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Corporate Governance Efficiency and Bank Performance in Nigeria

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The recent global events concerning high profit and corporate failures have put banks in the policy agency and intensified debate on the efficiency of corporate governance mechanisms as a means of increasing firm's performance. The impact of bank organizational structure on performance and corporate governance practices have been discussed for a number of years, mainly in developed countries such as United Kingdom and United State of America (USA). This paper examines the corporate governance implication for banks performance in Nigeria. Secondary source was used in gathering the data required for the research work. A regression analysis of the latent variables was adopted to examine the impact of corporate governance on bank performance. The results of the study show that board size is statistically significant to bank performance while bank age and board committee have negative effect on bank performance with regression coefficients of 0.279, -0.138 and -4.055 respectively. The study therefore recommended that board of directors of Nigerian banks should meet regularly to ensure that necessary problems of the banks are discussed and addressed, and that the number of boards should not be too many in order not to override its benefits.

1. Introduction

Corporate governance is about putting in place the structure, processes and mechanisms that insure that the firm is being directed and managed in a way that enhances long term shareholder value through accountability of managers and enhancing firm performance. In otherwords, through such structure, processes and mechanisms, the well- known agency problem (which results from the separation of ownership from management and leads to conflict of interests within the firm) may be addressed such that the interest of managers can be aligned with those of the shareholders.

The issue of corporate governance has become obverse and centre of the agenda for both business leaders and regulators all over the world, following the global financial crisis. The crisis has provided many illustrations of the collapse of corporate governance and, consequently, international regulators are hard at work to influence appropriate regulatory controls. Thus, the role of effective corporate governance is of massive importance for the society as whole. First, it encourages the

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efficient use of scarce resources within the organization and the economy. Second, it makes the resources flow to the most efficient sectors or entities. Third, it helps the mangers to remain focused on improving performance. Fourth, it provides a tool of choosing the best executive to control the scarce resources. Finally, it forces the organization to comply with the rules, regulations and prospects of society.

Today, the well-known agency problems resulting from the separation of ownership from management (Jensen & Meckling 1976) still prevail in firms worldwide. Recent research suggests that firms tend to have poor performance when they have greater agency problem. These problems allow managers to generate personal benefits that serve their own interests instead of those of the stockholders. An efficient governance structure is believed to be one of the most important means by which such agency problems may be alleviated.

Corporate governance issues related to banks have been ignored by prior research. Therefore, The Basel Committee on Banking Supervision has called attentiveness to the need to study and improve the corporate governance of the financial institutions. The Committee especially advocates a governance structure composed of a board of directors and senior management. Furthermore, the Committee believes that corporate governance is necessary to guarantee a sound monetary system and, therefore, a country’s economic development. While, most of the empirical studies on corporate governance focused on firms in the non-financial sector (Handley-Schachler et al. 2001, Adams and Mehran, 2003), there are some papers concentrated on banks’ corporate governance (e.g. Macey and O’Hara, 2003; Levine, 2004; Adams and Mehran, 2008; Larcker et al., 2007; Caprio et al., 2007).

The bank corporate governance process is a complex framework. This governance framework encompasses a bank’s stockholders, its managers and other employees, and the board of directors. Banks further operate under a unique system of public oversight in the form of bank supervisors and a comprehensive body of banking laws and regulations. The interaction between all of these elements determines how well the performance of a bank will satisfy the desires of its stockholders, while also complying with public objectives. For investors and regulators, this bank corporate governance framework is thus of critical importance in a bank’s success and its daily operations. As a result, understanding the corporate governance of banks is especially important because of the systematic risk that banking activity poses for the economy at large as evidenced by the U.S. savings and loan crisis in the 1980’s, the Asian financial crisis in the 1990’s and the more recent supreme mortgage crisis (Alexander 2006). The purpose of this research is to examine the relationship between the efficiency of corporate governance structure and bank performance in Nigeria.

