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EFFECT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA (2006 – 2016)

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Abstract

Corporate governance provides a framework that defines the rights, roles and responsibilities of different stakeholders in the best interest of the company. This paper examined the effect of corporate governance on the performance of deposit money banks in Nigeria from 2006 – 2016. The study used secondary data that were extracted from audited financial statements and accounts of the three purposely selected banks based on their level of operations: International, National and Regional. Data collected were on Capital (CAP),Loans and Advances (LAD), and Provision for Loans and Advances (PFL) as independent variables used as proxy for corporate governance; while Net Operating Income (NOI), Total Deposit (DEP), and Profit after Tax (PAT) were used as proxies for performance. Data were analyzed using E-view 7.1 statistical package to determine analysis of variance (ANOVA). F-test, t-test, with associated probabilities to determine the relationshipbetween the dependent and independent variables at 0.05 level of significance. Findings revealed that there were significant relationship between the dependent and independent variables; that is corporate governance has significant effect on the performance of deposit money banks in Nigeria within the period of study. The study recommends proper monitoring of banks and enforcement of various provisions of corporate governance while offenders should be sanctioned accordingly.

Key words: Corporate governance, performance, stakeholders

INTRODUCTION

The survival of an organization is a major focus and concern of the directors and management. The survival objective can only the achieved if an organization can be well managed through transparency and adequate disclosure of information that are germane to all stakeholders instead of involving in creative accounting and other malpractices to project a rosy situation at the end of a given period of time, more especially, at the end of accounting year. Lacks of accountability, transparency and due process in the handling of affairs of many companies have led to their untimely liquidation.The failures of many companies internationally and nationally more especially, banks are traceable to poor corporate governance (Sanusi, 2010; Owojori, 2010).

In a capitalist economy like Nigeria, free entry and exit should be guaranteed. Corporate failures should not give anybody sleepless night. This cannot be so when it involves the financial sector, more especially banks because of its intermediation roles, the need to enhance the confidence of the depositors whose hard-earned monies are kept in these institutions for business opportunities, and as the hub on which the economy depends. Nigerian banking industry has witnessed many bank failures caused by recklessness and insider abuse by the board and management staff without due consideration for the depositors and without allowing the operators that have caused the failures be brought to justice except in 2009 when the Central Bank was able to remove the vein and dealt with the board and management staff of the affected banks. The bold steps taken by the apex bank have energized the issue of corporate governance in Nigerian banking industry (Sanusi, 2012).

Poor corporate governance has been the root cause of most corporate failures worldwide which can be seen in the wake of failure of Enron and other major financial scandals in the United States of America, Europe, and banks failures in Nigeria. This has brought to the fore the need to give the practice of good corporate governance, which is a system by which corporations are govern and controlled for the interest of all stakeholders; for proper attention by academiaand professional (Garuba&Otomewo, 2015; Adewoyin, 2013).

The need for corporate entities to be responsible citizens cannot be overemphasized. Corporate governance involves building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster corporate performance. Corporate governance can be assessed on the level of accountability, transparency and ethical values displaced by a firm in the discharge of its corporate duties (Garuba&Otomewo, 2015).

As a quick response to corporate failures in Nigerian banking industry and in line with international best practices, Nigeria's Securities and Exchange Commission (SEC) in 2003 came up with Code of Best Practices for Public Companies. In the same way, the Central Bank of Nigeria (CBN) in 2006 issued the Code of Corporate Governance for banks in Nigeria Post Consolidation. In addition to these are circulars and directives on corporate governance from CBN to all licensed banks to deal with issues of transparency, equity ownership, criteria for the appointment of directors and their tenure, board structure and composition, accounting and auditing, risk management and financial reporting (CBN, 2006;Garuba&Otomewo, 2015).

From the foregoing, the broad objective of this paper is to examine the effect of corporate governance on the performance of banks (deposit money banks) in Nigeria post consolidated era (2006 – 2016); with the aim of making far reaching recommendations that will contribute to stable banking system.This paper therefore update existing literature on corporate governance and its effect on the performance of deposit money banks in Nigeria within the period of 2006 – 2016, by examining some performance indicators on corporate governance indicators from where findings and recommendations were made.

