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THE NEXUS BETWEEN CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Keywords: Board Size, Board Meeting, Board Gender Diversity, Earning per Share, Deposit Money Banks.

Abstract

The main objective of this study to is to explore the relationship between Corporate Governance characteristics and financial performance of Deposit Money Banks (DMBs) in Nigeria. Specifically the research work investigated the effect of board size, board composition, board meeting, board gender diversity and board audit committee meeting on the earning per share of DMBs in Nigeria. The scope of the study is ten (10) selected DMBs listed on the Nigeria Stock Exchange, covering a period of five (5) years from 2018 to 2022. The researcher obtain 50 copies of audited annual reports of the banks under review (5 from each bank) which is a major source of the secondary data. Pooled OLS, Fixed effect (FE) and Random effect (RE) regressions were carried out for the model, furthermore, Hausman test and other diagnostic test were also executed to arrive at a robust outcome. The Hausman test indicated statistical significant on the FE, hence the interpretation of the result of the FE regression. The FE outcome reveal that the board size, board meeting and board gender diversity exhibits positive association with coefficients of 40.12569, 12.33482 and 411.4606 respectively and also statistically significant with prob. values of 0.000, 0.029 and 0.022 respectively. Whereas, board composition and board audit committee meeting indicates negative association -100.9542 and -.6498901 respectively and all of them statistically insignificant. The FE regression recorded R-squared within of 60.34%.

Introduction

Considering the failure of some banks in the past years, there is need to strengthen the level of corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, C. C. 2004). The concept of corporate governance focuses on the regulation of relationships between the members of the board of directors of the company and its shareholders, employees and regulators from inside or outside the company, and to determine how that must be followed in the interaction between all these parties in overseeing the company's operations. Corporate governance originate from assurances to resolve the issue of the separation of ownership from management, (Okougbo, P.O., & Okike, E. 2015; Dibia, N.O., & Onwuchekwa, J.C. 2014) in the light of agency theory, the separation of two situations in the company can boost the performance of a firm and increase the wealth of shareholders (Jensen, M. C., & Meckling, W.H. 2014).

Although corporate governance in developing economies has recently received a lot of attention, yet corporate governance of bank in developing economies as it relates to financial performance has almost been

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ignored by researchers. In Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. This is in recognition of the failure of the critical role of corporate governance in the success or failure of firms (Ogbechie, C., & Koufopoulos, D. N. 2014).

The corporate governance mechanisms are to bridge the gap that can occur between managers and shareholders of the company as a result of the undesirable practices that could harm the company. Therefore, the concept of corporate governance originated to regulate relationship among the board of directors, the audit committees as well as the shareholders and stakeholders in the companies (Swamy, V. 2011). Given the prominence of banks, their governance now assumes a central role in view of the peculiar contractual form of banking, corporate governance mechanisms for banks should cover depositors and shareholders.

Corporate governance is mainly important in the Nigerian banking industry because a number of recent financial failures, frauds and questionable business practices had adversely affected investors' confidence. In 2009, several CEOs and directors of banks in Nigeria were arrested for non-performing loans that were given to themselves, friends and relatives. Some of the banks that could not meet the Central Bank of Nigeria (CBN) recapitalization requirement in 2006, were found to be saddled with non-performing loans that were given to directors and their friends. The financial health and performance of banks are significant for the economic growth of Nigeria. As a result, the Central Bank of Nigeria (CBN), had decided to reform the industry in order to achieve global competitiveness.

The corporate governance background in Nigeria has been dynamic and has generated interest from within and outside the country. In 2003, the Securities and Exchange Commission (SEC) adopted a Code of best practices on Corporate Governance for publicly listed companies in Nigeria and this code is currently being reviewed. At the end of the merger and acquisition exercise in the banking industry, the CBN, in March 2006, released the Code of Corporate Governance for Banks in Nigeria, to complement and enhance the efficiency of the SEC code, which came into effect at the end of 2006. The three key governance issues that attracted the attention of the regulators are directors' dealings, conflict of interest and creative accounting.

Many firms/banks have failed because they did not follow or appreciate the concept of corporate governance. It has been agreed by many establishments that if corporate governance is well practiced by corporations, there is every tendency that the firm performance will greatly improve. Sound corporate governance practices have become a universal effort to stabilize and strengthen global capital markets and protect investor.

