This is in recognition of the critical role of corporate governance in the success of companies (Ogbechie, 2006).

Financial economists have long been concerned with ways to address the problems which arises from conflict of interest between equity owners and managers. They have made a number of assertions on this issue. The literature emanating from such efforts has grown and much of the econometric evidence has been built on the theoretical works of Ross (1973), and Fama (1980).

Jensen and Meckling (1976) acknowledged that the principal-agent theory which was also adopted in this study is generally considered as the starting point for any debate on the issue of corporate governance. These governance mechanisms as identified in agency theory such as board size, board composition, directors' equity holding have been proposed to ameliorate the principal-agent problem between managers and their shareholders (Gomper, lshii and Metrick, 2003). Some studies have focused on banks' corporate governance (see Capiro, Leaven, and Levine, 2007; Bokpin, 2013; Nyamongo and Temesgen, 2013). This study focuses on deposit money banks operating in Nigeria as a developing country in order to provide empirical evidence on the impacts of corporate governance on bank performance.

1.2 Statement of the Problem

Corporate governance is particularly important in the Nigerian banking industry because a number of past financial failures, frauds and questionable business practices had adversely affected investors' confidence. The main structural sources of the crisis are as a result of the deterioration of the banks' asset portfolios, largely due to distorted credit management.

There was lingering distress in the industry. The supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses. These manifested in form of weak internal control systems, excessive risk taking, override of internal control measures, absence of or non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses and fraudulent practices.

Furtherance to this view, experts opined that the failure of corporate governance within the consolidated banks was as a result of the Boards' ignorance of these practices for reasons including being misled by executive management, obtaining un-secured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management.

In 2009, the Nigerian Banking Industry recorded series of cases of accounting improprieties (for example, Oceanic Bank, Afri Bank, Union Bank, Fin Bank and Spring Bank) and this was as a result of the board of directors' lack of vigilance in their oversight functions, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders.

Also, some studies posit that the smaller the board size the higher the performance, others show that the higher the number of directors sitting on the board the better the performance. Still, others argued to the contrary that the nature and significance of the relationship between board size and performance is sensitive to the estimation methods used.

Similarly, some researchers discovered that boards of directors dominated by outsiders (non-executive Directors) have better performance while others find no such relationship in terms of accounting profits or firm's value. Therefore, the study seeks to ascertain the true relationship between various aspects of corporate governance and its impact on the performance of banks in Nigeria.

Finally, while other studies on corporate governance neglected the operating performance variable as proxies for performance, this study employed the accounting operating performance variables to examine the impact (if any) of corporate governance on the performance of banks in Nigeria.

1.3 Research Questions

The study would examine the following research questions:

i. What is the impact of board size on the return on equity and return on asset of deposit money banks in Nigeria?

ii. What is the relationship between board composition (the proportion of non-executive directors), return on equity and return on asset of deposit money banks in Nigeria and how significant is the relationship?

iii. What is the relationship between directors' equity holding, return on equity and return on asset of deposit money banks in Nigeria?

iv. What is the significance of the level of corporate governance disclosure on return on equity and return on asset of deposit money banks in Nigeria?

v. What is the impact of the Audit Committee size on return on equity and return on asset of deposit money banks in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to find out the impact of corporate governance mechanisms on the financial performance of deposit money banks in Nigeria. The specific objectives are to:

i. Examine the impact of board size on return on equity and return on asset of deposit money banks in Nigeria;

ii. Find out whether the impact of board composition (the proportion of non-executive directors) on return on equity and return on asset of deposit money banks in Nigeria is significant;

iii. Examine if the impact of directors' equity holding on return on equity and return on asset of deposit money banks in Nigeria is significant;

iv. Ascertain whether the impact of the level of corporate governance disclosure on return on equity and return on asset of deposit money banks in Nigeria is significant; and

v. Examine the impact of audit committee size on return on equity and return on asset of deposit money banks in Nigeria.

1.5 Research Hypotheses

The following hypotheses are formulated and tested:

Ho_1: Board size has no significant impact on return on equity and return on asset of deposit money banks in Nigeria.

Ho_2: The proportion of non-executive directors has no significant impact on return on equity and return on asset of deposit money banks in Nigeria.

Ho_3: There is no significant impact of the directors' equity holding on return on equity and return on asset of deposit money banks in Nigeria.

Ho_4: There is no significant impact of the level of corporate governance disclosure on return on equity and return on asset of deposit money banks in Nigeria.

Ho_5: There is no significant impact of the Audit Committee size on return on equity and return on asset of deposit money banks in Nigeria.

1.6 Scope of the Study

The study focuses on Nigeria and investigates the impact of corporate governance on the performance of deposit money banks in Nigeria. The data used for this study were secondary data derived from the published financial statements of the ten (10) selected banks from the universal banks listed on the Nigerian Stock Exchange (NSE) between the ten (10) years period of 2006 to 2015. These banks are; Access Bank Plc, Diamond Bank Plc, Ecobank Plc, Fidelity Bank Plc, First bank Plc (FBN), First City Monument Bank Plc (FCMB), Guaranty Trust Bank Plc (GTB), Sterling Bank Plc, United Bank for Africa Plc (UBA) and Zenith Bank Plc. The data utilized for empirical estimation relates to the Nigerian economy, though have implications for world economy.

1.7 Significance of the Study

The research study is of great benefit to bank regulators, academics, business practitioners, investors, other relevant stakeholders and the general public as it explains the impact of corporate governance on the financial performance of banks. This study provides an insight into understanding the degree to which the banks that are reporting on their corporate governance 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 in benchmarking the performance of their banks, against that of their peers.

This study provides investors with knowledge on how their investments with the financial institutions are being managed and a decision whether to invest more or not. More so, the study provides future researchers with an alternative summary measure and the result of this study will also serve as a data base for further researchers in this field of research.

1.8 Limitations of the Study

a. **Time**: Limited time was one of the major difficulties encountered in this research study. One would have expected that a research of this nature and magnitude should take at least not less than 10-12 months. But considering the status of the researcher as a student with a job and family to be bothered with, the time frame could not have been sufficient.

b. **Inadequate Library Facilities**: Lack of adequate library facilities also contributed its part of the setbacks on this research study in some ways. The library is meant to provide at least sufficient if not adequate literature materials. But this was not the case, as the researcher had to contend with the problem of out sourcing the internet.

c. **Finance**: The hash economic condition in Nigeria has its negative toll on the researcher's financial potency. The planned estimates of funds needed for this research were not met. As a result of the fact that the scope (in terms of volume, data sourcing, sample size and literature materials) were limited to the extent to which the available finance could effectively cover.

Despite these limitations, we equally concluded this research study through the use of secondary data which are derived from the respective audited financial reports of the available banks.

1.9 Definition of Terms

For the purpose of this research, the following terms will be defined as it is used in the study.

1. **Corporate Governance:** Corporate governance is the structures and processes by which the business and affairs of institutions are directed and controlled in order to improve the long-term shareholder's value by enhancing corporate performance and accountability while taking into account the interest of stakeholders.
2. **Agency Theory**: Agency relationship occurs when "one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision- making authority to the agent".
3. **Board Composition**: This refers to the distinction between inside and outside directors, and this is traditionally shown as the percentage of outside directors on the board.
4. **Board Size**: This refers to the total number of directors both executive and non-executive directors on the board of any corporate organization. Determining the ideal board size for an organization is very important because the number and quality of directors in a firm determines and influences the board functioning and hence corporate performance.
5. **Audit Committee Size:** The composition of the audit committee that is outside as a proportion of the total member for firm in a given time (t).
6. **Return on Assets**: This is a measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage.

7. **Return on Equity**: A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by shareholder's equity, expressed as a percentage.

1.10 Organization of the Study

The study is organized into various chapters. The logical organization of the study gives it uniqueness and makes it very simple and clear for readers and researchers. The orderliness is as follows: Chapter one talks about the introduction to the investigation. Also included in this chapter is the statement of the research problems, objectives of the study, the research hypotheses, scope of the study, significance of the study and definition of terms among others.

Chapter two talks about the various literature reviews related to the study. Here, emphasis is on the conceptual, theoretical and empirical reviews of literature.

Chapter three talk about the research methodology used in the study.

Chapter four covers the results and discussion of various secondary data used in the study.

Chapter five summarizes, concludes and makes recommendation.

1.11 Summary

This study is an attempt to explore the impact of corporate governance on the performance of deposit money banks with special attention being paid to Nigerian banks. The Nigerian environment is targeted also because the issue of corporate governance has been given the front burner status by all sectors of the economy. The government in its effort to ensure good corporate governance through Securities and Exchange Commission (SEC) set up the Peterside Committee on corporate governance in public companies. The Bankers" Committee also set up a sub-committee on corporate governance for banks and other financial institutions in Nigeria. This is in recognition of the critical role of corporate governance in the success of companies

In essence, the entire chapter seeks to enlighten the readers on the subject area being conducted by the researcher with a view to adding to the existing body of knowledge through a well-constructed and articulated research questions and hypotheses among other sub-headings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter took a comprehensive look at the basic concepts and theories as it applies to the subject matter. It also looks at what other scholars and resource persons have said on the subject area in order to give its readers an all round knowledge of the topic under review. This chapter is divided into three major headings with their sub-headings: conceptual framework, theoretical framework and empirical review.

2.2 Conceptual Framework

Carse (2000) emphasizes that corporate governance in the banking industry is based on the fact that much of the depositors money is used more than the shareholder's fund therefore any crisis in the banking sector affect not only the shareholders but also the creditors and depositors. Therefore, it is important to ensure that banks are operating properly. Carse (2000) also emphasized that bank should be made to comply strictly with the corporate governance guidelines for banks. In analyzing the relationship between corporate governance and bank performance, the concept of principal and agent relationship has been identified. The principal/agency conceptual approach is based on agency theory which suggests that better governance should lead to strong relationship between corporate governance and accounting outcomes and performance by banks. Larcker, Richardson and Tuna (2007) adopted principal component analysis to establish a strong relationship between measure of corporate governance structure and both performance and accounting outcomes.

2.2.1 Bank Performance in Nigeria

By bank performance, it generally implies how well a bank faired within a trading period given its objectives and the only document that explains this is presumably the income statement. Performance links an organization's goals and objectives with organization's decisions (Abdulkadir 2007). The Nigerian banking system has undergone remarkable changes over the years, in terms of the number of institutions, ownership structure, as well as depth and breadth of operations. These changes have been influenced largely by challenges posed by deregulation of the financial sector, globalization of operations, technological innovations and adoption of supervisory and prudential requirements that conform to international standards.

Prior to the reforms in the financial institutions, the state of the Nigerian banking sector was characterized by low capital base and high non performing loans, insolvency and illiquidity, over dependence on public sector deposits and foreign exchange trading, poor asset quality, weak corporate governance, a system with low depositors' confidence and a banking sector that could not support the real sector of the economy at 25% of GDP compared to African average of 78% and 272% for developed countries (Ebong 2006).

According to Soludo (2004), "The Nigerian banking system today is fragile and marginal. The system faces enormous challenges which, if not addressed urgently, could snowball into a crisis in the near future. He identified the problems of the banks, especially those seen as feeble, as persistent illiquidity, unprofitable operations and having a poor assets base".

Imala (2005) posited that the objectives of banking system are to ensure price stability and facilitate rapid economic development. Regrettably these objectives have

remained largely unattained in Nigeria as a result of some deficiencies in our banking system, these include; low capital base, as average capital base of Nigeria banks was N10 million which is very low, a large number of small banks with relatively few branches, the dominance of a few banks, poor rating of a number of banks, weak corporate governance evidenced by inaccurate reporting and non compliance with regulatory requirements, insolvency as evidenced by negative capital adequacy ratios of some banks, eroded shareholder's fund caused by operating losses, over dependence on public sector deposit, and foreign exchange trading and the neglect of small and medium scale private savers. The Nigeria banking sector plays marginal role in the development of the real sector.

Soludo (2004) observed that many banks appear to have abandoned their essential intermediation role of mobilizing savings and inculcating banking habit at the household and micro enterprise levels. The indifference of banks towards small savers, particularly at the grass-roots level, has not only compounded the problems of low domestic savings and high bank lending rates in the country, it has also reduced access to relatively cheap and stable funds that could provide a reliable source of credit to the productive sectors at affordable rates of interest. Imala (2005) also observed that the current structure of the banking system has promoted tendencies towards a rather sticky behavior of deposit rates, particularly at the retail level, such that, while banks' lending rates remain high and positive in real terms, most deposit rates, especially those on savings, are low and negative. In addition, savings mobilization at the grass-roots level has been discouraged by the unrealistic requirements, by many banks, for opening accounts.