Statement of the Problem

Banking business is based on confidence. Once such confidence is shaken, it becomes very difficult for the system to survive. It is expected of the board and management staff of banks to embrace good corporate governance in order to guide against abuse which may adversely affect the cooperate existence of the entire economy.

Global events concerning high profile corporate failures have not only put back on the policy agenda but have intensified debate on the efficacy of corporate governance mechanisms as a means of increasing fir performance (Inyang, 2009). Since the beginning of the 21st century, serious financial scandals and many cases of corporate governance, in close relation with the business ethics, in academic literature, as well as in public debates, corporate governance is nowadays acknowledged by contributors as a critical factor in economic development and financial markets stability (Sanda, Makailu&Garba, 2005).

Despite tight regulatory framework and consolidation, corporate governance continuous to weaken in Nigeria (Sanusi, 2010). Much needs to be done to sort out this mess otherwise the country risks the danger of exposure to more corporate failures and malfunctions in the banking sector. This paper therefore adds to the existing literature in addressing the issue of corporate governance as it affects Nigerian banking industry post-consolidation (2006-2016).

Objectives of the Study

The broad objective of this paper is to examine the effect of corporate governance on the performance of banks in Nigerian (2006-2016); while the specific objectives are:

1. To identify the effect of corporate governance on deposit mobilized by banks in Nigeria.
2. To examine the effect of corporate governance on net operating income of banks in Nigeria.
3. To investigate the relationship between corporate governance variables and profit after tax as performance variable.

Research Hypotheses

For the achievement of the above objectives, the following null hypotheses are formulated and tested at 0.05 level of significance:

1. Corporate governance has no significant effect on deposit mobilized by banks in Nigeria.
2. Corporate governance has no significant effect on net operating income of banks in Nigeria.
3. Corporate governance has no significant effect of profit after tax of banks in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Issues

Corporate Governance

Corporate governance has assumed a global perspective more especially in the banking industry due to continuous integration of the world economy and capital market where funds are sourced. It has equally attracted the opinions of experts from various field of study.

Abdulrahman and Khalid (2017) describe corporate governance as a way of fostering good corporate performance by building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure. Corporate governance go beyond corporate efficiency, it includes range of company strategies and life cycle development. It is also concerned with ways interest of all the stakeholders are cared for. Corporate governance is based on the level of corporate responsibility a company exhibits with regard to accountability, transparency and ethical values.

Corporate governance is a conflict resolution device through which contracts can be monitored and controlled towards improving the corporate values (Denis &McConnel, 2003). Good corporate governance guarantee appropriate returns to corporate financial capital in a legal and ethically manner. It takes care of both internal and external factors that affect the corporate existence of a firm (Ifeanyi, Olagunju&Adeyanju, 2011).

According to Owojori (2010), corporate governance deals with internal controls and procedures that regulate the management of individual firms. It serves as the basis through which the rights, roles and responsibilities of all stakeholders – the management, board, shareholders, employees, creditors, government and the public are defined.Corporate governance is all encompassing; how well a company achieves these goals depend on the company's corporate governance structure and the strength of its shareholders.

Bank Performance

Performance is concerned with activities carried out or the accomplishment made within a given period of time. It is the fulfillment of a claim, promise or request. It is a public presentation or exhibition of achievements.

Bank performance is the outcome of the financial activities of the institution as presented to the public from time to time as stipulated by law or as required by the various interest groups. Banks performance is being measured from their annual report and financial statements. With uniform accounting year and international financial reporting standard, it becomes easier to compare the performances of banks.

Okafor (2011) states that banks have various stakeholders whose diverse interests and expectations often weigh-in on banking performance assessment. Like other form of performance assessments, banking sector performance assessment raises the issue of selectivity.

Banks are assessed through the acronym CAMELS which stands for Capital Adequacy, Management Efficiency, Liquidity, and Sensitivity analysis. Usually, banks performance can be carried out through ratio analysis which involves usage of relevant figures in the financial statements. Most commonly used ratios are: non-performing loans/total loans; non-performing loans/shareholders' funds, capital adequacy, average liquidity ratio, return on assets, return on equity, etc. Proper analysis of bank performance gives the operators and the regulators remedial actions to take for the sustain or improve the performance; while at the same time, guide the banking public and potential investors on appropriate action to take for the security of their deposit and investment (Okafor, 2011).