There are plethora studies on Corporate Governance and bank performance that generally measures performance using profitability ratios, mostly return on asset (ROA) and or Return on Equity (ROE). However, this study unlike other previous studies will use market value ratio earning per share (EPS) as a proxy to measure the performance of Deposit Money Banks (DMBs) in Nigeria. The EPS was used because, firms now concentrate on shareholder's wealth maximization instead of profit maximization.

The main objectives of this paper is to examine the influence of Corporate Governance Characteristics; board size, board independence, board meeting, board gender diversity and board audit committee meeting on financial performance of DMBs in Nigeria as follows:

1. To investigate the link between Board size and the Earnings per Share of DMBs in Nigeria.
2. To examine the influence of Board composition on the Earnings per Share of DMBs in Nigeria.
3. To ascertain the impact of Board meeting on the Earnings per Share of DMBs in Nigeria
4. To discover the effect of Board gender diversity on the Earnings per Share of DMBs in Nigeria, and lastly,
5. To establish the association between Board audit meeting and the Earnings per Share of DMBs in Nigeria.

It is in the light of the above research objectives that this research work will test the following hypotheses:

Ho1: There is no significant link between board size and Earnings per Share of DMBs in Nigeria.

Ho2: There is no significant link between board composition and Earnings per Share of DMBs in Nigeria.

Ho3: There is no significant link between board meeting and Earnings per Share of DMBs in Nigeria.

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Ho4: There is no significant link between gender diversity and Earnings per Share of DMBs in Nigeria.

Ho5: There is no significant link between board audit committee meetings and Earnings per Share of DMBs in Nigeria.

This study will serve as an important planning tool for bank managers, government, policy makers, shareholders and the potential investors. It will help managers to identify corporate Board characteristics that will contribute in maximizing shareholders wealth as well as profit maximization. It would also enable investors and potential investors to recognize which amongst the Board characteristics and audit characteristics that assist in monitoring their wealth and can possibly be relied upon.

The scope of this study is narrowed down to ten (10) Deposit Money banks in Nigeria, for the period of five (5) years (2018 – 2022), which will cover 50 copies of audited annual reports of the banks under review (5 from each bank). Secondary data was used for the study, which was obtained from the audited financial statements of the banks.

This research work will be arranged into five (5) sections. Section one will deal with the introductory aspect of the work, section two will capture the literature review (theoretical, empirical and conceptual frame work), section three will deal with the research method, i.e the methodology employed in carrying out the study, section four has to do with data presentation, empirical results and discussion, the outcome of the regression analysis will be interpreted and fully discussed. Section five is the last section of this study, where conclusion and recommendations will be made.

Literature Review

Conceptual Framework

Good corporate governance (GCG) in a corporate setting tends to maximize the value of the shareholders legally, ethically and on a sustainable basis, while ensuring equity and transparency to every stakeholder, the company's customer, employees, investors, vendor partner, the government of the land and community. Corporate governance is the key to transparent corporate disclosure and high-quality accounting practices (Abdullah, S.N. 2014). Thus, it ensures the conformance of corporations with the interests of investors and society, through creating fairness, transparency and accountability in business activities among employees, management and the board.

The goal of corporate governance is to ensure that corporations are managed in the best interests of their owners and shareholders. This applies specifically to listed companies where the majority of the shareholders are not in participatory of everyday management positions. Another essence of corporate governance is formation of transparency and accountability throughout the organization. This is feasible as corporate governance system is premised on a strict division of power and responsibilities between the shareholders through the annual general meeting, the board of directors, the executive management and the auditors.

Financial Performance

Basically, the profitability of companies in the banking sector could be measured using, Return on Asset (ROA) which focus on the capacity to create income through the optimization of a firms asset; Return on Equity (ROE), which measure how much profit is earned comparatively to shareholders equity; Earning per Share (EPS), which depicts the quota of a company's net earnings and preferred stock dividend that is distributed to each share of common stock; and Profit After Tax (PAT) which represent the figure earned by a firm after all taxation related expenses have been subtracted (Adigwe, P.K., Onyenwe, N. I., & John, E.I. 2016; Lamichhane, P. 2018) Financial performance which evaluates the fulfillment of firms' economic goals has long being an issue of interest in managerial researches. Firm financial performance relates to the various subjective measures of how well a firm can use its given assets from primary mode of operation to generate profit.

However, this study will measure financial performance using market value ratio, proxy by Earnings per share (EPS), because firms now concentrate on shareholder's wealth maximization instead of profit maximization.