Ordinarily, stock prices and its behavior are deemed to reflect the performance of a firm. This is a market indicator and may not be reliable always. However, the size of the

bank, the volume of deposit and its profitability could be deemed as more reliable performance indicators. For the purpose of this study, profitability indicators, precisely the Return on Equity Capital (ROE) and the returns on Assets (ROA) are used to assess bank performance. These ratios are indicators of management efficiency and rate of returns and when the ROE is higher than the ROA, the company has favorable financial leverage.

Bank performance in this study is measured in terms of the profitability and value of a firm. Since the aim of the study is to determine the impact of corporate governance on deposit money bank performance, the measures of performance are ROA and ROE.

2.2.2 Corporate Governance in Nigeria

Corporate Governance is defined as the structures and processes by which the business and affairs of institutions are directed and controlled in order to improve the long term shareholders' value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Organization for Economic Co-operation and Development, 1999). In the last decade, there has been public outrage over financial misdeeds around the world due to the sudden failure of major corporate institutions in both the developed countries and developing economies like Nigeria. This had brought to the fore, the need for the practice of good corporate governance.

In Nigeria, corporations are supervised by regulatory organs like the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN) and governed by their board of directors through management. It was discovered by SEC in 2003, that in the Nigerian financial sector, poor corporate governance was one of the major factors in virtually all known instances of financial institutions' distress. It was also found that only

about 40% of quoted companies, including banks, had recognized codes of corporate governance in place. Consequently, in 2003, SEC in collaboration with the Corporate Affairs Commission released a code of corporate governance. Banks had been expected to comply with the provisions of the code. In addition to that, banks were further directed to comply with the Code of Corporate Governance for Banks and Other Financial Institutions approved earlier in the same year by the Bankers' Committee.

However, in 2006, the consolidation of the banking industry necessitated a review of the existing code for the Nigerian Banks. A new code was therefore, developed to compliment the earlier ones and enhance their effectiveness for the Nigerian banking industry. Compliance with the provisions of the Code was mandatory. One of the provisions of the code is that on equity holdings in banks. The provision envisaged increased holdings by individuals and corporate bodies in banks and such holdings should be more than that of government. This provision is influenced by the recognition 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.

Furthermore, the code emphasizes that, the practice of free, non-restrictive equity holding has led to serious abuses by individuals and their family members as well as government in the management of banks. Consequently, the code further states that government direct and indirect equity holding in any bank shall be limited to 10% and an equity holding of above 10% by any investor is subject to CBN's prior approval. Another provision of the code is that on board size. The code stipulates for a maximum board size of 20 directors. This position differs from the board size of 15 provided for by the earlier code issued by the Securities and Exchange Commission (SEC) in 2003. More so, to ensure the

effective compliance to the code among several other things, the code requires banks to appoint a chief compliance officer (CCO). The officer is required among other specific duties, to make monthly returns to the CBN on all whistle blowing reports and corporate governance related breaches, and also to ensure corporate governance compliance status report is included in the audited financial statements.

The reforms carried out by the CBN in the banking sector as well as the code issued by the SEC were to bring about optimized corporate governance practices in the industry. However, in 2008, the CBN and the Nigerian Deposit Insurance Company (NDIC) carried out a stress test in the banking industry. The stress test revealed some unwholesome developments in the banking industry which were as a result of non compliance with the corporate governance code by some banks. Some banks were found to be financially unsound and therefore declared unhealthy while some were declared healthy. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends on the underlying soundness of its individual components and the connections between them.

Corporate Governance provides the structure through which the firm's objectives are set, and the means of attaining those objectives and monitoring performance (OECD, 1999). In this context, our understanding of corporate governance has been broadened taking different sets of conflicts of interest due to separation of ownership and management into consideration.

2.2.3 Corporate Governance Actors

Good governance comprises of a set of mechanisms to ensure that suppliers of funds get an adequate return on their investments. According to Oman (2001), corporate governance mechanisms including accounting and auditing standards are designed to monitor managers and improve corporate transparency.

Fama and Jensen (1983) reported that the separation of ownership and control has given rise to an agency problem whereby there is the tendency for management to operate the firm in their own interests, rather than those of shareholders. This opportunities have made the managers to build illegitimate empires and, in the extreme, outright expropriation. In order to curb this, various suggestions have been made and some of the mechanisms (based on Shleifer and Vishny, 1997), and their impediments to monitor and shape banks' behavior are discussed below:

2.2.3.1 Shareholders

Shareholders play a key role in the provision of corporate governance. Small or diffuse shareholders exert corporate governance by directly voting on critical issues, such as mergers, liquidation, and fundamental changes in business strategy and indirectly by electing the board of directors to represent their interests and oversee the myriad of managerial decisions, Incentive contracts are a common mechanism for aligning the interests of managers compensation with a view to achieving particular results. Thus small shareholders may exert corporate governance directly through their voting rights and indirectly through the board of directors elected by them.

However, a variety of factors could prevent small shareholders from effectively exerting corporate control. There are large information asymmetries between managers and

small shareholders as managers have enormous discretion over the flow of information. Also, small shareholders often lack the expertise to monitor managers accompanied by each investor's small stake, which could induce a free-rider problem.

2.2.3.2 Debt Holders

Debt purchasers provide finance in return for a promised stream of payments and a variety of other covenants relating to corporate behavior, such as the value and risk of corporate assets. If the corporation violates these covenants or default on the payments, debt holders typically could obtain the rights to repossess collateral, throw the corporation into bankruptcy proceedings, vote in the decision to reorganize, and remove managers. There could also be barriers to diffuse debt holders to effectively exert corporate governance as envisaged.

Small debt holders may be unable to monitor complex organization and could face the free-rider incentives, as small equity holders. Also, the effective exertion of corporate control with diffuse debts depends largely on the efficiency of the legal and bankruptcy systems. Large debt holders, like large equity holders, could ameliorate some of the information and contract enforcement problems associated with diffuse debt. Due to their large investment, they are more likely to have the ability and the incentives to exert control over the firm by monitoring managers. Large creditors obtain various control rights in the case of default or violation of covenants. In terms of cash flow, they can renegotiate the terms of the loans, which may avoid inefficient bankruptcies. The effectiveness of large creditors however, relies importantly on effective and efficient legal and bankruptcy systems. If the legal system does not efficiently identify the violation of contracts and provide the means to bankrupt and reorganize firms, then creditors could lose a crucial

mechanism for exerting corporate governance. Also, large creditors, like large shareholders, may attempt to shift the activities of the bank to reflect their own preferences. Large creditors for example, as noted by Mayer (1999) may induce the company to forego good investments and take on too little risk because the creditor bears some of the cost but will not share the benefits.

2.2.4 Corporate Governance Mechanisms

Broadly speaking, there are two types of mechanisms that resolve the conflicts among different corporate claim-holders, especially the conflicts between owners and managers, and those between controlling shareholders and minority shareholders.

Furthermore, a number of corporate governance mechanisms have been identified analytically and empirically. To better describe the current corporate governance practices, it is required to focus on a particular set of corporate governance mechanisms. These, according to Baic and Song (2004), may be broadly classified as internal and external mechanisms as summarized in Figure 1 below:

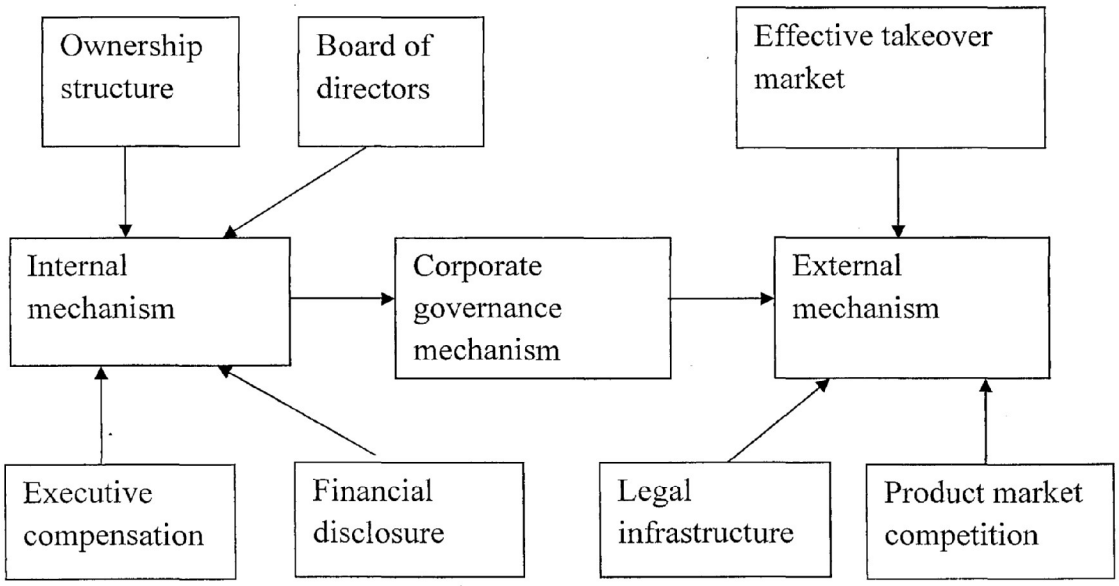


Figure 1: Corporate Governance Mechanisms [adapted from Basic and Song (2004)]

2.2.4.1 Internal/Insider Mechanism

This type of corporate governance mechanism known as internal mechanism is determined by insiders and consists of various internal variables such as:

(i) Ownership structure

(ii) Board of directors

(iii) Executive compensation

(iv) Financial disclosure

2.2.4.1.1 Ownership Structure

Among the above mentioned four internal corporate governance mechanisms, ownership structure is crucial to the banks' value maximization. According to Claessens, Djankov, Fan and Lang 2000, 'Concentrated equity ownership gives the largest shareholders a substantial discretionary power to use the firm's resources for personal gain at the expense

of other shareholders'. Morck, Sheifer, and Vishny (1998) argued that higher ownership concentration has a positive impact on firm performance because it increases the ability of shareholders to properly monitor managers. Large and concentrated investors have the incentives to acquire information and monitor managers. They can also elect their representative to the board of directors and thwart managerial control of the board. Large and well-informed shareholders could be more effective at exercising their voting rights than an ownership structure dominated by small, comparatively uninformed investors. Also, they could more effectively negotiate managerial incentive contracts that align owner and manager interests than poorly informed small shareholders whose representatives (the board of directors) can be manipulated by the management. However, concentrated ownership raises some corporate governance problems. Large investors could exploit business relationships with other firms they own which could profit them at the expense of the firm. In general, De Angelo and De Angelo (1985) summarized that large shareholders could maximize the private benefits of control at the expense of small investors.

2.2.4.1.2 Board of Directors

The board of directors is the second mechanism through which shareholders can exert influence on the behavior of managers to ensure that the bank is run in their own interest. Yermach (1996) argues that large boardrooms tend to be slow in decision making and hence can be an obstacle to change. Yermack (1996) criticize the policies of large board size and was in support of small board size.

The monitoring role of the board of directors comprises the full or partial control of the board by the Chief Executive Officer (CEO). Therefore, we expect this variable to have a negative impact on the banks' overall corporate governance level if the board is dominated

by members of the management team, it is not expected that the board could play an effective monitoring role.

2.2.4.1.3 Executive Compensation

According to Jensen and Murphy (1990), 'Providing the executives with incentive related pay is another mechanism to govern their behavior'. The interest of the top management can be better aligned with that of the shareholders if they have a larger stake in the bank. It may be measured by the percentage of shares held by these top executives as a measure of their economic interest in a bank.

2.2.4.1.4 Financial Disclosure

Financial transparency and adequate information disclosure are crucial in developing countries. Bushman and Smith (2001) opined that Sufficient, accurate and timely information regarding the firm's operations, its financial status and the external environment regarding the firm is important for shareholders to be able to monitor the firm, to make investment decisions affecting the firm and to exercise control over the firm through other means. Regarding financial transparency, they also discouraged the use of the services of local accounting firms with no information on their reputation or performance in audit of listed banks. In other words, if one wants to look for information on the reputation or performance of these accounting firms, detailed and recognized report should exist.

2.2.4.2 External Mechanism

This type of corporate governance mechanism known as external mechanisms is determined by outsiders and consists of external variables such as:

(i) Effective takeover market

(ii) Legal infrastructure and

(iii) Product market competition.