In view of the fact that some studies have used CAMELS as basis of assessment of bank's stability, this study used some other performance variables like Net Operating Income (NOI), Total Deposit (BDEP), and Profit after Tax (PAT). The researchers are of the view that net operating income is one of the results of cohesion in the management of any bank which good corporate governance stands for. In addition, good corporate governance will enhance public confidence, hence more patronage which will positively affect total deposit. Profit after tax (PAT) represents the amount that is available for appropriation at the end of the financial year; the higher the amount, the better for the owners of the business (equity holders) in term of dividend and retained profit.

The proxies for corporate governance as independent variable are: share capital (SHCAP), performing loans and advances (LAD), and provision for loans and advances (PLA). According to GarubaandOtomewo (2015), corporate governance can be assessed on the level of accountability, transparency and ethical value, these qualities will reflect in the ways and manners share capital is contributed and utilized. In the same direction, good corporate governance will reflect in the credit administration and loans and advances provision. Lack of transparency and accountability (poor corporate governance) will automatically lead to lopsidedness in loans and advances consideration, most especially, insider abuse; which could cause huge provision for loans and advances, andeventually lead to bad debt. With the above variables, this study therefore navigated to other indicators to enlarge knowledge on corporate governance and banks performance.

Theoretical Framework

Corporations have become powerful and dominant institutions. They are into every corner of the globe in various sizes, capabilities and influences. Their governance has influenced economies and various aspects of social landscape (Haslinda& Benedict, 2009).Corporate governance has become an important factor in managing organizations in the current global and complex environment. For this reason, many theories have emerged for corporate governance in organizations. The popular among them are: the agency theory, the stewardship theory, and the stakeholders' theory.

Agency theory defines the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of the business to the directors or managers, who are the shareholders' agents (Clark, 2004). In agency theory, the agents may be succumbed to self-interest, opportunisticbehaviors' and falling short of congruence between the aspirations of the principal and the agent's pursuits (Bhimani, 2008). Stewardship theory stresses the role of top management being in stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organization success is achieved. A steward protects and maximizes shareholders wealth through performance (Davis, Schoorman&Donalson, 1997). Stewardship theory suggests unifying the role of Chief Executive Officer (CEO) and the Chairman so as to reduce agency costs and to have greater role as stewards in the organization. Stakeholder theory can be defined as any group or individual who can affect or is affected by the achievement of the organization's objectives (Haslinda& Benedict, 2009). Unlike agency theory in which the managers are working for and serving the shareholders, stakeholder theorist suggest that managers in organizations have a network of relationship to serve – this include the suppliers, employees, and business partners. It was argued that this group of network is important other than owner-manager-employee relationship as in agency theory (Freeman, 1999).
From the foregoing, this study adopted the stakeholder theory because the theory takes care of all interest groups: investors, political groups, customers, communities, employees, trade associations, suppliers, and government. It also guide against the fusing together of the roles of CEO and chairman.

Empirical Review
The issue of corporate governance has attracted more attention from numerous researchers in resent past and some of the research findings relevant to this discuss are reviewed as follows: GarubaandOtomewo,(2015) studied issues and challenges of corporate governance in the Nigeria banking industry. The study adopted conceptual approach. Finding from the study revealed that crisis in Nigeria banking industry is traceable to poor corporate governance practices and laxity in credit administration processes. The study recommended that there should be zero tolerance for corporate governance infractions; while shareholders should equally be alive to their responsibilities by being active at the annual general meeting.

Ifeanyi, Olagunju and Adeyanju (2011) examined corporate governance and bank failure in Nigeria: Issues, challenges and opportunities. The study looked at the relationship between corporate governance and bank failure. The study used primary data collected from staff of eleven (11) banks that were randomly selected in Lagos through structured questionnaires. Data collected were analyzed using Pearson product coefficient of correlations (r). Finding from the study revealed that the new code of corporate governance for banks is adequate to curtain bank distress and that improper risk management, corruption of bank officials and over-expansion of banks are the key issues why banks failed. The study recommended that the provisions of corporate governance should be enforced; while the regulators should be decisive in order to reduce distress in the banking system.