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Theoretical Framework

There are many theories that spell out the relationship between corporate governance characteristics and firms' performance in the literature of accounting and finance. Some of these theories are stewardship theory, stakeholder theory, resource dependence theory, transaction cost theory, and agency theory.

Stakeholder Theory

Although stakeholder theory has progressed gradually since in the 1970's (Solomon, J. 2012), one of the groundbreaking expositions of this theory was introduced by Freeman in 1984 when he defined a stakeholder as: "any individual or group who can affect or is affected by achievement of the organization's goals". Stakeholder theory takes account of a wider group of constituents rather than simply focusing only on shareholders (Mallin, C. 2015). It also highlighted that the interest of different groups, and argues for the possibility of favoring one group's interest over that of another. It also suggests that company is a separate organizational entity, and that it is connected to different parties in achieving a wide range of purpose. Thus, stakeholders can include shareholders, creditors, employees, suppliers, customers, communities in the area of the company's operations, and the general public.

(Horisch, J., Freeman, R.E., & Schaltegger, S. 2014), assert that the corporate governance problem turns round the objective function of the corporation. The notion that the firm's goal to maximize shareholders welfare is regarded as being too narrow, rather, they suggest that the goal of the firm should be extended to include the maximization of the welfare of other stakeholders, such as: employees, creditors, suppliers, customers, the environment, and the community.

Stewardship Theory

Advocates of stewardship theory opined that superior corporate performance will be linked to a majority of inside directors as they naturally work to maximize profit for shareholders. Inside (or executive) director spend their working lives in the company they govern, they understand the business better than outside directors and so can make better decisions (Donaldson and Davis 2019).

Access to information and the ability to take a long-term view are seen as key features of the decision-making process. For example, studies have examined the superior amount and quality of information possessed by inside directors (Wan, W.P., et. al. 2011). The inside directors know the company closely; they have greater access to information and are therefore able to take more informed decision. Alternatively, we would expect that if there were few inside directors on board the board would not be in a position to fully understand the company, it would only have access to information provided by management and would lack the background nature to make informed decision.

Resource Dependency Theory

While the stakeholder theory focuses on relationships with many groups for individual benefits, resource dependency theory emphases on the character of board directors in providing access to resources needed by the firm (Abdullah, H., & Valentine, B. 2009). According to this theory the primary function of the board of directors is to provide resources to the firm. Directors are regarded as an important resource to the firm. Once directors are considered as resource providers, various magnitudes of director diversity clearly become important such as gender, experience, qualification and the like. Boards of directors provide expertise, skills, information and potential link with contextual for firms (Ayuso, A., & Argandona, A. 2007).

Agency Theory

The agency theory is prominence on the monitoring and controlling role of board of directors whereas the resource dependency theory concentrate on the advisory and counseling function of directors to a firm management. However, board structure has relied heavily on agency theory conceptions, focusing on the control function of the board (Habbash, M. 2015). Furthermore, (Habbash, M. 2015), demonstrated that the

influence of agency theory has been instrumental in the development of corporate governance standards, principles and codes. (Mallin, C. 2015) provides a comprehensive discussion of corporate governance theories and argues that the agency approach is the most appropriate because it provides a better explanation for corporate governance roles as cited by (Habbash, M. 2015).

Each of the three theories is valuable in considering the efficiency and effectiveness of the monitoring and control functions of corporate governance. But some of these theoretical perspectives are intended as complements to, not substitutes for, agency theory. Among the various theories discussed, agency theory is the most common and has received the most attention from academics and practitioners.

Empirical Review

Board Size and Bank Performance

The board size describes the total number of directors serving on the board of director. The board size is basically considered as the main corporate governance tool and the primary means for shareholders to indirectly supervise management activities. Moreover, the board size influences the monitoring ability where the larger its size, the more capable it will be able to monitor top management (Abdullah, S.N. 2014). In a study by (Gwaison, P.D., & Maimako, L.N., 2021) on the effect of corporate governance on performance of commercial banks in Nigeria, selected 5 commercial banks from the Nigeria stock exchange covering 14 years period (2003- 2017). They conclude that Board size have positive and significant effect. Similarly, (Ene E.E., & Bello A.I.E., 2016; Joshua, U.M., Effiong, E.J., & Imong, R.N., 2019; Ibrahim, U.A., & Danjuma, S., 2020; and Abubakar, A.A., Yahaya, O A., & Joshua, S.G. 2023) exhibited the same view that board size influences financial performance of banks. However, (Okwuchukwu, O., Ezeudu, I.J., & Orikara, C.P., 2015; Ibitamuno, D.A, Onuchukwu, O., & Nteegah, A. 2018; and Oyedokun, G.O., 2019) observed negative association between board size and banks performance.