2.2.4.2.1 Effective Takeover Market

An active market for corporate control is considered to be essential for the efficient allocation of resources. This market allows capable managers to gain control of efficient shares in a short period of time. It also allows removal of inefficient managers. Proxy fights are not usually successful in deposing the existing management or board of directors because shareholdings are often dispersed among small shareholders. Friendly mergers and takeovers occur in all countries and account for most of the transactions in the market for corporate control. In developed countries, the percentage of these activities range from 60 to 90 percent. Hostile takeover occur fairly frequently in the US and UK, but less in Germany, France and Japan. Empirical studies suggest that takeovers significantly increase the market value of target firms, although the gain for bidding firms is zero and possibly even negative (Sheifer and Vishny, 1997).

This variable should have a positive impact on bank's overall corporate governance level, for three reasons. First, large shareholders other than the largest ones are obstacles to tunneling activities by the largest shareholders because these shareholders have incentives to monitor and restrain the largest shareholders. Secondly, the efficiency of the market for corporate control is enhanced because these variables help to ensure effectiveness of corporate governance mechanisms. Thirdly, incentive schemes are seen to be reactive in nature and they provide no mechanism for preventing mistakes.

2.2.4.2.2 Legal Infrastructure

According to Adetunji and Olawoye (2009), “Legal and regulatory obligations are part of the external incentive structure designed to ensure that competing companies abide by common standards of fairness, transparency, accountability, and responsibility to protect shareholders, consumers, workers, the environment, and even competitors from abusive practices”. A good legal and regulatory framework efficiently addresses the entry, operations, and exists of corporations. Other external elements are developed by national and international bodies on best practices such as quality of disclosure, accounting and auditing standards, labour rules, environment standards, industrial product standards, listing requirements and other areas of practices that are qualitative.

2.2.4.2.3 Product Market Competition

Competition plays a substitute role in corporate governance mechanisms. Theoretical models have argued that competition in product markets is a powerful force for overcoming the agency problem between shareholders and managers. Tough product market competition forces management to improve financial performance and to make the best decisions for the future because failure to do so would possibly result in bankruptcy and job loss.

According to Allen & Gale (2000), the triumphant stories of Japanese companies and non-profit organizations suggest that product market competition induces managers to work hard. They argued that product market competition is used to select the best management team and to eliminate firms with bad management. They presume that successful companies are able to control a large product market share, making it difficult for loser companies to compete. Thus, competition acts like a takeover, but firms take over the product market instead of other firms. If the management does not work diligently, their companies will lose

market shares and managers will eventually have no job security. Thus, fear of liquidation compels managers to put forth their best effort for their corporations.

2.3 Theoretical Framework

Rashid (2011) argued that there are various theories that can be used to explain corporate governance conventions and also the issues that arise as a result of these conventions. Various theories have been employed in explaining these governance conventions; these theories include the agency theory, stakeholder theory and stewardship theory. Sanda, Mikaila and Garba (2005) also identified four most prominent theories of corporate governance. They are stewardship theory, agency theory, stakeholder theory and resources dependency theory. Below is the explanation of each theory:

2.3.1 Stewardship Theory (ST)

Stewardship theory has its root in psychology and sociology. It was adopted as a theoretical framework for researchers to examine decision making actions and performance of executives who are acting as faithful stewards for principals (Deutch, 2005). The stewardship theory is anchored on the protection of stakeholders. An effective steward, executive or director of an organization is invariably effectively managing his own careers (Fama, 1980). Managers return finance to investors to establish a good reputation, allowing the investors to re-enter the market for future finance (Shleifer and Vishny, 1997). It implies that managers are trustworthy and competent administrators of corporate resources and are best situated to maximize the interest of shareholders because they are most familiar with the intricacies of corporate strengths, weakness, opportunities and threats.

Donaldson and Davis (1997) opined that personal perception motivates individual calculative action by managers, thus linking individual self-esteem with corporate prestige. According to the stewardship theory, a steward's objective is primarily to maximize the firm's performance because a steward's need of achievement and success are satisfied when the firm is performing well.

2.3.2 Stakeholder Theory

Stakeholder theory stipulates that, a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction Abrams (1951). Sundaram and Inkpen (2004) acknowledged that "stakeholder theory attempts to address the question of which groups of stakeholder deserve and require management attention". The creditors, suppliers, customers, employees, banks, governments, political groups and society are regarded as relevant stakeholders of the firm and the groups participate in the firm to obtain benefits. John and Senbet (1998) provide a comprehensive review of the stakeholders' theory of corporate governance which points out the presence of many parties with competing interests in the operations of the firm. The role of non-market mechanisms such as the board, committee structure is important to banks performance.

Stakeholder theory has become more prominent because many researchers have recognized that the activities of a corporate entity impact on the external environment requiring accountability of the organization to a wider audience than simply its shareholders. For instance, McDonald and Puxty (1979) proposed that firms are no longer the instrument of shareholders alone but exist within society and, therefore, has responsibilities to that society. Indeed, it has been realized that economic value is created by people who

voluntarily come together and cooperate to improve everyone's position (Freeman, Wicks and Parmar, 2004).

Jensen (2001) criticizes the Stakeholders theory for assuming a single- valued objective (gains that accrue to a firm's constituencies). He suggests that the performance of a firm is not and should not be measured only by gains to its stakeholders.

2.3.3 Resources Dependency Theory (RDT)

Resources dependency theory emphasis that resources required by firms need to be acquired through a network of contacts and that the efficiency in bridging network gaps will determine the quality of corporate performance. Resources dependency theory describes organizational success as the ability to maximize power by accessing scarce and essential resources. Corporate boards can assist organizations in gaining access to important resources that might otherwise be beyond their reach (Brown, 2005). Boards are considered important boundary-spanners that secure necessary resources, such as knowledge, capital and venture partnering arrangement (Ruigrok, Peck and Keller, 2007). Diversity of corporate board members has been found to be an important element in this theory since it can lead to broader corporate networks and improve financial performance.

2.3.4 Agency Theory (AT)

Agency theory is seen as the principal-agent relationship theory. It is based on the belief that there is a basic conflict of interest between the owners and managers of the company (Kiel and Nicholson, 2003). This theory was formalized in the early 1970's by Harold Denisetz, Micheal, Jenson, William and Meckling and others. Agency theory continues to be the dominant theoretic-anchor for studies of corporate governance practices

and firm performance. Jensen and Meckling (1976) define the agency relationship in terms of "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent".

Daily, Dalton and Canella (2003), acknowledged two factors that influence the prominence of agency theory. Firstly, the theory is a conceptually simple one that reduces the corporation to two participants, managers and shareholders. Secondly, the notion of human beings as self-interested is a generally accepted idea. Agency theory is a long-held concept that occurs when corporate ownership is separated from corporate management. As stated by Bushman & Smith (2001) as well as by Coles & Hosterly (2000), Behaviours, decisions and actions by managers will deviate from those required to maximize shareholders value. In other words, it assumes an imminent divergence of the interest of shareholders.

Analyzing the relationship between corporate governance and bank performance has always been carried out using the agency theory. Agency theory suggests that better governance should lead to strong relationship between corporate governance and accounting outcomes and performance by banks. Jensen and Meckling (1976) pioneered the first attempted to test this hypothesis and the outcome of the study showed that strong corporate governance leads to better performance and accounting outcomes. Larcker, Richardson and Tuna (2007) adopted principal component analysis to establish a strong relationship between corporate governance structure and both performance and accounting outcomes.

The effect of this agency theory is that one can only try to mitigate against this agency problem when the board is composed largely by non- executive directors

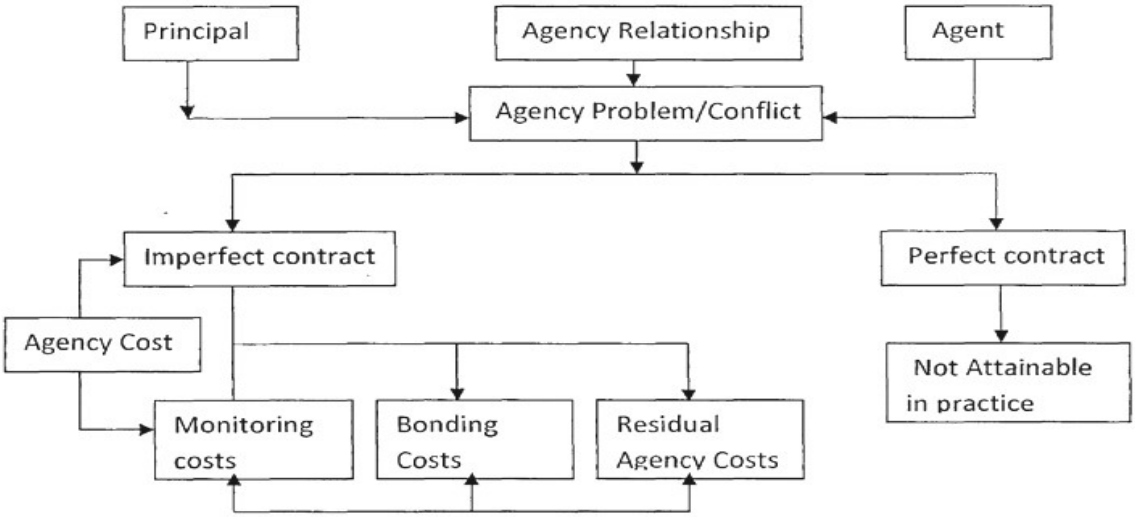
(independent and dependent) who will be able to control the activities of managers and thereby maximize shareholders' wealth (Rashid, 2011; Kaymark and Bektas, 2008). The theory also suggests that the role of the chairman and the role of the Chief Executive Officer (CEO) should not be occupied by the same person as this can limit the monitory role bestowed on the board of directors and can also have a negative impact on the performance of the firm. It was suggested that the reason for limit in the monitory role by the board will be loss of board independence as a result of CEO duality (Kang and Zardkohi, 2005).

2.3.5 Agency Problem/Cost

Shleifer and Vishny (1997) explained that the agency problem refers to the difficulties with which providers of corporate finances (shareholders) have in assuring that managers do not expropriate funds and/or waste them on unattractive projects. In modern firms, the fundamental agency problem is primarily due to the separation between finance and management. In practice, conflict of interest may exist among shareholders and management and this conflict give rise to agency problems.

Conflict between shareholders and managers may arise because of the possibilities of managers transferring the shareholders wealth to their advantage by increasing their compensation or managers may not act in the best interest of the shareholders to protect their jobs by not undertaking risk and foregoing profitable investment. Pandey (1999) stated that the agency problems arising from these conflicts involve cost known as agency cost and these include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interests between the principal and the agent. The share price that

shareholders (principal) pay reflects such agency costs. Agency cost need to be reduced to the barest minimum in other to increase the firm's value**.**



Source: Cullen, Kirwan and Brenan (2006: 11)

Figure 2: Agency Theoretical Perspective

2.4 Empirical Review

Many empirical studies have documented a positive and significant relationship between corporate governance and firm performance. This section is dedicated to the works and findings of different researchers who have done research on corporate governance and its impact on the financial performance of banks.

In establishing a relationship between corporate governance and banks performance, different studies yielded differing results. The most studied variables are board size, board composition and shareholders' activities. For the purpose of this study, the under-mentioned variables are discussed:

2.4.1 Bank Performance and Board size

Board size is the number of individuals serving on the board of a firm. Board size plays an important role in affecting the value of a firm. The CBN code of corporate governance emphasizes that, the number of non-executive directors should be more than that of executive directors subject to a maximum board size of 20 directors (CBN, 2006) and 15 directors (SEC, 2003).

The role of board of directors is to discipline the CEO and the management of a firm so that the value of a firm can be improved. While some studies posit that the smaller the board size the higher the performance, (Jensen 1993; Sanda, Mukaila and Garba, 2005; and James and Okafor, 2011); others show that the higher the number of directors sitting on the board the better the performance (Belkhir, 2006; Adams and Mehran, 2010). A larger board has a range of expertise to make better decisions for a firm as the CEO cannot dominate a bigger board because the collective strength of its members is higher and can resist the irrational decisions of a CEO as suggested by Pfeffer (1972) and Zahra and Pearce (1989). From the study of Vallelado and Andres (2008), after their examination of the characteristics of the boards on commercial banks opening in some countries, deduced that the inclusion of more directors is positively associated with performance. Adam and Mehran (2010) and Thomas and Muhammed (2011) however, add that firm performance can deteriorate if busier directors serve on the board.

On the other hand, Yermack (1996) and Eisenberg, Sundgren and Wells (1998) find a fairly clear negative relationship between board size and firm performance. This is because when the board is large, it affects the value of a firm in a negative fashion as there is an agency cost among the members of a bigger board. This was also supported by the studies

carried out by Harris and Raviv (2005) and Bennedsen, Kongsted and Nielsen (2006. They argued that larger board is ineffective as compared to smaller boards. Bhagat and Black (2002) pointed out that the negative relationship between board size and firm performance is not strong. Small boards are more efficient in decision-making because there is less agency cost among the board members. Mak and Li (2001) argued to the contrary that the nature and significance of the relationship between board size and performance is sensitive to the estimation methods used.