Osuagwu (2013) examined the implication of corporate governance on the performance of deposit money banks in Nigeria (2005-2010). The study employed descriptive research design. The study found that noncompliance with corporate governance code in Nigerian banking industry hampered their performances. It recommended enforcement of full disclosure and transparency practices of corporate governance. Nyor and Mejabi (2013) carried out a study on the impact of corporate governance on non-performing loans of deposit money banks in Nigeria (2005-2011). The study used board size (BS), board composition (BC), composition of audit committee (CAC), and power separation (PS) on non-performing loans in Nigerian deposit money banks. It used secondary data extracted from 14 quoted banks on the Nigerian Stock Exchange. It employed multivariable regression analysis to analyze the data. Finding from the study showed that corporate governance variables have no significant impact on non-performing loans of deposit money banks, hence the variables used cannot be used to measure corporate governance. The study therefore recommended strengthening of oversight and monitoring functions of CBN.

Abdulraham and Khalid, (2017) looked into corporate governance and the financial performance of DMBs in Nigeria (2010-2014). The study examined the relationship that existed between some selected corporate governance mechanism and the financial performance (ROE) by using ten 10 banks that were randomly selected. The data were analyzed using correlated analysis with SPSS version 16. Finding showed that there were significantly negative relationship between Board size (BS), non-executive directors (NED) and financial performance (ROE). The study recommended mandatory compliance with the code of corporate governance and framework for enforcement of the law.

METHODOLOGY

The study adopts ex-post facto research design in view of the fact that the period of study dated back to the time of study (2006 – 2016). The design technique was chosen because the researcher will not be able to manipulate the required data for the study. Secondary data extracted from the audited financial statements and accounts of the sample banks over the period of study were analyzedby Ordinary Least Square Multiple Regression Analysis with the aids of E-view version 7.1 statistical package.

The population of the study consists of 24deposit money banks (DMBs) that were in operation in the country within the period under study. The banks were categorized into three based on license of operation issued by CBN: international, national and regional. A sample of three banks were selected, each form the three categories three purposive sampling technique. The sampled banks were- First Bank Nigeria Plc. (International), Stanbic IBTC (National) and Wema Bank Plc. (Regional).

Model Specification

$CGV = f(CAP + LAD + PFL)$

$NOI = \alpha + CAP\beta_1 + LAD\beta_2 + PFL\beta_3 + \varepsilon_t$…………………………. (i)

$DEP = \alpha + CAP\beta_1 + LAD\beta_2 + PFL\beta_3 + \varepsilon_t$………………………… (ii)

$PAT = \alpha + CAP\beta_1 + LAD\beta_2 + PFL\beta_3 + \varepsilon_t$………………………… (iii)

Where:

CGV = Corporate Governance

CAP = Capital

LAD = Loans and Advances

PFL = Provision for Loans and Advances

NOI = Net Operating Income

DEP = Total Deposit

PAT = Profit after Tax

Decision Rule

A null hypothesis is accepted if the calculated P(f-statistic) is greater than or equal to(≥) the critical P-value; and rejected if the calculated P(f-statistic) is less than (<) critical P-value at 0.05 (5%) level of significant.

RESULTS AND DISCUSSION OF FINDINGS

Test of Hypotheses and Discussion of Result

Hypothesis 1

Ho = Corporate governance has no significant effect on net operating income

Table 1 -: Ordinary Least Square Regression Result for Mode

Dependent Variable: NOI
Method: Least Squares
Date: 02/10/18 Time: 15:27
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAP	0.203139	0.217018	0.936045	0.3804
LAD	0.125851	0.034810	3.615330	0.0086
PFL	-0.901572	0.743703	-1.212274	0.2647
C	11045.65	11373.30	0.971192	0.3638

R-squared	0.950308	Mean dependent var	81965.45
Adjusted R-squared	0.929011	S.D. dependent var	36244.24
S.E. of regression	9656.810	Akaike info criterion	21.46400
Sum squared resid	6.53E+08	Schwarz criterion	21.60869
Log likelihood	-114.0520	Hannan-Quinn criter.	21.37280
F-statistic	44.62248	Durbin-Watson stat	1.682424
Prob(F-statistic)	0.000062		