Board Composition and Bank Performance

Existing literatures agree that effective boards are made up of larger percentage of outside directors on board. This agreement on greater proportion of outside directors sitting on the board is highly grounded in agency theory which propagates the separation of ownership and control which may potentially lead to self-interested actions by those in control-managers. It has been argued that outsiders provide more outstanding performance benefits to the firm as a result of their independence from firm management. (Adams, R. & Mehran, H. 2008; and Adesanmi, A. et al 2019). Gambo, E.M.J., Bello, B.A., & Rimamsung, S.A. 2018) also found a positive relationship between outside directors and the financial performance of consumer goods companies in Nigeria. According to the agency theory, effective board will be composed of outside directors. Agency theory and resource dependence theory believes that the association between board independence and firms performance is positive. On the other hand, numerous researchers have also found a negative relationship between board independence and firm's performance like, (Valenti M.A., Luce, R., & Mayfield, C. 2011; Ibitamuno, D.A., Onuchukwu, O., & Nteegah, A. 2018; and Oyedokun, G. O. 2019) among others. Generally, all corporate governance practices around the world suggest that an independent member should be included on the board. Independent directors can minimize the agency cost as it makes the monitoring role and strategic planning role of the board more effective.

Board Meeting and Bank Performance

For board to effectively perform its oversight function and monitor management performance, the board must hold a regular meeting. Empirical findings on the influence of board meetings and corporate performance show mixed results. (Jikeme, N. 2017) find a positive association between frequency board meeting and management earnings forecasts. So also, (Joseph, U.B., Madugba, J.U., & Okpe, I.I. 2015) conclude that corporate board meeting impacts positively on Earning per Share of selected listed companies in Nigeria. One supporting point is that the regularity of board meetings is a measure of board activities and effectiveness of its monitoring ability, frequent board meetings can result in higher qualities of management

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monitoring that in turn impact positively on corporate financial performance, (Ebimobowei, A. 2022). Frequent meetings also allow directors to sit and strategize on how to move the organization forward. According to (Lipton, M. & Lorsch, J. 2012) regular board meetings enable directors to interact thereby creating and strengthening cohesive bonds among them.

However, (Jensen, M. 2013) is of the opposing view that board meetings are not necessarily useful because the limited time outside directors meet is not used for meaningful exchange of ideas among themselves and management instead preoccupied with routine tasks and meetings formalities. (Hsu, W.Y & Petchsakulwong, P. 2010) found a negative relationship between board meeting and firm's performance while (Oyedokun, G.O. 2019) reports a statistical significance and negative association between frequency board meetings and bank performance.

Board Gender Diversity and Bank Performance

According to (Afolabi, B. et. al. 2022), in a study on board gender diversity and financial performance of listed deposit money banks in Nigeria, using sampling data of 5 banks for a period 2017 to 2021. They conclude that female board members has positive and significant relationship with financial performance. Similarly, (Oyedokan, G. O. 2019; Musa, B., Jerry, M. S., & Abdulrasheed, A. 2020; and Tabbash, M.I., Akinola, A.O., & Abousamak, A. 2021) found positive association between number of female on the board divided by the total number of board members with the firm performance. However, (Olufemi, A. 2021) documented a negative association between board gender diversity and bank performance.

Board Audit Committee Meeting and Bank Performance

According to (Abbott, L.J., Peter, G.F., & Raghunandan, K. 2013) regular meetings of board audit committee may lead to the improvement of the financial accounting process which in turn results to greater performance. The frequency number of meeting during a year for the board audit committee has been demonstrated to have positive association with bank performance (Okwuchukwu, O., Ezeudu, I. J., & Orikara, C.P. 2015; and Joshua, U.M, Effiong, E. J., & Imong, N. R. 2019). While (Gwason, P.D., & Maimako, L.N. 2021) recorded a negative relationship with bank performance.

Methodology

This study deals with the relationship between corporate governance characteristics and financial performance of deposit money banks in Nigeria, and this is best achieve through ex-post facto research design since secondary data was used for the study.