2.4.2 Bank performance and Board composition

Another issue in corporate governance is the composition of board members. In this study, the composition of the board refers to the proportion of inside or executive and outside directors or non-executive directors serving on the board. The mix of executive and non-executive directors constitutes a firm's board and it is very important for its performance. The proportion of the directors would to a large extent determine the quality of decisions taken since objectivity would play a crucial role on the capacity of the board to actually monitor and control the management.

Weisbach, (1988), Hermalin and Weisbach (1991), Mehran (1995), John and Senbet (1998), established that determining the appropriate size of the board could help in resolving the agency problem in corporate governance. According to these studies, an appropriate combination of outside directors with insider directors has strong positive effect on efficiency and effectiveness of the board of directors and consequently on the firm's performance.

The agency theory, posit that the control function of an organization is primarily exercised by the board of directors. Board composition has been proposed to help reduce the

agency problem (Weisbach, 1988). Studies carried out by Bhagat and Black, (2002); Metrick & lshii, (2002); Yermack (1996); and Hermalin and Weisbach (1991) have provided evidence to show that there is no significant relationship between firm performance and board composition especially the proportion of outside directors on the board. Pearce and Zahra (1992) and Ogus (1998) discovered that boards of directors dominated by outsiders (non-executive directors) have better performance while some researchers find no such relationship in terms of accounting profits or firm's value. In addition, outside directors provide firms with link to the outside world thereby helping to secure critical resources and expand operational network. (Daily and Elistrand, 1996). This was supported by the study of Liang and Weir (1999) where it was reported that the presence of outside directors is positively associated with higher returns on investment. Furthermore, Bohren and Bernt (2003) opined that the amount of stocks owned by individual outside directors is significantly correlated with various measures of firm performance. Regarding the study of Rashid, De Zoysa, Lodh, and Rudkin (2010), the Independent non- executive directors are appointed from outside and they should not have any material interest in the firm. However, arguments have been presented challenging the limitations of outside independent directors. Nicholson and Kiel (2007) argue that inside directors live in the company they govern; they better understand the business than outside directors and so can make better decisions.

Rashid et al (2010) argued that there is information asymmetry between inside directors and outside independent directors. They argue that lack of day to day inside knowledge may reduce the control role of the independent directors in the firm, and that the independent directors may fail to perform because of lack of appropriate support by the inside directors. Cho and Kim (2007) and Brennan and Solomon (2008) also question the

value of outside independent directors, as they may not be competent to perform their assigned tasks because they are part-timers and do not have inside information of the firm.

From the perspective of internal (insider) directors also, it was discovered that boards dominated by insiders are not expected to play their role as effective monitors and supervisors of management especially when the board chairperson is also the firm's Chief Executive Officer (CEO).

In the light of the above, studies using financial statement data and Tobin's Q find no relationship between board's independence and firm performance while those using stock returns data or bond yield data find a positive relationship between board's independence and firm's performance.

2.4.3 Bank Performance and Director's Equity Holding

Equity holding is also known as equity or share ownership or position. This is defined as the ownership by an investor of a number of shares in a corporation. The provision on equity holding is influenced by the recognition 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. In the studies conducted by Gordon & Schmid, (1996) and James & Okafor (2011), it was discovered that directors' share holding significantly impacts on firm's performance. A number of studies however, upheld mixed positions regarding equity holdings, specifically for employees of a corporation and ownership that is dispersed (Roberts and Van den Steen , 2000); Bolton and Xu (2001); Becht, Bolton and Roell (2005). On dispersed ownership, some studies have posited inconclusively that, there is a link between ownership dispersion, voting control and corporate performance. Monsen, Chiu and Cooley (1968) argued that free-riding among dispersed shareholders leads to

inferior company performance. However, Gugler (2001) found that ownership concentration improves governance and performance at least for family owned firms. Anderson and Ribstein (2003) confirmed that family firms consistently out-perform their peers as measured by accounting yardstick like return on asset and market valuation measures such as Tobin's q. However, Demsetz and Lehn (1985) explained that it all depends on the nature of the firm. Some firms require large shareholder's control while some do not.

2.4.4 Bank Performance and Audit Committee Size

Audit committees are sub-committee of the board of the company. It is a very important corporate governance mechanism with the objective of enhancing the credibility and integrity of financial information produced by the company and to increase public confidence in the financial statements (Klein, 2002; Francis, Hasan and Wu, 2012). Audit committees oversee the organization's management, internal and external auditors in order to protect and preserve the shareholders' equity and interests. In order to ensure the independence of the audit committee, the committee must consist of only non executive directors and with a membership of not less than three members. The establishment of audit committee would lead to better corporate performance. Siagian and Tresnaningsih (2011) posit that directors and audit committees that are independent from management should improve the firms' reporting system and the quality of reported earnings because they are not subject to potential conflicts of interest that reduce their monitoring capacity. Usually, independent directors are also engaged in other firms or large organizations as experienced professionals and therefore, care about their reputation (Nguyen and Nielsen, 2010).The committee should contain independent directors along with other members and according to Islam, Islam, Bhattacharjee and Islam, (2009), an independent audit committee is one of the

important mechanisms in this respect. It is expected to satisfy the need of both internal and external users of financial statements, and prior studies have documented the importance of the independence of audit committee members for maintaining the integrity and quality of the corporate financial reporting process. Some study reports that a negative association on the percentage of independent directors, audit committee and earnings management does not observe a significant effect for audit committees comprising 100 percent independent directors. Xie, Davidson and DaDalt (2003) report that audit committees comprising members with some corporate or investment banking background are negatively associated with earnings management.

Futhermore, according to Chalhoub (2009), Brown and Caylor (2009), a study conducted by Ahmadu Sandu, Aminu S. Mikailu and Tukur Garba of the departments of economics, faculty of social sciences, Usmanu Danfodiyo University, sokoto, Nigeria on corporate governance mechanisms and firm financial performance in Nigeria. The purpose of the study was to examine the extent to which the corporate governance mechanism might help reduce the agency problem in a developing stock exchange such as that of Nigeria, where there is a yawning gap between theory and evidence. The result indicates a positive relationship between corporate governance and firm's financial performance in reducing agency problems.

Other than these empirical works, surveys have been conducted by various organizations to evaluate the relationship between the two issues of corporate governance and financial performance.

Klapper and Love (2003) reports that better corporate governance is highly correlated with better operating performance. They also document that firm level

corporate governance issues happens more in countries with weak legal environment. Black,et al (2003) provide empirical evidence that there is a positive correlation between corporate governance and performance, but they have no explanation about the causal relationship. At the same time, Drobetz (2004) also finds that higher corporate governance rating is related to high performance. However, the above empirical studies are more concerned about examining the difference and correlations than about causal relationships. They also explores the relationship between firm level corporate governance and firm performance. They suggests that good corporate governance leads to higher firm valuation (performance), hence, investors are willing to pay a premium, and bad corporate governance is punished in terms of valuation discounts.

Another research was performed by the Association of British Insurers (ABI) in 2008. The aim of that study was to address the two main questions of whether good governance enhances operating performance and whether good governance creates value, for the UK listed firms. That study utilized a total of 654 firms with 2007 firm-year observation during the period between 2004 and 2007. The results were positive in terms of the relationship between corporate governance of the firm and its performance. The firms that demonstrated the best governance records were found to out-perform others by generating higher returns. Other findings showed that a breach of governance best practice led to about one percentage (1 %) point decline in the firms industry adjusted RCA per year.

Chung et al (2008) identified corporate governance factors such as ownership structure, board of directors, outside directors and institutional investors' ownership. The

study analyzed not only the association between the two variables of corporate governance and financial performance but also take the issue of institutional ownership into account.

A more recent research was conducted by Ijeh, N.L, Adesanmi, A.D and Njogo, B.O (2014). They examined the impact of corporate governance on return on assets and return on equity of some selected commercial banks in Nigeria. From the analysis carried out, the study concludes that evidence of corporate governance in an industry like our commercial banks (Deposit money banks in Nigeria) has a great impact on return on asset and on return on equity of the five banks examined. However, it must be noted that parameters estimated from the objectives in question are not all statistically significant. The study recommends, among others that central Bank should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on customers account in the Banking institutions.

2.5 Research Gap

The study fills the gap which other researchers that studied impact of corporate governance on the performance of banks in Nigeria were not able to cover by using two different measure of bank's performance: return on equity (ROE) and return on asset (ROA) against the independent variables which are board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC) and audit committee size (ACS) spanning ten (10) years periods of 2006 to 2015.

2.7 Summary

The chapter is subdivided into three: conceptual framework, theoretical framework and empirical review. The study takes an in-depth look into the conceptual framework comprising of bank performance in Nigeria, corporate governance in Nigeria, corporate governance actors and corporate governance mechanisms.

The theoretical framework looked into some of the theories that can be used to explain corporate governance conventions world over; theories propounded by different researchers were looked into such as: stewardship theory, stakeholder theory, resources dependency theory and agency theory.

The empirical framework dwelled on a sizeable number of researches carried out on the impact of corporate governance and performance by different researchers. Also, this chapter briefly presents the research gap that informed this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter discusses the method and procedures employed in carrying out the research study. It discusses the research design, population and sample size, sampling technique, methods of data collection, techniques of data analyses and model specification. The method also encapsulates the data analysis and measurement of variables which include correlation and regression analysis (E-View 7.0).

3.2 Research Design

This study adopts the exploratory and ex-post facto design. The exploratory design was used to gather relevant materials from text books, journal articles and so on while the ex-post facto design was adopted on the basis that it does not provide the study an opportunity to control the variables mainly because they have already occurred and cannot be manipulated.

3.3 Population and Sample Size

The target population of this study includes all the universal banks that made the consolidation dead line in Nigeria as at 2005. The data gathered cover all the banks listed in the Nigeria stock exchange. However, the study is restricted to ten (10) selected deposit money banks drawn from the population; which constitutes the sample size of the study. The 10 selected banks are Access, Diamond, Ecobank, Fidelity, FBN, FCMB, GTB, Sterling, UBA and Zenith.

This study chooses a sample data of 10 deposit money banks quoted on the NSE for the sample period of 10 years spanning the years 2006 to 2015. The sample data of 10 banks

is based on those banks that have remained relatively stable in form/composition within the sample period while the sample period is chosen putting into consideration the conclusion of the Nigerian banking recapitalization/consolidation program of 2004/2005. Also, the period of 2006-2015 is therefore chosen to ensure ease of availability of data as well as ensuring uniformity and integrity of data because the recapitalization program brought in not only increased liquidity levels, as minimum capital requirement moved from N2b to N25b, but also increased competition among banks to go beyond the N25b minimum benchmark in order to become the biggest/strongest in the country.

3.4 Sampling Technique

This study adopts the judgmental sampling technique to select the ten (10) banks from the twenty (20) universal banks listed in the Nigerian Stock Exchange (NSE). The annual reports of these ten (10) selected listed banks for the period of ten (10) years ranging from 2006 to 2015 were gathered and the contents evaluated in a tabular form.

The choice of the judgmental sampling technique is made in order to get convenient samples that are an adequate representation of the population. This has the advantage of eliminating possible bias particularly in a survey (Smith, 1991). The selected banks are representatives of the Nigerian banking scope as they consist of the biggest banks, those that can possibly be said to be fringe players, the oldest banks, new generation banks and the best-run banks.

3.5 Method of Data Collection

This study used only the secondary data which is derived from the published annual reports of the ten (10) selected banks listed on the Nigeria Stock Exchange (NSE) from 2006 to 2015. The study also made use of books and other related materials especially the Central

Bank of Nigeria statistical Bulletin and the Nigerian Stock Exchange fact book (2014). The data collected were used to analyze the relationship between the dependent and the independent variables.

3.6 Techniques of Data Analysis

In analyzing the relationship that exists between corporate governance and the performance of the studied banks, a regression analysis of the panel data methodology using E-View (7.0) was adopted while Pearson correlation was used to measure the degree of association between variables under consideration.

The disclosure index items for the selected banks were also evaluated from the banks' annual reports to arrive at the governance disclosure level of the banks and the statistical significance of the independent variable (x) in terms of its contribution to the value of the dependent variable (y) are determined by the correlation (r).

To determine if the impact is indeed significant, our decision rule is based on the significances of the t-statistics (0.05) which are represented by the p- values flagged by the statistical packages used.