Source: Authors' Computation from E-View 7.1

The result in Table 1 indicates that the coefficient of correlation (R) and determination (R^2) measure the explanatory power of multiple regression model used. The high coefficient of correlation (R) of 0.97 implied that the variables in the equation are useful for explaining the relationship between corporate governance proxied by share capital (CAP), loans and advances (LAD), and provision for loans and advances (PFL); while bank performance was represented by Net Operating Income (NOI). The multiple coefficient of determination (R^2) of 0.95 shows that the explanatory variables explained about 95% of the total variation in the dependent variable which also implied that the model is of good fitness. Also, the Adj. R^2 of 0.93 implied that 93% variation in regress is accountable to repressors. F-value of 44.62 implied that there is significant relationship between dependent variable and the independent variablesat 0.05 level of significance since F(statistic) of 0.000062 is less than 0.05. Also the Durbin – Watson statistic placed at 1.682424 which is approximately to equal 2 implied that there is absence of serial autocorrelation among the explanatory variables.

Considering the effect of each independent variable (i.e. share capital, Quality of loans/Advances and compliance with prudential guidelines) on the dependent variable

(Net Operating Income), the coefficient of the constant 14125.48 suggest that holding share capital, loan/advances and Provision for Loans/Advances constant Net Operating Income will appreciate by 11045.65. However, share capital and loan/advances have positive relationship while provision for Loans/Advances is negatively related with Net Operating Income respectively. Share capital and Loans/Advances' coefficient of 0.203139 and 0.125851 suggest that 1% increase in share capital and Loans/Advance resulted in 20% and 13% increase in Net Operating Income respectively within the period covered by the study. This also implies that there is positive effect of corporate governance proxied by both share capital and Loans/Advances which is significant at 0.05 level of significancewith P value of 0.0086 which is less than 0.05. Also there is negative relationship between provision for Loans/Advances and Net Operating Income and this relationship conformed with a priori. Therefore, the null hypothesis that CorporateGovernance has no significant effect on Net Operating Income of Deposit Money Banks in Nigeria is rejected.

Hypothesis 2

Ho = corporate governance has no significant relationship with total deposit mobilized by banks in Nigeria

Table 2 -: Ordinary Least Square Regression Result for Model

Dependent Variable: DEP
Method: Least Squares
Date:02/10/18 Time: 15:35
Sample: 2006 2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAP	-1.084702	3.314541	-0.327256	0.7530
LAD	2.114797	0.531663	3.977706	0.0053
PFL	-5.176402	11.35866	-0.455723	0.6624
C	67225.50	173705.7	0.387008	0.7102

R-squared	0.928965	Mean dependent var	792954.9
Adjusted R-squared	0.898521	S.D. dependent var	462991.6
S.E. of regression	147489.5	Akaike info criterion	26.91619
Sum squared resid	1.52E+11	Schwarz criterion	27.06088
Log likelihood	-144.0390	Hannan-Quinn criter.	26.82498
F-statistic	30.51417	Durbin-Watson stat	0.885711
Prob(F-statistic)	0.000216		

Source: Authors' Computation from E-View 7.1

The results in Table 2 revealed that corporate governance measured by Loans/Advances is statistically significant at 0.05 level of significance. The coefficient of the constant 67225.50 implies that holding Share capital, Loans /Advances and Provision for Loans/Advances constant, the banks' deposits will increase by 67225.50 times. Loans and Advances has a positive effect on the banks' deposits while Share capital and Provision for Loans and Advances exhibited negative relationships. The Loans andAdvances coefficient of 2.114797 suggests that 1% increase in Loans/Advances resulted in 229% increase in banks' deposits, a proxy for Deposit Money Banks' Performance within the period covered by the study. This implied that Corporate Governance (Loans and Advances) exert positively and statistically significant effect on Deposit Money Banks' Performance in Nigeria. The multiple coefficient of determination (R^2) is approximately 0.93, that is, the explanatory variables explained about 93% of the total variation in the dependent variable. Also, the adjusted R^2 is about 0.90 (that is 90% variation). It implies that only 90% of changes in banks' performance can be explained by the Corporate Governance proxies. The F- statistic of 30.51417 and P.F- statistic of 0.000216 which is less than 0.05 level of significance, this value by implication, means that the model is statistically significant and has a goodness of fit.