The rationale behind studying the effect of corporate governance structure on banks’ performance may be a factor in helping investors to invest in a specific bank. If the quality of bank performance is affected by the efficiency of corporate governance structure, then the stakeholders need to monitor the management in order to reduce the effect of the conflict of interests resulting from agency costs on the bank profitability.

Furthermore, potential long-term investors will invest only in banks with higher profitability and more efficient corporate governance structure.

Studies on corporate governance and bank performance in Nigeria are on the increase in view of lingering crisis in nation's financial system (e.g. cases of official recklessness amongst the managers and directors of banks, ethical abuses, and inadequacy of supervisory structures). These studies on bank corporate governance narrowly focused on some aspect of governance, such as the role of directors or that of stock holders, non-performing loans, audit control , acceptance of standard practices by directors, top management, regulatory authorities and audit committee while omitting other factors and interactions that may be important within the governance framework. Besides these variables, the present study revealed that bank age and composition of board committee in exhibiting good governance practices adversely affect bank performance.

The paper is made up of five major sections: The first section focus on the introduction, section two discusses the literature review, the third section lies on the methodology, the fourth section presents the results of data analyzed, and the fifth section presents the conclusion and recommendations.

2. Literature Review

2.1 Conceptual Framework

There is no universally accepted definition of corporate governance. What is more representative of the concept is the statement that "corporate governance refers to a set of rules and incentives by which the management of a company is directed and controlled. Good corporate governance maximizes the profitability and long-term value of the firm for shareholders", (Khumani et al., 1998). La Porta, Lopez, and Shleifer (2000) view corporate governance as a set of mechanisms through which outside investors protect themselves against expropriation by insiders, (i.e. the managers and controlling shareholders). They then give specific examples of the different forms of expropriation. The insiders may simply steal the profits; sell the output, the assets or securities of the firm they control to another firm they own at below market prices; divert corporate opportunities from firms; put unqualified family members in managerial positions; or overpay managers. This expropriation is central to the agency problem described by Jensen and Meckling (1976).

Khleifer and Vishny (1997) argued that corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. How do they make sure that managers do not steal the capital they supply or invest it in bad projects? How do suppliers of finance control managers? The concept of corporate governance continues to be a center of attention in various national and international environments. Kawaura (2004) found that theineffective governance structure is responsible for the crisis of Japanese banks in the1990s.

Krafft and Ravix (2005) defined corporate governanceas "the general system by which firms are owned and managed. Lehmann et al. (2004) examined if companies that have more efficient governancestructure have higher performance. They found that the performance differences betweencompanies were significantly explained by the governance efficiency of companies. Duke, Kankpang and Okwonkwo (2012) state that corporate governance systems are designed, in part, to reduce agency problems. Such systems involve developing monitoring mechanisms and evaluation procedures that are geared towards promoting and protecting the interest of the shareholders/investors and other stakeholders.

According to Kajola (2012), corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, it keeps the organization in business and creates a greater prospect for future opportunities. Effective corporate governance reduces "control rights" shareholders and creditors confer on managers, increasing the probability that managers invest in positive net present value projects (Shleifer and Vishny, 1997). Thus, the relationships of the board and management, according to Al- Faki (2006), should be characterized by transparency to shareholders, and fairness to other stakeholders. This will in effect mitigate the agency cost as predicted by Jensen and Meckling (1976).

There are numerous studies on the ownership structure and the corporate governance and its impact on firm performance. Most of these studies support the notion that there is a positive relationship between effective corporate governance (namely: ownership structure, board composition and board size) and firm performance.

Empirical studies on the relationship between the corporate governance structure and corporate performance showed mixed results. A set of literatures showed a positive and significant relationship between blockholders ownership and corporate performance(e.g., Haniffa & Hudaib, 2006; Joh, 2003; Leech & Leahy, 1991; McConnell & Servaes,1990; Xu & Wang, 1999). Another set of literatures showed no significant relationship between ownership concentration and corporate performance (e.g., Demsetz & Lehn,1985; Murali & Welch, 1989).