The degree of freedom using a two tailed test at 5% (0.5) level of significance, the decision rule states that if the computed data fall in acceptance areas, the null hypothesis will be accepted but if otherwise it will be rejected.

3.6.1 Further On Some of the Tools of Analysis

(i) **Coefficient of Determination (R2 or R-Sq) test:** It measures the explanatory power of the independent variables on the dependent variable. The R-Sq is used to explain the proportion or percentage changes in the dependent variable that is caused by the explanatory variable. It checks the strength of the linear relationship between the dependent variable and

the explanatory variable. For instance, R-Sq say of 0.40 means 40% of changes in the dependent variables is explained by the independent variables(s). R-Sq (Adj.) is the R-Sq that has been adjusted for the number of terms in the model. It makes an estimation of the true value of the population especially when the sample is small.

(ii) **T-Value:** It measures the individual statistical significance of the estimated independent variables. It is used to test the strength of the explanatory variable in predicting the response variable i.e. how well the independent variable predicts the dependent variable. At 0.05% level of significance, if t-value is greater than the standard alpha level (0.05) it means the prediction is significant.

(iii) **P-Value:** E-Views presents two P-values; one in the regression table and the other in the ANOVA table. P-Value in the regression table is used to test the hypothesis. At a given level of alpha say 0.05, $P < 0.05$ implies there is a significant relationship between the predictor and the response. $P = 0.00$ means there is a significant relationship (weak) between the dependent and independent variables while $P > O.05$ means there is no significant relationship between the explanatory variable and the dependent variable. The P-value in the ANOVA table is used to determine whether the linear predictors alone are sufficient to explain the variation in the dependent variable such that $P < O.05$ shows the linear predictor is not sufficient to explain the variation in the response; i.e. it shows the strength of the independent variable in causing any variation in the dependent variable (does the change in the independent variable cause an equal change in the dependent variable?).

(iv) **Durbin Watson (DW) TEST:** Test for autocorrelation. It is used to check for the appropriateness of the model used for the analysis. Any equation with DW less than or

greater than values not approximately 2 is not acceptable. Unacceptable Durbin Watson suggests that the analysis cannot be relied on.

3.6.2 Test of Hypothesis: F-value measures the overall significance; the extent to which the Coefficient of Determination is statistically significant. It tests the hypothesis. If the hypothesis is to be true at 95% confidence level, the calculated F-value should be smaller than 95%. You reject the hypothesis if the F-value is greater than 95% and accept when the f-value is smaller than 95%. That is, Decision Rule:-

If $F > 95$ = Reject H_0

$F < 95$ = Accept H_0

The Ordinary Least Square (OLS) test is also used in the test of hypothesis based on P values generated for each of the variables used.

If $P > 0.05$ = Reject H_0

$P < 0.05$ = Accept H_0

This study formulates and test five (5) hypotheses accordingly; see section 4.4.

3.6.3 Measurement of Variables

The corporate governance proxies that were used are Board size (BS), Board composition (BDC) i.e. the proportion of non-executive Directors, Directors' equity holding (DEH), Corporate governance disclosure index (CGDI) and Audit committee size (ACS) while the profitability variables to measure the performance of the banks is the accounting measures of performance such as Return on Equity (ROE) and Return on Asset (ROA). In measurement of BS, BDC and ACS, the following were used; $\frac{Aggregate\ Value\ of\ individual\ bank\ for\ each\ period\ (in\ Number)}{Number\ of\ the\ Banks}$. For DEH, $\frac{Aggregate\ value\ of\ individual\ Bank\ for\ each\ period\ (in\ Naira)}{Number\ of\ the\ Bank}$. To measure the level of corporate

governance disclosures of the selected banks, the corporate annual reports of the banks were examined and the corporate governance disclosure index (CGDI) was then computed by using the following formula:

$$CGDI = \frac{Total\ score\ of\ the\ individual\ Bank}{Maximum\ possible\ score\ obtainable\ by\ the\ Bank} x \frac{100}{1}$$ (i.e. in %).

The ROE and ROA were measured in % and derived thus:

ROE = PAT/Shareholder's Equity x 100; and ROA = PAT/Total Asset x 100

Where PAT = Profit after Tax.

3.6.4 Relationship between the Variables/Apriori Expectations

The apriori expectations of relationship between the identified variables are that DEH, CGDI and BDC, will have positive impact to performance of deposit money banks measure by ROE while BS and ACS will have negative impact to ROE. Similarly, BS, DEH and BDC will have positive impact to performance of deposit money banks measured by ROA while CGDI and ACS will impact negatively to ROA. This follows from the basis that equity holdings and quality (qualifications and their ability to initiate policies and ideas) of members of the board enhances performance of an organization.

3.7 Model Specification

This study employs different corporate governance and performance proxies in determining the relationship between corporate governance and bank performance in Nigeria.

The functional relationship between corporate governance and bank performance in Nigeria is expressed thus:

$ROE_t = f(BS_t, DEH_t, CGDI_t, BDC_t, ACS_t)$ ---------- (1a)

$ROA_t = f(BS_t, DEH_t, CGDI_t, BDC_t, ACS_t)$ ---------- (1b)

Where:

ROE_t and ROA_t indicate firm performance/dependent variables which are Return on Equity (ROE) and Return on Asset (ROA) respectively at time (t).

BS_t represents Board Size at time (t)

DEH_t represents Directors' Equity Holding at time (t)

$CGDl_t$ represents Corporate Governance Disclosure Index at time (t)

BDC_t represents Board Composition which is defined as the ratio of outside directors to total number of directors at time (t)

ACS_t represents Audit Committee Size at time (t)

u is the error term (unexplained variance).

Thus when equations (1a) and (1b) is transformed into an econometric model, it is presented as:

$ROE_{1t} = a_0 + b_1BS_t + b_2DEH_t + b_3CGDI_t + b_4BDC_t + b_5ACS_t + U_t$ …… (2a)

$ROA_{1t} = a_0 + b_1BS_t + b_2DEH_t + b_3CGDI_t + b_4BDC_t + b_5ACS_t + U_t$ …… (2b)

Where:

b_1 - b_5 indicates the partial regression coefficient attached to variable BSt, DEH_t, $CGDl_t$, BDC_t, ACS_t which are the explanatory/independent variables.

Ut is the error term (unexplained variance).

The a-priori expectation of the above equationalized variables is expected as follows:

$B_1, b_2, b_4 > 0$ and $b_3, b_5 < 0$ ---------- (3)

The signs in equation 3 show that there will be a positive and negative relationship between the endogenous variables and the exogenous variables.

3.9 Summary

In this chapter, the researcher has been able to justify the research design used alongside other trivial but equally important concepts that makes up the research methodology of the study.

A careful comprehension of these facts would place the reader(s) at par with the researcher in order to understand the style of the researcher.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on data presentation, analysis of data, test of hypotheses and discussion of results. The data obtained from various secondary sources such as Annual Report of the Banks under study are presented below:

4.2 Data Presentation

Table 4.1: Aggregate Data for sample Deposit Money Banks in Nigeria.

Year	Returns on Equity %	ROA %	Board Size (BS)	Director's Equity Holding (DEH) N'billion	Corporate Governance Disclosure Index (CGDI)	Board Composition (BDC)	Audit Committee Size (ACS)
2006	0.0081	0.021	9.5	4123792000	0.456753246	37.6	6
2007	0.0192	0.021	9.5	8016492000	0.768567436	35.2	6
2008	0.0198	0.011	9.5	9638925000	0.786543564	37.8	6
2009	0.2182	4.852	9.5	1175440600	0.567898761	38	4
2010	0.0323	0.012	10.5	3107017100	0.619986251	43.4	5
2011	0.0373	0.026	11	5765875000	0.869559917	50.4	5
2012	0.1632	0.020	11	6839708000	0.707095735	58	7
2013	0.1382	0.020	11	7461500000	0.851819231	68.6	7
2014	0.1335	0.017	11.5	9326875000	0.595212586	70.6	9
2015	0.0907	0.013	11.5	1165859400	0.956787451	74.2	9
2016	0.1090	0.021	12.0	1471559000	0.992737292	74.4	9

Source: Annual Report and Account of Banks under Study 2016

Table 4.1 above shows the aggregate data on returns on asset (ROA), returns on equity (ROE), board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS) of deposit money banks in Nigeria. The formula used to derive returns on asset is profit after tax divided by total assets while return on equity is profit after tax divided by equity.

Table 4.1 above also shows that there was no regular pattern of efficiency in the utilization of funds (ROE) and rate of profitability in the use of firm's total assets (ROA), fluctuating figures for BS, DEH, CGDI, BDC as well as ACS for all the periods put together, i.e. for the period 2006 to 2015 under study. Some periods' ROE and ROA increased while they decreased at other periods; for example ROE (from 0.0081% in 2006 through 0.2182% in 2009 to 0.0907% in 2015) and ROA (from 0.021% in 2006 through 4.852% in 2009 to 0.013 in 2015). However, the independent variables such as BS, DEH, CGDI, BDC and ACS also were unstable but BS and ACS seemed to be fairly stable have their figures not deviating much in different years..

In other words, performance of deposit money banks changes with changes in corporate governance indices.

4.3 Analysis of Data

4.3.1 Model 1

Table 4.2: ORDINARY LEAST SQUARE (OLS) OUTPUT

Dependent Variable: ROE
Method: Least Squares
Date: 05/19/17 Time: 13:42
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.708962	0.542401	1.307083	0.2481
BS	-0.075918	0.068920	-1.101542	0.3208
DEH	-1.94E-12	6.85E-12	-0.282384	0.7890
CGDI	-0.142364	0.151603	-0.939057	0.3908
BDC	0.010291	0.005096	2.019638	0.0994
ACS	-0.037837	0.024922	-1.518221	0.1894

R-squared	0.554188	Mean dependent var	0.088136
Adjusted R-squared	0.108376	S.D. dependent var	0.070062
S.E. of regression	0.066157	Akaike info criterion	-2.291126
Sum squared resid	0.021884	Schwarz criterion	-2.074092
Log likelihood	18.60119	Hannan-Quinn criter.	-2.427935
F-statistic	1.243099	Durbin-Watson stat	2.690380
Prob(F-statistic)	0.408546		

Estimation Command:
==========
LS ROE C BS DEH CGDI BDC ACS
Estimation Equation:
==========
ROE = C(1) + C(2)*BS + C(3)*DEH + C(4)*CGDI + C(5)*BDC + C(6)*ACS
Substituted Coefficients:
==========
ROE = 0.708962442146 - 0.0759179351778*BS - 1.93514998833e-12*DEH - 0.142363974387*CGDI + 0.0102914330416*BDC - 0.037837182210 8*ACS

Source: E-View 7.0

Board Size (BS): the coefficient of BS is -0.075, which shows that BS has negative impact on Returns on Equity (ROE) of Deposit Money Banks in Nigeria. It further revealed not significant to ROE as the prob-value of the t-stat for BS is 0.320 > 0.05 critical level.

Directors Equity Holding (DEH): the coefficient of DEH is -1.94, which shows negative impact on Returns on Equity (ROE) of Deposit Money Banks in Nigeria. It further revealed not significant to ROE as the prob-value of the t-stat for DEH is 0.789 > 0.05 critical level.

Corporate Governance Disclosure Index (CGDI): the coefficient of CGDI is -0.14, which shows negative impact on Returns on Equity (ROE) of Deposit Money Banks in Nigeria. It further revealed not significant to ROE as the prob-value of the t-stat for CGDI is 0.390> 0.05 critical level.

Board Composition (BDC): the coefficient of BDC is 0.01, which shows positive impact on Returns on Equity (ROE) of Deposit Money Banks in Nigeria. It further revealed not significant to ROE as the prob-value of the t-stat for CGDI is 0.099> 0.05 critical level.