The calculated Durbin Watson of 0.885711 implies that there is presence of positive serial auto-correlation between deposit money banks' performance and the Corporate Governance proxies. The regression output in Table 2 illustrates the positive and significant effect of quality Loans and Advances while capital Adequacy and provision for Loans and Advances in compliance with prudential guidelines have negative effect on the deposit money banks' performance proxied by deposit mobilized. In the light of this, the null hypothesis (Ho) that corporate governance has no significant effect on deposit mobilized by deposit money banks in Nigeria is rejected. This implied that capital adequacy, quality of loans and advances, and compliance with prudential guidelines have significant effect on the performance of deposit money banks in Nigeria.

Hypothesis 3

Ho = There is no relationship between corporate governance and profit after tax of banks in Nigeria

Table 3 -: Ordinary Least Square Regression Result for Model Dependent Variable: PAT
Method: Least Squares
Date:02/10/18 Time: 15:42
Sample: 2006 2016

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAP	0.084565	0.151338	0.558784	0.5937
LAD	0.029961	0.024275	1.234216	0.2569
PFL	-0.604706	0.518624	-1.165981	0.2818
C	823.0537	7931.214	0.103774	0.9203

R-squared	0.763015	Mean dependent var	18219.27
Adjusted R-squared	0.661450	S.D. dependent var	11573.78
S.E. of regression	6734.214	Akaike info criterion	20.74308
Sum squared resid	3.17E+08	Schwarz criterion	20.88777
Log likelihood	-110.0869	Hannan-Quinn criter.	20.65187
F-statistic	7.512564	Durbin-Watson stat	0.769805
Prob(F-statistic)	0.013620		

Source: Authors' Computation from E-View 7.1

From Table 3, the multiple coefficient of determination (R^2) of 0.76 implied that, the independent variables explained about 76% of the total variation in the dependent variable. This result implies that the model is well fitted. In addition, the adjusted R^2 of 0.66 shows that, about 66% variation in the regress is accountable and explained by the independent variables. This indicates a high relationship between the independent and dependent variables. With F- statistics value of 7.512564 and P (F- statistic) of 0.013620, which is less than 0.05, shows that the model is statistically significant at 0.05 level of significance and the model has a goodness of fit. The Table equally indicates that an increase in Profit after Tax may result in about 8% increase in capital and 3% increase in loans and advance, while provision for loans and advances may be negatively affected. In the same way, any increase in capital, loan and advances have the tendency of causing profit after tax to increase by 823 times.

The Durbin – Watson statistic of 0.769805 which is less than 2 implies that there is presence of positive serial autocorrelation between corporate governance and deposit money banks' performanceproxied by profit after tax. The ordinary least square multiple regression results in Table 3 revealed that both capital, loans and advances have positive relationship with profit after tax, while provision for loans and advances has negative relationship even though not significant. Therefore, the null hypothesis that states that corporate governance has no relationship with profit after tax of deposit money banks in Nigeria is rejected and concluded that there is insignificant relationship between corporate governance and the performance of deposit money banks' in Nigeria.

Conclusion and Implication

The results of the above analyses confirmed that corporate governanceproxied by capital (CAP), loans and advances (LAD), and provision for loans and advances (PFL) have significant effect on banks performance represented by net operating income (NOI), deposit (DEP), and profit after tax (PAT) and they are statistically significant at 0.05 level of significance. It translates that if a bank is managed according to the provisions of code of corporate governance for licensed banks post-consolidation as stipulated by the CBN, such bank will be well capitalized, loans and advances (credit administration) will be properly carried out without abuse by the board members and management staff, while the provision for loans and advances as specified under the prudential guideline for licensed banks will be reasonable. The corporate governance variables will affect the performance of such banks positively as net operating income will increase, more deposit will be mobilized and the effect on profit after tax will be significant. On the other hand, if the provisions of the code of corporate governance are jettisoned, there will be abuse, scrambling and ill-feelings among the board and management staff which will affect the bank negatively.

With the new code of corporate governance post-consolidation and decisive actions of the CBN on the enforcement of these codes and other directives, the performance of banks in Nigeria has improved tremendously within the period of study.

Recommendations

Based on the above findings, the following are recommended:

1. The regulatory authorities should ensure that the code of corporate governance is updated regularly and enforced.
2. Bank supervision should be timely and adequate to guide against creative accounting under which the public interest could be mortgaged.
3. Increase in capital base and proper credit administration is panacea to bank failure. This should be of great importance to board and management staff.
4. Stable macro-economic policy will enhance virile banking system.

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