Using ordinary least squares (OLS) regression, Demsetzand Lehn (1985) examined the forces that may affect ownership structure of 511 largeU.S. companies, which were “value-maximizing size,” “control potential,” and“systematic regulation” (p. 1158). They found no significant relationship between wnership concentration and corporate performance. Using a logistic regression, Muraliand Welch (1989) examined the relationship between majority ownership and firm value.They found that corporate performance was unaffected by majority ownership, whichmeans majority ownership does not necessary maximize firm value.

Empirical studies in banking efficiency, conclude that few cost savings can be achieved by increasing the size of a banking firm, especially as markets develop (Boyd and Runkle, 1993; Miller and Noulas, 1997; Athanasoglou et al., 2005). Such a relationship is expected to be observed in Nigerian banking systems, which hire high quality and, therefore, relatively high cost staff. Hence, providing that the high quality staff is sufficiently productive, such banks will not be disadvantaged from a relative efficiency point of view.

2.2 Corporate Governance Mechanisms

There are many factors or variables that may constitute yardsticks by which corporate governance can be measured in an organization. Some of these mechanisms are briefly discussed below.

2.2.1 Board Size

Limiting board size to a particular level is generally believed to improve the performance of a firm because the benefits by larger boards of increased monitoring are out weighed by the poorer communication and decision making of larger groups.
Empirical studies on board size seem to provide the same conclusion: a fairly clear negative relationship appears to exist between board size and firm value. Too big a board is likely to be less effective in substantive discussion of major issues among directors in their supervision of management.

Lipton and Lorsch (1992) argue that large boards are less effective and are easier for the CEO to control. When a board gets too big, it becomes difficult to coordinate and for it to process and tackle strategic problems of the organisation. Yermack (1996), using data from Finland and Liang and Li (1999), with Chinese data, also find negative correlation between board size and profitability. Eisenberg, Sundgren and Wells (1998) and Mak and Kusnadi (2005) also report that small size boards are positively related to high firm performance.

Mak and Yuanto (2003) using sample of firms in Malaysia and Singapore, find that firm valuation is highest when board has 5 directors, a number considered relatively small in those markets. In a Nigerian study, Sanda et al (2003) report that firm performance is positively correlated with small, as opposed to large boards.

2.2.2 Board Composition

Enhanced director independence, according toYoung (2003) is intuitively appealing because a director with ties to a firm or its CEO would find it more difficult to turn down an excessive pay packet, challenge the rationale behind a proposed merger or bring to bear the skepticism necessary for effective monitoring.

The proponents of agency theory say that corporate governance should lead to higher stock prices or better long-term performance, because managers are better supervised and agency costs are decreased. However, Gompers and Metrick (2003) submit that the evidence of a positive association between corporate governance and firm performance may have little to do with the agency explanation.

Empirical studies of the effect of board membership and structure on firm value or performance generally show results either mixed or opposite to what would be expected from the agency cost argument. Some studies find better performances for firms with boards of directors dominated by outsiders (see Weiback 1988, Resenstein and Wyatt, 1990 Mehran, 1995 and John and Senbet 1998), while Weir and Laing (2001) and Pinteris (2002) find no such relationship in terms of accounting profit or firm value. Also, Forsberg (1989) find no relationship between the proportion of outside directors and various performance measures.

Studies using financial statement data and Tobin's Q find no link between board independence and firm performance, while those that used stock returns data find a positive relationship. In the case of a sample of 228 small, private firms in China Liang and Li (1999) report that the presence of outside directors is positively associated with higher returns on investment.

2.2.3 Audit Committee

Klein (2002) reports a negative correlation between earnings management and audit committee independence. Anderson, Mansi and Reeb (2004) find that entirely independent audit committees have lower debt financing costs.