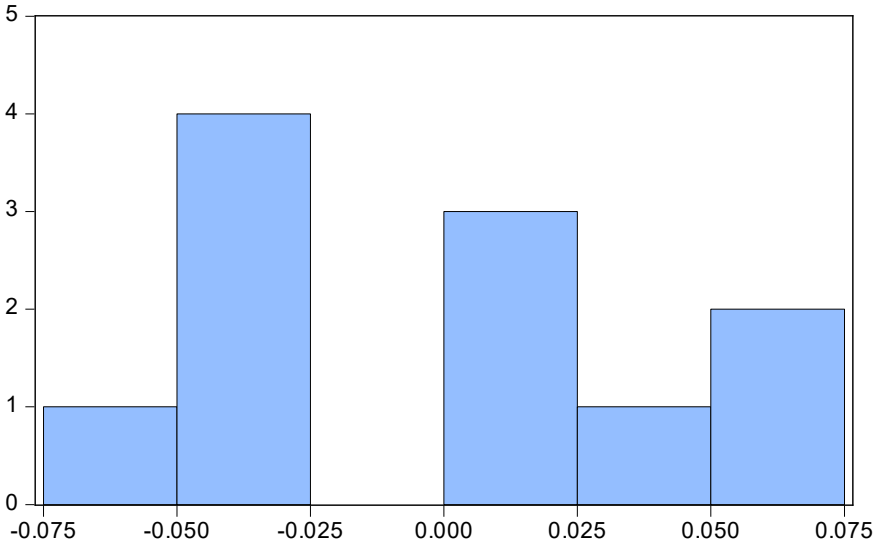
Audit Committee Size (ACS): the coefficient of ACS is -0.037, which shows negative impact on Returns on Equity (ROE) of Deposit Money Banks in Nigeria. It further revealed not significant to ROE as the prob-value of the t-stat for ACS is 0.189> 0.05 critical level.

The **coefficients of R^2** is 0.554 which is moderate and revealed that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), and audit committee size (ACS) have 55% positive impact to Returns on Equity of Deposit Money Banks in Nigeria. More so the **coefficients of Adjusted R^2 (AdjstR^2)** is 0.108 which suggest that 10% of (BS), (DEH), (CGDI), (BDC) and (ACS) could be explained by the changes in ROE and the remaining 90% could not be explained due to some error in the financial system. **Durbin Watson (DW) test** is 2.690 which is just

approximately 3, indicating that there is no presence of first order serial correlation. The DW statistic test the strength of the model used for the analysis and with DW = 3, it is concluded that the model is good for prediction. The **p-value of the F-stat** (the group statistic) is 0.408 > 0.05 which implies level of significance of 40.8%; thus the group parameter is not significant, being quit far from the 5% level of significance.

Diagnostic Test

Table 4.3: Normality test



Source: E-view 7.0

The series distribution is normal as the p-value associated with JB-Jarque Bera statistics is 0.703 which is greater that the critical value of 0.05.

Table 4.4: Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.649455	Prob. F(2,3)	0.3287
Obs*R-squared	5.760998	Prob. Chi-Square(2)	0.0561

Source: E-view 7.0

The p-value of the f-statistics is 0.056 which is greater that the critical value of 5%, we conclude by accepting H_0 that there is no presence of serial correlation.

Table 4.5: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.501726	Prob. F(5,5)	0.3332
Obs*R-squared	6.603036	Prob. Chi-Square(5)	0.2519
Scaled explained SS	0.634797	Prob. Chi-Square(5)	0.9864

Source: E-view 7.0

The p-value of the observed R squared is 0.251 which is greater than the critical value of 5%, meaning that we accept null hypothesis that the residuals are homoskedastic in nature and it's desirable.

Table 4.6: Stability Test

Ramsey RESET Test
Equation: UNTITLED
Specification: ROE C BS DEH CGDI BDC ACS
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.059748	4	0.9552
F-statistic	0.003570	(1, 4)	0.9552
Likelihood ratio	0.009813	1	0.9211

Source: E-view 7.0

The p-value of the f-stat of Ramsey reset test is 0.955 which is greater than critical value of 5%, we conclude by accepting H_0 that the series are in functional form and it is structurally stable.

4.3.2 Model 2

Table 4.7: ORDINARY LEAST SQUARE (OLS) OUTPUT

Dependent Variable: ROA
Method: Least Squares
Date: 05/19/17 Time: 14:34
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.35817	10.39546	1.862177	0.1216
BS	1.852541	1.320890	1.402494	0.0219
DEH	1.84E-10	1.31E-10	1.401171	0.0201
CGDI	-1.758891	2.905571	-0.605351	0.5714
BDC	0.145305	0.097662	1.487838	0.1970
ACS	-0.719004	0.477647	-1.505303	0.1126

		Mean dependent var	0.457636
R-squared	0.721577		
Adjusted R-squared	0.543155	S.D. dependent var	1.457453
S.E. of regression	1.267938	Akaike info criterion	3.615113
Sum squared resid	8.038332	Schwarz criterion	3.832146
Log likelihood	-13.88312	Hannan-Quinn criter.	3.478303
F-statistic	1.642549	Durbin-Watson stat	2.543407
Prob(F-statistic)	0.029651		

Estimation Command:
==========
LS ROA C BS DEH CGDI BDC ACS

Estimation Equation:
==========
ROA = C(1) + C(2)*BS + C(3)*DEH + C(4)*CGDI + C(5)*BDC + C(6)*ACS

Substituted Coefficients:
==========
ROA = 19.3581749308 + 1.85254091235*BS - 1.84029980761e-10*DEH - 1.75889091975*CGDI + 0.14530530909*BDC - 0.71900385528*ACS

Source: E-View 7.0

Board Size (BS): the coefficient of BS for model 2 is 1.852, which shows that BS has positive impact on Returns on Asset (ROA) of Deposit Money Banks in Nigeria. It further revealed significant to ROA as the prob-value of the t-stat for BS is 0.021< 0.05 critical level.

Directors Equity Holding (DEH): the coefficient of DEH for model 2 is 1.84, which shows positive impact on Returns on Asset (ROA) of Deposit Money Banks in Nigeria. It further revealed significant to ROA as the prob-value of the t-stat for DEH is 0.020< 0.05 critical level.

Corporate Governance Disclosure Index (CGDI): the coefficient of CGDI for model 2 is -1.75, which shows negative impact on Returns on Asset (ROA) of Deposit Money Banks in Nigeria. It further revealed not significant to ROA as the prob-value of the t-stat for CGDI is 0.571> 0.05 critical level.

Board Composition (BDC): the coefficient of BDC for model 2 is 0.145, which shows positive impact on Returns on Asset (ROA) of Deposit Money Banks in Nigeria. It further revealed not significant to ROA as the prob-value of the t-stat for CGDI is 0.197> 0.05 critical level.

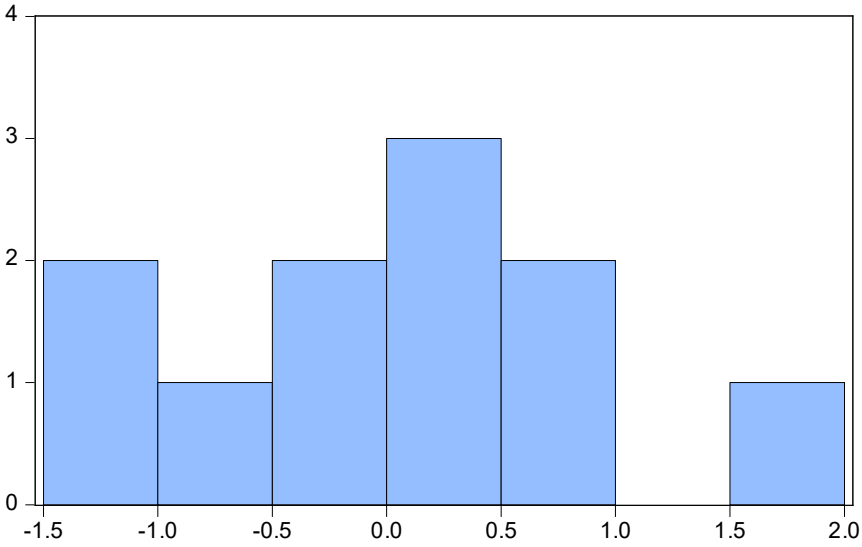
Audit Committee Size (ACS): the coefficient of ACS for model 2 is -0.719, which shows negative impact on Returns on Equity (ROA) of Deposit Money Banks in Nigeria. It further revealed not significant to ROA as the prob-value of the t-stat for ACS is 0.112> 0.05 critical level.

The **coefficients of R^2** is 0.721 which is moderate and revealed that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board

composition (BDC), and audit committee size (ACS) have 72% positive impact to Returns on Asset of Deposit Money Banks in Nigeria. More so the **coefficients of Adjusted R^2 (AdjstR^2)** is 0.543 which suggest that 54% of (BS), (DEH), (CGDI), (BDC) and (ACS) could be explained by the changes in ROA and the remaining 46% could not be explained due to some error in the financial system. **Durbin Watson (DW) test** is 2.543 which is just approximately 2, indicating that there is no presence of first order serial correlation. The DW statistic test the strength of the model used for the analysis and with DW = 2, it is concluded that the model is good for prediction. The **p-value of the F-stat** (the group statistic) is 0.029 < 0.05 which implies level of significance of 2.9%; thus the group parameter is said to be significant, being quit less than (below) 5% level of significance.

Diagnostic Test

Table 4.8: Normality test



Series: Residuals	
Sample 2006 2016	
Observations 11	
Mean	3.63e-16
Median	0.147510
Maximum	1.662566
Minimum	-1.325212
Std. Dev.	0.896567
Skewness	0.191202
Kurtosis	2.306930
Jarque-Bera	0.287182
Probability	0.866242

Source: E-view 7.0

The series distribution is normal as the p-value associated with JB- JarqueBera statistics is 0.866 which is greater that the critical value of 0.05.

Table 4.9: Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.833846	Prob. F(2,3)	0.5153
Obs*R-squared	3.930125	Prob. Chi-Square(2)	0.1401

Source: E-view 7.0

The p-value of the f-statistics is 0.515 which is greater that the critical value of 5%, we conclude by accepting H_0 that there is no presence of serial correlation.

Table 4.10: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	8.419453	Prob. F(5,5)	0.0177
Obs*R-squared	9.832204	Prob. Chi-Square(5)	0.0801
Scaled explained SS	1.327480	Prob. Chi-Square(5)	0.9321

Source: E-view 7.0

The p-value of the observed R squared is 0.080 which is greater than the critical value of 5%, meaning that we accept null hypothesis that the residuals are homoskedastic in nature and it's desirable.

Table 4.11: Stability Test

Ramsey RESET Test
Equation: UNTITLED
Specification: ROA C BS DEH CGDI BDC ACS
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	12.27103	4	0.0003
F-statistic	150.5781	(1, 4)	0.0003
Likelihood ratio	40.19846	1	0.0000

Source: E-view 7.0

The p-value of the f-stat of Ramsey reset test is 0.000 which is less than critical value of 5%, we conclude by accepting H_1 that the series are not in functional form and it not structurally stable.

4.4 Test of Hypotheses

The study sets out five (5) hypotheses for testing as follows:

Ho_1: Board size has no significant impact on return on equity and return on asset of deposit money banks in Nigeria.

Ho_2: The proportion of non-executive directors has no significant impact on return on equity and return on asset of deposit money banks in Nigeria.

Ho_3: There is no significant impact of the directors' equity holding on return on equity and return on asset of deposit money banks in Nigeria.

Ho_4: There is no significant impact of the level of corporate governance disclosure on return on equity and return on asset of deposit money banks in Nigeria.

Ho_5: There is no significant impact of the Audit Committee size on return on equity and return on asset of deposit money banks in Nigeria.

4.4.1. Ordinary Least Square (OLS) Regression Results for Model 1 (ROE).

The hypotheses are also tested from the table for the multiple regressions. In this case, the decision rule is:

$P > 0.05$, reject H_1 and accept H_0 (null hypothesis)

$P < 0.05$, accept H_1 and reject H_0 (null hypothesis)

From Table 4.2, all the P values are greater than 0.05, i.e. 0.3208 for BS, 0.7890 for DEH, 0.3908 for CGDI, 0.0994 for BDC and 0.1894 for ACS. Therefore we accept the null hypotheses Ho_1, Ho_2, Ho_3, Ho_4 and Ho_5.

In other words, our results reveal the following;

(i) Board size has no significant impact on return on equity of deposit money banks in Nigeria.

(ii) The proportion of non-executive directors has no significant impact on return on equity of deposit money banks in Nigeria.

(iii) There is no significant impact of the directors' equity holding on return on equity of deposit money banks in Nigeria.

(iv) There is no significant impact of the level of corporate governance disclosure on return on equity of deposit money banks in Nigeria.

(v) There is no significant impact of the Audit Committee size on return on equity of deposit money banks in Nigeria.

4.4.2. Ordinary Least Square (OLS) Regression Results for Model 2 (ROA).

The hypotheses are also tested from the table for the multiple regressions. In this case, the decision rule is:

$P > 0.05$, reject H_1 and accept H_0 (null hypothesis)

$P < 0.05$, accept H_1 and reject H_0 (null hypothesis)

From Table 4.7, the P values of BS and DEH are less than 0.05 while that of CGDI, BDC and ACS are greater than 0.05, i.e. 0.0219 for BS, 0.0201 for DEH, 0.5714 for CGDI, 0.1970 for BDC and 0.1126 for ACS. Therefore we accept the null hypotheses Ho_3, Ho_4 and Ho_5, and reject the null hypotheses Ho_1 and Ho_2.