Sample and Sampling Technique

For the purpose of this study, the sample size consists of ten (10) banks (Deposit Money Banks) out of fourteen (14) Deposit Money Banks that are listed on the Nigeria Stock Exchange as at last quarter of 2022. This represent 71% of the Deposit Money Banks listed on the Nigerian capital market. The name of ten 10 selected deposit money banks are; Access Bank, Fidelity Bank, First Bank, First City Monument Bank, Guaranty Trust Bank, Sterling Bank, Union Bank, United Bank for Africa, Unity Bank and Zenith Bank.

Data Collection

As stated in methodology above, the instrument which the researcher used for data collection is the published annual reports of the selected banks from their respective corporate websites. The data were extracted from the published audited financial statements of the banks under review for the period of five (5) years, (2018 to 2022),which comprise 50 copies of audited annual reports of the banks under review (5 from each bank).

Model specification

$EPSit = \alpha + \beta 1BSIZEit + \beta 2BCOMPit + \beta 3BMEETit + \beta 4BGENDERit + \beta 5BACMit + \mu it \ldots\ldots$ (i)

Where;

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EPS = Earnings per Share (in kobo)
BSIZE = Board Size
BCOMP = Board Composition
BMEET = Board Meeting
BGENDER = Board Gender Diversity
BACM = Board Audit Committee Meeting
α = Constant, and
μ = Error term.

The research work have one dependent variable, the EPS and five dependent variables, namely, board size, board independence, board meeting, board gender diversity and board audit committee meeting. The researcher used STATA statistical package, where Pooled OLS, Fixed effect and Random effect regressions were carried out for the model, furthermore, Hausman test and other diagnostic test were also executed to arrive at a robust outcome.

Data presentation, Empirical Results and Analysis

Data presentation, analysis and test of hypotheses represent a three-phase approaches which serve as a link between the research objectives and research findings. In this section, the researcher takes decisive action at presenting the variables obtained from annual reports and accounts of the ten (10) Deposit money banks in the study and presented below. Similarly, the output of regressions and other diagnostic test were discussed under this section.

Table 4.1: BOARD SIZE

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	15	17	17	17	16
FBN	10	10	11	10	11
FCMB	10	10	9	10	10
FIDELITY	12	14	14	14	14
GTB	14	14	14	6	6
STERLING	12	14	12	14	13
UBA	17	20	16	15	17
UBN	15	16	14	13	14
UNITY	9	9	9	9	9
ZENITH	12	13	13	13	17

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

The table above explains the board size of the ten (10) banks under review i.e the number of directors serving in the board of the various banks. The table shows that Access Bank had fifteen (15) board members in 2018, which later increased to seventeen (17) members from 2019 to 2021, however, the board members reduced to sixteen (16) in 2022. The table also revealed that UBA in 2019 had twenty (20) board members which is the highest board size within this period under review, and the lowest board size within this period is nine (9) (Unity Bank from 2018 to 2022 and FCMB in 2020).

Table 4.2: BOARD COMPOSITION = NUMBER OF NON-EXECUTIVE DIRECTORS / TOTAL NUMBER OF DIRECTORS

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	0.33	0.35	0.35	0.35	0.38
FBN	0.90	0.90	0.91	0.90	0.82
FCMB	0.80	0.70	0.67	0.80	0.70

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FIDELITY	0.58	0.57	0.57	0.64	0.57
GTB	0.57	0.57	0.57	0.67	0.67
STERLING	0.67	0.57	0.58	0.64	0.69
UBA	0.82	0.45	0.56	0.60	0.59
UBN	0.60	0.69	0.64	0.77	0.63
UNITY	0.56	0.56	0.56	0.56	0.56
ZENITH	0.50	0.54	0.54	0.54	0.53

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

Table 2 above explained the board independence of the ten (10) banks under review. The board composition represents the number of non-executive directors and or independent directors serving on the board, relative to the total number of directors. i.e non-executive director and or independent directors divide by total number of directors.

ACCESS bank board composition is within the range of 0.33-0.38 as seen in the table above, is the board with lowest number of non-executive directors, while GTB board composition is 0.57 from 2018 to 2020 and 0.67 in 2021 and 2022. STERLING bank board have 0.67 of the board size as non- executive directors in 2018, the number declined to 0.57 in 2019 and continued to increase to 0.58, 0.64 and 0.69 in 2020, 2021 and 2022 respectively. However, the highest board composition within this period of review was 0.91 by FBN in 2020 as shown in the table above, this implies that FBN had the highest number of non-executive directors and/or independent directors 0.90 in 2018, 2019 and 2021 and slightly reduced to 0.82 in 2022.