2.2.4 CEO Status

Several studies have examined the separation of CEO and chairman of the board, positing that agency problems are higher when the same person occupies the two positions. Using a sample of 452 firms in the annual Forbes Magazine rankings of the 500 largest USA public firms between 1984 and 1991, Yermack (1996) shows that firms are more valuable when the CEO and the chairman of the board positions are occupied by different persons. However Liang and Li (1999) do not find a positive relation on the separation of the position of CEO and board chair.

2.3 Theoretical Framework

The theoretical perspective that guided the current study is linked to the idea that banks with an efficient corporate governance structure have better performance than those without it. Jensen and Meckling (1976) laid out the theoretical relationship between corporate governance and firm performance. They tied together the elements from the theory of agency, theory of property cost and theory of finance, to develop the theory of the ownership structure of the firm. They deeply explained the definition of the firm, the agency cost and the property rights, analyzed the agency cost of equity and debt. They found the fact that as the manager's ownership claim decreases his incentive to give effort to maximize the firm's value decreases and so the agency cost will increase leading to the firm's net value to decrease. So as the manager's ownership percentage increases, the firm value will increase as well. Kawaura(2004) found that the ineffective governance structure is responsible for the crisis of Japanese banks in the 1990s. Lehmann et al. (2004) examined if companies that havemore efficient governance structure have higher performance. They found that the performance differences between companies were significantly explained by thegovernance efficiency of companies.

3. The Methodology and Model

3.1 Model Specification

The model that is employed in the study was tested using pooled sample. The pooled data is the data that contains pooling of time series and cross-sectional observations (combination of time series and cross-section data) (Gujarati, 2003).The study employs the pool sample analysis because of the advantages of pooling the sample. It has been argued further that the pool sample has many advantages. Pooling data generates more informative data, more variability, less collinearity among variables, more degrees of freedom, and more efficiency. Furthermore, aggregating data of many observations minimizes the bias that might result if we aggregate individuals or firms into broad aggregates (Gujarati, 2003).

Following, Larcker et al (2007), this study considers multiple corporate governance dimensions and examine their ability to explain banks' financial performance, in terms of earning per share. The method of analysis is that of multiple regressions and the method of estimation is Ordinary Least Squares (OLS).

The linear model used in this study (which was in line with what is mostly found in the literature) is as follows:

$EPS = \beta_0 + \beta_1 BAGE + \beta_2 BSIZE + \beta_3 COM + U_t$ .... (i)

Where EPS = Earning Per Share
AGE = Age of Bank
SIZE = Number of Board Directors
NCOM = Number of Board Committee
β_0 = Intercept
β_1 - β_3 = regression parameters
Ut = Error Term

3.2 Method of Data Collection

The data employed in this research are purely secondary data. The data were obtained from the Annual Reports of Statement of Accounts of Selected Banks and the Nigerian Stock Exchange (NSE) Factbook. The data covers the period 1999 – 2009 (10 financial years).This was a period that witnessed one of the most accomplished reforms in the history of Nigerian banking industry which covered the period between pre and post consolidation exercise of the banking industry.

3.3 Population and Sample Size

The population of this study is made up of all the banks in Nigeria, taken into consideration the earning per share, the number of board director, number of board committee, chief executive officer, number of board meeting and bank age. A purposive sample of eight (8) banks was selected for the study. The list of the selected banks and their structural composition as wells as performance index (i.e. earning per shares)are presented in Table 1 and 2 below respectively.

Table 1: Age of Bank (AGE), Number of Board Directors (SIZE), Bank Committee (NCOM) of Selected Banks in Nigeria (1999-2009)

Banks	AGE	SIZE	NCOM
First Bank of Nigeria (FBN) Plc	50	7	3
Union Bank Plc	42	14	3
Access Bank Plc	23	15	2
UBA Plc	50	18	3
Diamond Bank Plc	21	15	3
Wema Bank Plc	66	8	5
Eco Bank Plc	26	14	2
Zenith Bank Plc	21	10	3

Source: Computed from the Annual Financial Statements of the selected Banks.