In other words, our results reveal the following;

(i) Board size does significantly impact on return on asset of deposit money banks in Nigeria.

(ii) The proportion of non-executive directors does significantly impact on return on asset of deposit money banks in Nigeria.

(iii) There is no significant impact of the directors' equity holding on return on asset of deposit money banks in Nigeria.

(v) There is no significant impact of the level of corporate governance disclosure on return on asset of deposit money banks in Nigeria.

(v) There is no significant impact of the Audit Committee size on return on asset of deposit money banks in Nigeria.

4.5 Discussion of Findings

The findings of this study is based primarily on the research questions and hypotheses, which are themselves in line with the research objectives.

The research questions centered on the impact of corporate governance on the performance of banks in Nigeria and the likely influence, if any, of board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS) on return on equity and return on asset. The aim is to find out, at the end of the day, the impact of corporate governance on performance of banks in Nigeria.

The apriori expectations of the study are that performance of banks should have positive correlation coefficients with board size (BS), director's equity holdings (DEH) and board composition (BDC), and negative correlation coefficients with corporate governance disclosure index (CGDI) and audit committee size (ACS).

The research findings tallied with the apriori expectations and the results of the regression and analysis of the data indicate that, in **model 1 (ROE)** for the period under review, five hypotheses formulated (postulating that board size, director's equity holdings, corporate governance disclosure index, board composition and audit committee size do not individually impact significantly on performance) were accepted in their null modes, since the level of significance (the group statistics) is 40.8%; this supposes that none of the explanatory variables of board size, director's equity holdings, corporate governance disclosure index board composition and audit committee size do significantly impact on the performance of deposit money banks in Nigeria. Thus, the alternate hypothesis were accepted. However, one of the explanatory variables do have relationship with performance

of deposit money banks going by the coefficient of correlation [board composition (BDC) with coefficient of correlation 0.010291].

In **model 2 (ROA)** for the period under review, the results of the regression and analysis of the data indicate that, three hypotheses formulated (postulating that corporate governance disclosure index, board composition and audit committee size do not individually impact significantly on performance) were accepted in their null modes, this supposes that the exploratory variables of corporate governance disclosure index, board composition and audit committee size do not significantly impact on the performance of deposit money banks in Nigeria. Thus, the alternate hypothesis were accepted. Similarly, it also indicated that, two hypotheses formulated (postulating that board size and director's equity holdings individually impact significantly on performance) were rejected in the null modes; this supposes that the exploratory variables of board size and director's equity holdings significantly impact on the performance of deposit money banks in Nigeria. However, three of the explanatory variables do have relationship with performance of deposit money banks going by the coefficient of correlation [board size (BS) with coefficient of correlation 1.852541, director's equity holdings (DEH) with coefficient of correlation 1.84E-10 and board composition (BDC) with coefficient of correlation 0.145305]. Model 2 indicates that the group level of significance (the group statistics) is 2.96% which is approximately 3%

Finally, all the exploratory variables, however, do have relationships with performance of deposit money banks in Nigeria going by proportion or percentage changes as observed in the R-Squared (R^2). For instance, R-Squared (R^2) for model 1 of 0.554 means that the explanatory variables have 55% linear relationship with return on equity (ROE) of

deposit money banks in Nigeria and R-Squared (R^2) for model 2 of 0.721 means that the explanatory variables have 72% linear relationship with return on asset (ROA) of deposit money banks in Nigeria. Taken together, they have significant relationship on the performance of deposit money banks in Nigeria.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study was motivated by the fact that the Nigeria banking industry has witnessed a number of past financial failures, fraud, and questionable business practices which had adversely affected investors' confidence and created lingering distress in the industry. While some researchers opined that failure of corporate governance within the banks was as a result of the Boards' ignorance of corporate practices for reasons including being misled by Executive management and not having the qualifications to enforce good governance, other argue that board size influence performance and still, others argue that board of directors dominated by outsides (non-executive Directors) have better performance. Therefore, the seeks to study ascertain the true relationship between various aspects of corporate governance and its impact on the performance of deposit money banks in Nigeria.

The study revealed that ordinary least square (OLS) result for model one shows that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS) do not have significant impact to returns on equity (ROE) of deposit money banks in Nigeria because the p-value f-statistic is 0.408 which is greater than 5% significant level. The coefficients of R^2 is 0.554 which is moderate and revealed that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), and audit committee size (ACS) have 55% positive relationship to Returns on Equity of Deposit Money Banks in Nigeria. More so the coefficients of Adjusted R^2 (AdjstR^2) is 0.108 which suggest that 10% of (BS), (DEH), (CGDI), (BDC) and (ACS) could be explained by the

changes in ROE and the remaining 90% could not be explained due to some error in the financial system. Durbin Watson test is 2.690 which revealed no presence of serial correlation and good for prediction.

The ordinary least square (OLS) result for model two shows that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS) have significant impact to returns on Asset (ROA) of deposit money banks in Nigeria because the p-value f-statistic is 0.029 which is less than 5% significant level. The coefficients of R^2 is 0.721 which is moderate and revealed that board size (BS), directors equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), and audit committee size (ACS) have 72% positive relationship to Returns on Asset of Deposit Money Banks in Nigeria. More so the coefficients of Adjusted R^2 (AdjstR^2) is 0.543 which suggest that 54% of (BS), (DEH), (CGDI), (BDC) and (ACS) could be explained by the changes in ROA and the remaining 46% could not be explained due to some error in the financial system. Durbin Watson test is 2.543, which revealed no presence of serial correlation and good for prediction.

5.1.1 Relationship of Finding with Existing Research Works

The findings of this research seem to be partly in support and partly in contrast with existing research work. Among those in support of model one were the study of Yermack (1996) and Eisenberg, Sundgren and Wells (1998) find a fairly clear negative relationship between board size and firm performance. This is because when the board is large, it affects the value of a firm in a negative fashion as there is an agency cost among the members of a bigger board; this was also supported by the studies carried out by Harris and Raviv (2005) and Bennedsen, Kongsted and Nielsen (2006. They argued that larger board is ineffective as

compared to smaller boards; Bhagat and Black (2002) pointed out that the negative relationship between board size and firm performance is not strong. Small boards are more efficient in decision-making because there is less agency cost among the board members; Studies carried out by Bhagat and Black, (2002); Metrick & lshii, (2002); Yermack (1996); and Hermalin and Weisbach (1991) have provided evidence to show that there is no significant relationship between firm performance and board composition especially the proportion of outside directors on the board; Bohren and Bernt (2003) opined that the amount of stock owned by individual outside directors is significantly correlated with various measures of firm performance.

Those in support of model two includes; Vallelado and Andres (2008) after their examination on the characteristics of the boards on commercial banks opening in some countries deduced that the inclusion of more directors is positively associated with performance. Others includes; Liang and Weir (1999) where it was reported that the presence of outside directors is positively associated with higher returns on investment; Gordon and Schmid, (1996) and James and Okafor (2011) discovered that directors' share holding significantly impacts on firm's performance; Xie, Davidson and DaDalt (2003) report that audit committees comprising members with some corporate or investment banking background are negatively associated with performance; Black,et al (2003) provide empirical evidence that there is a positive correlation between corporate governance and performance, but they have no explanation about the causal relationship; Drobetz (2004) also finds that higher corporate governance rating is related to high performance. However, the above empirical studies are more concerned about examining the difference and correlations than about causal relationships.

Specifically, a more recent research were conducted by Ijeh, N.L, Adesanmi, A.D and Njogo, B.O (2014). They examined the impact of corporate governance on return on assets and return on equity of some selected commercial banks in Nigeria. From the analysis carried out, the study concludes that evidence of corporate governance in an industry like our commercial banks has a great impact on return on asset and on return on equity of the five banks examined. However, it must be noted that parameters estimated from the objectives in question are not all statistically significant.

5.2 Conclusion

The study focuses on the impact of corporate governance on the performance of banks in Nigeria, spanning from 2006-2015, two different measures were used to measure bank's performance: returns on equity and returns on asset against the independent variables which are board size (BS), directors' equity holdings (DEH), corporate governance disclosure index (CGDI), board composition (BDC), audit committee size (ACS). The study therefore conclude that;

(i) board size, director's equity holdings, corporate governance disclosure index, board composition and audit committee size do not individually impact significantly on performance when measured with return on equity (ROE), since the level of significance (the group statistics) is 40.8%. This also implies that none of the explanatory variables of board size, director's equity holdings, corporate governance disclosure index board composition and audit committee size do significantly impact on the return on equity of deposit money banks in Nigeria.

(ii) Board composition (BDC) have relationship with ROE of deposit money banks in Nigeria, [coefficient of correlation 0.010291].

(iii) Board size (BS) and director's equity holdings (DEH) have significant impact on the return on asset (ROA) of deposit money banks in Nigeria.

(iv) Corporate governance disclosure index (CGDI), board composition (BDC) [non-executive Director's] and audit committee size (ACS) do not individually impact significantly on Return on asset (ROA) of deposit money banks in Nigeria.

(v) board size (BS), director's equity holdings (DEH) and board composition (BDC) have positive relationship with return on asset of deposit money banks in Nigeria going by the groups coefficient of correlation.

(vi) Conclusively, BS, DEH, CGDI, BDC and ACS, have relationships with performance of deposit money banks in Nigeria going by proportion or percentage changes as observed in the R-Squared (R^2). For instance, R-Squared (R^2) for model 1 of 0.554 means that the explanatory variables have 55% linear relationship with return on equity (ROE) of deposit money banks in Nigeria and R-Squared (R^2) for model 2 of 0.721 means that the explanatory variables have 72% linear relationship with return on asset (ROA) of deposit money banks in Nigeria.

5.3 Recommendations

Based on the discussion of findings, the following recommendations are made:

(i) Adequate measures should be taken to enhance efficiency and effectiveness of governance frameworks in the banking sector. Stakeholders should be adequately knowledgeable on the relevant laws, rights, responsibilities and ethical requirements

(ii) The central Bank of Nigeria (CBN) should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on customers account in the Banking institutions.

(iii) Corporate organizations should ensure that quality and experienced persons (non-executive Directors') are appointed as members of their Board of Directors to guarantee positive impact on performance.

(iv) Management should be transparent and ethical in order to promote the image of the banking sector. Non-compliance with the standard of reporting and disclosure requirement should be sanctioned.

(v) Efforts to improve corporate governance should ensure that there exists a sound internal control system in the banks and that laid down procedures are reviewed regularly. This will help to frustrate the activity of the fraudsters while also leading by examples.

(vi) Further studies should be taken on different financial subsectors like Insurance, Discount Houses and Stock Brokering firms. This is to further enrich the knowledge base on the impact of corporate governance in the wider finance sector.

(vii) This study is recommended for use by management of banks in Nigeria as they tinker with how to handle their individual firms' corporate governance mechanisms

effectively and efficiently, going by its rich content of intellectual literature and results.

5.4 Contribution to Knowledge

This study is another contribution to the existing literature in the study of corporate governance, but with particular emphasis on deposit money banks in Nigeria.

Specifically;

i) The study used two models of bank's performance to analyze the impact of corporate governance on return on equity (ROE) and return on asset (ROA) of deposit money banks in Nigeria.

ii) The study expanded on previous studies by analyzing five parameters of corporate governance on two measures of performance for a period of 10 years using E-View 7.0.

iii) Sound policy recommendation capable of driving deposit money banks performance were also proffered.