Table 4.3: BOARD MEETINGS = NUMBER OF FULL BOARD MEETING IN THE YEAR

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	10	7	7	8	7
FBN	8	8	9	11	8
FCMB	5	5	5	5	5
FIDELITY	8	9	16	9	10
GTB	5	5	5	1	4
STERLING	5	4	5	5	5
UBA	5	5	7	7	7
UBN	7	6	6	15	14
UNITY	5	5	4	5	4
ZENITH	6	7	6	7	7

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

The number of full board meeting for the ten (10) banks in a year from 2018 to 2022 was presented in the table above. UBN bank's number of full board meeting in a year was 7 times in 2018, it reduced to 6 times in 2019 and 2020, which later increased to 15 times in 2021 and the trend fall to 14 times in 2022. FBN had its highest number of full board meeting in 2021 (11 times) and in totality, the highest number of board meeting recorded during the period under review was 16 times by FIDELITY bank in 2020 while the lowest number of board meeting held during this period was once (1) time by GTB in 2021.

Table 4.4: BOARD GENDER DIVERSITY= TOTAL FEMALE/ TOTAL BOARD SIZE

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	0.33	0.35	0.35	0.35	0.38
FBN	0.30	0.30	0.27	0.10	0.09
FCMB	0.10	0.10	0.22	0.30	0.30

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FIDELITY	0.25	0.21	0.21	0.29	0.21
GTB	0.21	0.21	0.29	0.33	0.33
STERLING	0.25	0.21	0.25	0.21	0.23
UBA	0.24	0.20	0.25	0.27	0.47
UBN	0.20	0.19	0.21	0.23	0.21
UNITY	0.33	0.33	0.33	0.33	0.33
ZENITH	0.08	0.08	0.08	0.15	0.18

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

Table 4 shows total number of female in the board divide by total number of board size (Gender diversity) for the period of 2018 to 2022 (5 years). FCMB as seen in the table have 0.10 female on the board in 2018 and 2019, while the number of female increased to 0.22 in 2020 and later increased further to 0.30 in 2021 and 2022. UNITY bank maintains the same number of female on their board size at 0.33 throughout the five year period under review 2018 to 2022. ACCESS bank recorded the highest number female 0.38 on their board of directors in 2022, while ZENITH bank have the lowest number of female directors of 0.08 from 2018 to 2020.

Table 4.5: BOARD AUDIT COMMITTEE MEETING

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	6	6	6	6	6
FBN	5	7	5	9	8
FCMB	4	4	5	5	5
FIDELITY	7	8	11	7	7
GTB	4	4	4	1	4
STERLING	4	5	5	6	4
UBA	2	8	7	5	5
UBN	6	6	5	4	4
UNITY	4	5	6	6	5
ZENITH	4	4	4	4	4

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

Table 5 represent the number of board audit committee meetings held in a year by the ten (10) banks under review, from 2018 to 2022. ACCESS bank number of audit committee meeting in a year was 6 times from 2018 to 2022. ZENITH bank had 4 audit committee meetings in a year throughout the period under review from 2018 to 2022. FIDELITY had the highest number of audit meeting which was eleven (11) times a year in 2020, the trend decreased to seven (7) times in 2021 and 2022 while GTB had the lowest number of audit committee meeting held once (1) time in 2021.

Table 4.6: EARNINGS PER SHARE (KOBO)

BANKS NAME	2018	2019	2020	2021	2022
ACCESS	254	207	225	313	409
FBN	26	39	94	36	54
FCMB	18	18	15	26	37
FIDELITY	79	98	92	123	161
GTB	567	595	605	28	301
STERLING	33	35	39	47	67
UBA	120	183	156	172	391
UBN	63	84	84	66	99

UNITY	13	29	18	27	8
ZENITH	527	567	630	743	747

Source: Annual reports and Accounts of 10 selected Deposit Money Banks

The table above represent, the Earnings per share (EPS) in kobo of the ten (10) banks under review for the period of five (5) years (2018 to 2022). From the table above, it was revealed that GTB recorded a steady growth in Earnings per share of 567 kobo, 595 kobo and 605 kobo in 2018, 2019 and 2020 respectively, it drastically reduced to 28 kobo in 2021 and later increased to 301 kobo in 2022. Similarly, FCMB recorded earning per share of 18 kobo in 2018 and 2019, declined to 15 kobo in 2020 and raised to 26 kobo in 2021 and 37 kobo in 2022. However, ZENITH bank reported the highest EPS of 747 kobo in 2022 while UNITY bank recorded the lowest EPS of 8 kobo also in 2022 during the period under review.