Table 2 below shows the earnings per share (EPS) of the eigth-sampled banks between years 1999 to 2009. The EPS was obtained from the respective financial statement of the banks while the average of the earnings per shares (EPS) between 1999 and 2009 was taken for each year. The average of the earnings per shares (EPS) was used as a measure of bank performance while age of bank (AGE), number of board of directors (SIZE) and board of committee (NCOM) were used as corporate governance measure.

Table 2: Earnings Per Share (EPS) of Selected Banks in Nigeria (1999-2009)

Year	FBN	Union	Access	UBA	Diamond	Wema	Eco	Zenith
1999	295k	381k	₦6.97k	₦1.11k	127K	40k	₦81.32k	241k
2000	324k	₦1.00k	₦10.84k	₦3.01k	137K	19k	₦81.40k	300k
2001	288k	₦1.13k	₦6.40K	₦0.07K	234K	46K	₦65.86K	321K
2002	196k	₦1.06k	0K	₦0.08K	137K	95K	₦0.51K	341K
2003	406k	₦1.48k	21K	117K	32K	78K	₦0.54K	168K
2004	381k	₦1.73k	21K	164K	27K	31K	₦0.51K	168K
2005	308k	₦2.10k	12K	164K	27K	31K	₦0.51K	168K
2006	306k	₦1.60k	7K	186K	57K	0K	27K	191K
2007	15k	₦1.26k	87K	241K	89K	25K	34K	202K
2008	223k	₦2.14k	173K	305K	110K	(573K)	0K	383K
2009	141k	539k	141K	60K	48K	(116K)	(1K)	82K
Mean	**2.62**	**2.06**	**2.62**	**1.59**	**0.93**	**-0.31**	**21.09**	**2.49**

Source: Extracted From the Annual Financial Statement of the Selected Banks (1999-2009)

4. Data Analysis and Results

SPSS data analysis was used to analyze and test the hypothesis for this study. The major hypotheses tested are as follows:

Hypothesis One

H_0: Bank age has no significant influence on bank performance in Nigeria.

H_1: Bank age has significant influence on bank performance in Nigeria.

Hypothesis Two
H_0:Composition of the management board has no significant influence on corporate governance and bank performance in Nigeria.
H_1: Composition of the management board has significant influence on corporate governance and bank performance in Nigeria.

Hypothesis Three
H_0: Number of board committee has no has significant influence on corporate governance and bank performance in Nigeria.
H_1: Number of board committee has has significant influence on corporate governance and bank performance in Nigeria.

4.1 Testing the First Hypothesis

Table 3:Correlation Table Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.339	0.115	-0.033	7.03637

a. Predictors: (Constant), Age of bank
b. Dependent Variable: EPS

Source: Research data, 2012

Regression coefficient was used to test if there is any significant relationship between earnings per share (criterion/dependent variable) and bank age (predictor/independent variables). The ordinary least square regression analysis was used. The result from the analysis shows that a low relationship exists between bank age and earnings per share. This is depicted by the R value of 0.339. The coefficient of determination (R^2) is 0.115 which shows that only 11.5 percent of the variations in the performance of banks selected was explainedby the independent variable. Therefore, it is concluded that bank age do not significantly affect by bank age.

Table 4: Regression Coefficients Table

Model	Unstandardized Coefficients		Standardized coefficients		
	B	Std. Error	Beta	1	Sig
1 (Constant)	9.282	6.342		1.464	.194
Age of Bank	-138	156	-339	-882	.412

a. **Dependent Variable**: Earning Per Share
b. **Source:** Research data, 2012

The table was use to generate the model where the t-statistics was meant to test the significance of the independent variable. From table 6, the sig.value is 0.412 which shows that age of bank is not statistically significant in influence earnings per share.