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APPENDIX

MODEL 1

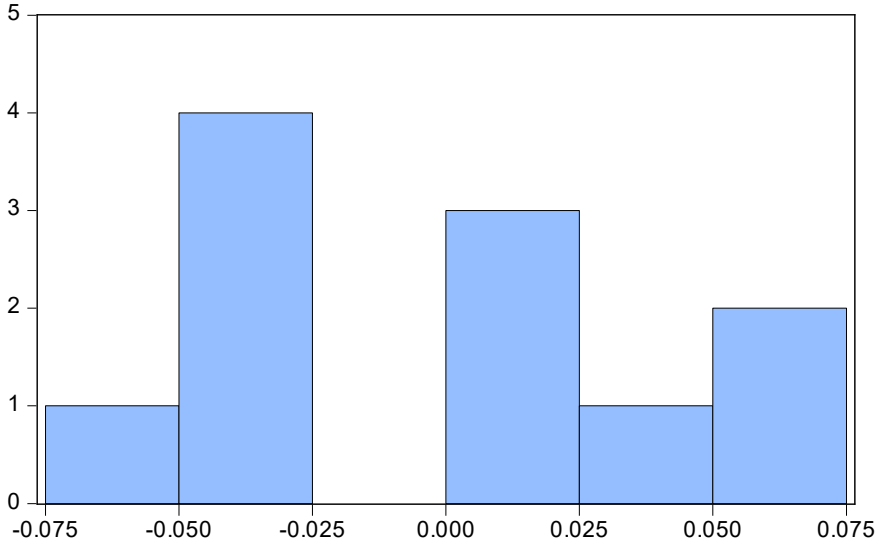
OLS

Dependent Variable: ROE
Method: Least Squares
Date: 05/19/17 Time: 13:42
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.708962	0.542401	1.307083	0.2481
BS	-0.075918	0.068920	-1.101542	0.3208
DEH	-1.94E-12	6.85E-12	-0.282384	0.7890
CGDI	-0.142364	0.151603	-0.939057	0.3908
BDC	0.010291	0.005096	2.019638	0.0994
ACS	-0.037837	0.024922	-1.518221	0.1894

R-squared	0.554188	Mean dependent var	0.088136
Adjusted R-squared	0.108376	S.D. dependent var	0.070062
S.E. of regression	0.066157	Akaike info criterion	-2.291126
Sum squared resid	0.021884	Schwarz criterion	-2.074092
Log likelihood	18.60119	Hannan-Quinn criter.	-2.427935
F-statistic	1.243099	Durbin-Watson stat	2.690380
Prob(F-statistic)	0.408546		

NORMALITY TEST



Series: Residuals	
Sample 2006 2016	
Observations 11	
Mean	1.17e-16
Median	0.000693
Maximum	0.073855
Minimum	-0.066571
Std. Dev.	0.046780
Skewness	0.311804
Kurtosis	1.930608
Jarque-Bera	0.702390
Probability	0.703846

SERIAL CORRELATION TEST

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.649455	Prob. F(2,3)	0.3287
Obs*R-squared	5.760998	Prob. Chi-Square(2)	0.0561

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 05/19/17 Time: 13:43
Sample: 2006 2016
Included observations: 11
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.130663	0.557663	0.234305	0.8298
BS	-0.004760	0.072509	-0.065651	0.9518
DEH	-1.10E-12	6.15E-12	-0.179442	0.8690
CGDI	-0.115247	0.162754	-0.708107	0.5299
BDC	0.004054	0.005215	0.777286	0.4937
ACS	-0.031441	0.028406	-1.106832	0.3491
RESID(-1)	-1.129045	0.621646	-1.816219	0.1669
RESID(-2)	-0.773169	0.686441	-1.126344	0.3420

R-squared	0.523727	Mean dependent var	1.17E-16
Adjusted R-squared	-0.587576	S.D. dependent var	0.046780
S.E. of regression	0.058942	Akaike info criterion	-2.669254
Sum squared resid	0.010423	Schwarz criterion	-2.379876
Log likelihood	22.68090	Hannan-Quinn criter.	-2.851666
F-statistic	0.471273	Durbin-Watson stat	1.723783
Prob(F-statistic)	0.814207		

HETEROSKEDASTICITY TEST

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.501726	Prob. F(5,5)	0.3332
Obs*R-squared	6.603036	Prob. Chi-Square(5)	0.2519
Scaled explained SS	0.634797	Prob. Chi-Square(5)	0.9864

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 05/19/17 Time: 13:44
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.018489	0.014755	1.253047	0.2656
BS	-0.001161	0.001875	-0.619376	0.5628
DEH	-2.38E-13	1.86E-13	-1.274324	0.2586
CGDI	-0.006953	0.004124	-1.685951	0.1526
BDC	0.000124	0.000139	0.898075	0.4103
ACS	-0.000669	0.000678	-0.986189	0.3693

R-squared	0.600276	Mean dependent var	0.001989
Adjusted R-squared	0.200552	S.D. dependent var	0.002013
S.E. of regression	0.001800	Akaike info criterion	-9.499936
Sum squared resid	1.62E-05	Schwarz criterion	-9.282903
Log likelihood	58.24965	Hannan-Quinn criter.	-9.636746
F-statistic	1.501726	Durbin-Watson stat	2.062068
Prob(F-statistic)	0.333169		

STABILITY TEST

Ramsey RESET Test
Equation: UNTITLED
Specification: ROE C BS DEH CGDI BDC ACS
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.059748	4	0.9552
F-statistic	0.003570	(1, 4)	0.9552
Likelihood ratio	0.009811	1	0.9211

3

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	1.95E-05	1	1.95E-05
Restricted SSR	0.021884	5	0.004377
Unrestricted SSR	0.021864	4	0.005466
Unrestricted SSR	0.021864	4	0.005466

LR test summary:

	Value	df
Restricted LogL	18.601119	5
Unrestricted LogL	18.606100	4

Unrestricted Test Equation:
Dependent Variable: ROE
Method: Least Squares
Date: 05/19/17 Time: 13:44
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.556759	2.618539	0.212622	0.8420
BS	-0.057677	0.314862	-0.183182	0.8636
DEH	-2.01E-12	7.76E-12	-0.259041	0.8084
CGDI	-0.128968	0.281021	-0.458927	0.6701
BDC	0.008314	0.033587	0.247526	0.8167
ACS	-0.030918	0.119111	-0.259570	0.8080
FITTED^2	0.907702	15.19215	0.059748	0.9552

R-squared	0.554586	Mean dependent var	0.088136
Adjusted R-squared	-	S.D. dependent	0.070060

	0.113536	var	2
		Akaike info	-2.110200
S.E. of regression	0.073933	criterion	
			-1.856994
Sum squared resid	0.021864	Schwarz criterion	
			-2.269811
		Hannan-Quinn	
Log likelihood	18.60610	criter.	
		Durbin-Watson	2.674714
F-statistic	0.830067	stat	
Prob(F-statistic)	0.601504		

MODEL 2

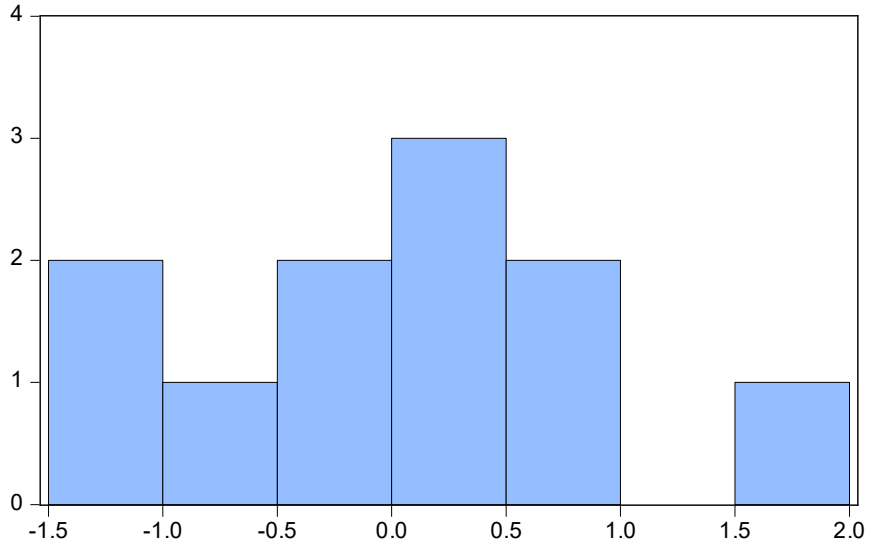
OLS

Dependent Variable: ROA
Method: Least Squares
Date: 05/19/17 Time: 14:34
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.35817	10.39546	1.862177	0.1216
BS	1.852541	1.320890	1.402494	0.0219
DEH	1.84E-10	1.31E-10	1.401171	0.0201
CGDI	-1.758891	2.905571	-0.605351	0.5714
BDC	0.145305	0.097662	1.487838	0.1970
ACS	-0.719004	0.477647	-1.505303	0.1126

R-squared	0.721577	Mean dependent var	0.457636
Adjusted R-squared	0.543155	S.D. dependent var	1.457453
S.E. of regression	1.267938	Akaike info criterion	3.615113
Sum squared resid	8.038332	Schwarz criterion	3.832146
Log likelihood	-13.88312	Hannan-Quinn criter.	3.478303
F-statistic	1.642549	Durbin-Watson stat	2.543407
Prob(F-statistic)	0.029651		

NORMALITY TEST



Series: Residuals	
Sample 2006 2016	
Observations 11	
Mean	3.63e-16
Median	0.147510
Maximum	1.662566
Minimum	-1.325212
Std. Dev.	0.896567
Skewness	0.191202
Kurtosis	2.306930
Jarque-Bera	0.287182
Probability	0.866242

SERIAL CORRELATION TEST

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.833846	Prob. F(2,3)	0.5153
Obs*R-squared	3.930125	Prob. Chi-Square(2)	0.1401

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 05/19/17 Time: 14:35
Sample: 2006 2016
Included observations: 11
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.269051	12.96223	-0.175051	0.8722
BS	0.564483	1.767498	0.319368	0.7704
DEH	-1.59E-10	1.90E-10	-0.835103	0.4649
CGDI	-0.852067	3.102793	-0.274613	0.8014
BDC	0.006091	0.105616	0.057674	0.9576
ACS	-0.396282	0.639705	-0.619476	0.5795
RESID(-1)	-1.106128	0.887427	-1.246444	0.3011
RESID(-2)	-0.774990	1.027782	-0.754041	0.5056

R-squared	0.357284	Mean dependent var	3.63E-16
Adjusted R-squared	-1.142386	S.D. dependent var	0.896567
S.E. of regression	1.312296	Akaike info criterion	3.536696
Sum squared resid	5.166364	Schwarz criterion	3.826075
Log likelihood	-11.45183	Hannan-Quinn criter.	3.354284
F-statistic	0.238242	Durbin-Watson stat	1.412868
Prob(F-statistic)	0.946115		

HETEROSKEDASTICITY TEST

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	8.419453	Prob. F(5,5)	0.0177
Obs*R-squared	9.832204	Prob. Chi-Square(5)	0.0801
Scaled explained SS	1.327480	Prob. Chi-Square(5)	0.9321

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 05/19/17 Time: 14:36
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.89346	3.310118	4.197270	0.0085
BS	-1.240476	0.420598	-2.949319	0.0319
DEH	-1.14E-10	4.18E-11	-2.727581	0.0414
CGDI	-3.554973	0.925191	-3.842420	0.0121
BDC	0.103460	0.031098	3.326943	0.0208
ACS	-0.348601	0.152092	-2.292034	0.0705

R-squared	0.893837	Mean dependent var	0.730757
Adjusted R-squared	0.787673	S.D. dependent var	0.876185
S.E. of regression	0.403736	Akaike info criterion	1.326343
Sum squared resid	0.815016	Schwarz criterion	1.543377

		Hannan-Quinn	1.18953
Log likelihood	-1.294886	criter.	4
			2.67467
F-statistic	8.419453	Durbin-Watson stat	2
Prob(F-statistic)	0.017728		

STABILITY TEST

Ramsey RESET Test
Equation: UNTITLED
Specification: ROA C BS DEH CGDI BDC ACS
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	12.27103	4	0.0003
F-statistic	150.5781	(1, 4)	0.0003
Likelihood ratio	40.19846	1	0.0000

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	7.830325	1	7.830325
Restricted SSR	8.038332	5	1.607666
Unrestricted SSR	0.208007	4	0.052002
Unrestricted SSR	0.208007	4	0.052002

LR test summary:

	Value	df
Restricted LogL	-13.88312	5
Unrestricted LogL	6.216111	4

Unrestricted Test Equation:
Dependent Variable: ROA
Method: Least Squares
Date: 05/19/17 Time: 14:36
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.201179	2.798925	-2.215558	0.0911
BS	0.544861	0.307580	1.771443	0.1512
DEH	4.79E-11	3.03E-11	1.583572	0.1885
CGDI	1.899638	0.601637	3.157452	0.0343
BDC	-0.046098	0.023491	-1.962414	0.1212
ACS	0.130700	0.110338	1.184541	0.3018
FITTED^2	0.582692	0.047485	12.27103	0.0003

R-squared	0.990208	Mean dependent var	0.457636
Adjusted R-squared	0.975519	S.D. dependent var	1.457453
S.E. of regression	0.228039	Akaike info criterion	0.142525
Sum squared resid	0.208007	Schwarz criterion	0.395731
Log likelihood	6.216111	Hannan-Quinn criter.	-0.017086
F-statistic	67.41338	Durbin-Watson stat	2.614011
Prob(F-statistic)	0.000568		