Empirical Results

Table 4.1.1: Descriptive Analysis

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
EPS	50	187.16	216.1944	8	747
BSIZE	50	12.8	3.070598	6	20
BCOMP	50	.6158	.1424722	.33	.91
BMEET	50	6.78	2.808805	1	16
BGENDER	50	.2444	.878812	.08	.47
BACM	50	5.32	1.719516	1	11

Source: Authors computation, 2024 (STATA- 15.0)

Table above show the summary of all the variables at stake. It revealed that the mean value of EPS to be 187 kobo with a minimum earning of 8 kobo and maximum earning of 747 kobo. This means that shareholders that invested in the selected deposit money banks could earn as low as 8k per share and as high as 747k. The mean value for board size is 13, with a minimum of 6 board members and a maximum of 20 board members. The board composition i.e number of independent non-executive directors on the board has a mean value of 61.58% of the board size with a minimum of 33% and maximum of 91%. Similarly, the board gender diversity i.e number of female directors on the board recorded a mean value of 24.44% of the board size with a minimum of 8% and maximum of 47%. The main board meeting and audit committee meeting shown a mean value of 7 times and 5 times respectively with a minimum of 1 meeting each for the main board meeting and audit committee meeting and a maximum of 16 times and 11 respectively.

Table 4.1.2: Correlation Matrix

	EPS	BSIZE	BCOMP	BMEET	BGENDER	BACM
EPS	1.0000					
BSIZE	0.3775	1.0000				
BCOMP	-0.4282	-0.4848	1.0000			
BMEET	-0.0275	0.2764	0.0650	1.0000		
BGENDER	-0.1833	-0.0012	-0.2570	-0.1324	1.0000	
BACM	-0.2526	0.2288	-0.0827	0.5177	-0.0311	1.0000

Source: Authors computation, 2024 (STATA- 15.0)

The correlation table indicates that earning per share has positive correlation with board size but negative correlation with board composition, board meeting, board gender diversity and board audit committee meeting. The correlation matrix table did not show any sign multicolinearity as none of them has up to 0.70 correlation, this signifies no multicolinearity.

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Table 4.1.3: VIF Test results

Variable	EPS	
	VIF	1/VIF
BSIZE	1.52	0.659915
BMEET	1.52	0.657363
BCOMP	1.51	0.663348
BACM	1.39	0.717141
BGENDER	1.10	0.908198
Mean VIF	1.41	

Source: Authors computation, 2024 (STATA- 15.0)

As also revealed by the VIF test shown in Table 4.1.3 above; the variance inflation factor, (VIF) value is less than 10 and the tolerance value (1/VIF) greater than 0.10, this indicates that there is no multicolinearity problem among the independent variables.

The pooled OLS regression depicts that board size and board meeting has positive association with earning per share but statistically insignificant. While board composition, board gender diversity and board audit committee exhibited negative relationship and statistically significant at 5% significance level. R-square of 0.4254 and adjusted R-square of 0.3601.

Table 4.1.4: Pooled OLS regression

EPS	Coefficient	Standard Error	t	P>| t |	[95% Conf. Interval]	
					Lower limit	Upper limit
BSIZE	16.24239	9.904513	1.64	0.108	-3.718847	36.20362
BCOMP	-655.7353	212.9115	-3.08	0.004	-1084.83	-226.6403
BMEET	8.356397	10.84865	0.77	0.445	-13.50762	30.22042
BGENDER	-719.2141	294.9945	-2.44	0.019	-1313.737	-124.6918
BACM	774.2487	251.0835	3.08	0.004	268.2232	1280.274

R-sq. = 0.4254
Adj. R-sq. = 0.3601
Prob > F = 0.0001
No of Obs. = 50
Source: Authors computation, 2024 (STATA- 15.0)

Table 4.1.5: Fixed-effect (Within) Regression

EPS	Coefficient	Standard Error	t	P>| t |	[95% Conf. Interval]	
					Lower limit	Upper limit
BSIZE	40.12569	6.399364	6.27	0.000	27.13429	53.11709
BCOMP	-100.9542	226.6101	-0.45	0.659	-560.9973	359.0888
BMEET	12.33482	5.422703	2.27	0.029	1.326145	23.34349
BGENDER	411.4606	171.1967	2.40	0.022	63.91281	759.0083
BACM	-.6498901	10.93937	-0.06	0.953	-22.85799	21.55821
CONSTANT	-444.8149	210.7877	-2.11	0.042	-872.7366	-16.8931

R-sq. within = 0.6034
Prob value >F = 0.0000
No of Obs. = 50
Source: Authors computation, 2024 (STATA- 15.0)

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Table 4.1.6: Random-effects GLS regression

EPS	Coefficient	Standard Error	t	P>| t |	[95% Conf. Interval]	
					Lower limit	Upper limit
BSIZE	38.24497	6.422458	5.95	0.000	25.65718	50.83275
BCOMP	-174.3991	210.532	-0.83	0.407	-587.0343	238.2361
BMEET	11.67397	5.508541	2.12	0.034	.877427	22.47051
BGENDER	338.0178	172.6868	1.96	0.050	-.4421389	676.4777
BACM	-5.632726	10.67	-0.53	0.598	-26.54553	15.28008
CONSTANT	-326.5756	211.7809	-1.54	0.123	-741.6585	88.50739

R-sq. within = 0.5997
Wald chi2 (5) = 49.00
Prob > chi2 = 0.0000
No of Obs. = 50
Source: Authors computation, 2024 (STATA- 15.0)

Table 4.1.7: Hausman Test

	Coefficients		(b-B)	Standard Error
	(b) fixed	(B) random	Difference	
BSIZE	40.12569	38.24497	1.880727	-
BCOMP	-100.9542	-174.3991	73.44483	83.83567
BMEET	12.33482	11.67397	.6608484	-
BGENDER	411.4606	338.0178	73.44279	-
BACM	-.6498901	-5.632726	4.982836	2.412679

Chi2 (5) = 32.53
Prob > Chi2 = 0.0000
Source: Authors computation, 2024 (STATA- 15.0)

Both the Fixed Effect (FE) and Random Effect (RE) regressions were conducted, a Hausman test was carried out to choose among the two and the outcome of Hausman test turn in support of the FE, this implies that the FE result should be interpreted. The FE result shown in table 4.1.4 reveal that the board size, board meeting and board gender diversity exhibits positive association with coefficients of 40.12569, 12.33482 and 411.4606 respectively and also statistically significant with prob. values of 0.000, 0.029 and 0.022 respectively. Whereas, board composition and board audit committee meeting shows negative association -100.9542 and -.6498901 respectively and all of them statistically insignificant. R-squared within of 60.34% was recorded.

Conclusion

This study is considered to have achieved its main objective, which is to explore the relationship between corporate governance characteristics and financial performance of deposit money banks in Nigeria. The study revealed that a significant positive relationship exist between Board Size, Board Meetings, Board Gender Diversity and financial performance of deposit money banks in Nigeria.

This indicates that an increase in the independent variables (Board Size, Board Meetings and Board Gender Diversity) will lead to an increase in the dependent variable (Earnings per Share). This findings is consistent with studies of (Gwaison, P.D., & Maimako L.N. 2021; Joshua, U.M., Effiong, E.J., & Imong, N.R. 2019; Ibrahim, U.A., & Danjuma, S. 2020; Joseph, U.B., Madugba, J.U., & Okpe, I.I. 2015; Ebimobowei A. 2022; Tabbash, M.I., Akinola, O.A., & Abousamak, A. 2021; and Afolabi, B., et al. 2022).

However, the study found mixed outcome, a negative association and insignificant relationship between Board Composition and Board Audit Committee Meeting and financial performance of deposit money banks

in Nigeria as corroborated by (Ibitamuno, D.A., Onuchukwu, O. & Nteegah, A. 2018; and Gwason, P.D., & Maimako, L.N. 2021).

Recommendations

Based on the findings of the research work, the following recommendations will be useful to the stakeholders of deposit money banks in Nigeria:

1. The banks through its regulatory authority should increase the number of Board Audit Committee Meetings in a year from the average mean of 5 times to at least 9 times in a year, this may likely triger a significant positive relationship with the financial performance of Deposit money banks in Nigeria.
2. The deposit money banks in Nigeria through its shareholders and management team should increase the number of outside director (Non- Executive/Independent Directors) and reduce the number of inside (Executive Directors) on the board. This is in line with best global practices and there are several empirical results that found a significant positive effect on the financial performance of banks, studies (Adesanmi, A. et al 2019) has documented same opinion.

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