Table 5: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	38.519	1	38.519	.778	.412
Residual	297.063	6	49.510		
Total	335.581	7			

Directors: (Constant), Age of Bank
Dependent variable: Earning per share.
Source: Research data, 2012

From table 5, the significant value (p value) is 0.412, which shows that the regression model derived could not be relied upon for prediction over and above 99 percent confidence level. The concept of confidence level is to show the level to which the prediction can be held and relied upon. However, the first hypothesis was tested using 5% level of significance (alpha α). Since alpha is less than p value (table 5, 0.412) in conclusion bank age has no significant influence on bank performance in Nigeria. We accept the null hypothesis. The highe p value (0.412) above the level of significance (α) indicates that the models fails to explain a lot of variation in earnings per share.

4.2 Testing the Second Hypothesis

Table 6:Correlation Table Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.155	0.024	-0.139	7.38808

a. Predictors: (Constant), Number of Board of Directors
b. Dependent Variable: EPS

Source: Research data, 2012

Regression coefficient was also used to test if there is any significant relationship between earnings per share (dependent variable) and board of directors (independent variable). The ordinary least square regression analysis was used. The result of the analysis shows that a low relationship (R=0.155) exists between board of directors and earnings per share. This is confirmed by coefficient of determination (R^2) of 0.024 which shows that only 2.4 percent of the variations in the performance of the banks selected was explained by the independent variable. Therefore, it is concluded that for hypothesis two number board of directors do not significantly affect by bank age.

Table 7: Regression Coefficients Table

Model	Unstandardized Coefficients		Standardized coefficients	t	Sig
	B Error	Std.	Beta		
1 (Constant) Number Of Board Directors		.615 .279	9.517 .725	. 155	.95 .71

Source: Research data, 2012

From table 7, the sig.value is 0.712, which confirmed that number board of directors do not statistically influence earnings per share of all the selected banks.

Table 8: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	8.079	1	8.079	. .148	.714[a]
Residual	327.502	6	54.584		
Total	335.581	7			

a. Predictors: (Constant), Number of Board Directors

Source: Research data, 2012

From table 8, the significant value (p value) is 0.714, which shows that the regression model derived could not be relied upon for prediction over and above 99 percent confidence level. However, the second hypothesis was tested using 5% level of significance (alpha α). Since alpha is less than p value (table 5, 0.412) in conclusion board of directors do not have effect on the banks performance. We reject alternative hypothesis and accept the null hypothesis that composition of the management board has no significant influence on corporate governance and bank performance in Nigeria. The higher p value (0.412) above the level of significance (α) indicates that the models fails to explain a lot of variation in earnings per share.

4.3 Testing the Third Hypothesis

Table 9: Correlation Table Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.542	0.294	0.176	6.28388

a. Predictors: (Constant), Number of Board of Directors

b. Dependent Variable: EPS

Source: Research data, 2012

Regression coefficient was also used to test if there is any significant relationship between earnings per share (dependent variable) and board of directors (independent variable). The ordinary least square regression analysis was used. The result of the analysis shows that a low relationship (R=0.155) exists between board of directors and earnings per share. This is confirmed by coefficient of determination (R^2) of 0.024 which shows that only 2.4 percent of the variations in the performance of the banks selected was explained by the independent variable. Therefore, it is concluded that for hypothesis two, number board of directors do not significantly affect by bank age.

Table 10: Regression Coefficients Table

	Unstandardized Coefficients		Standardized coefficients	t	Sig
	B	Std.Error	Beta		
(Constant)	16.301	8.010		2.035	.088
Number of Board Directors	-4.055	2.265	-.542	-1.581	.165

Dependent Variable: Earnings per share

From table 10, the sig.value is 0.712, which confirmed that number board of directors does not statistically influence earnings per share of all the selected banks.

Table 11: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	98.658	1	98.658	2.498	.165[a]
Residual	236.923	6	39.487		
Total	335.581	7			

Predictors: (Constant), Number of Board Committee

From table 11, the significant value (p value) is 0.714, which shows that the regression model derived could not be relied upon for prediction over and above 99 percent confidence level. However, the second hypothesis was tested using 5% level of significance (alpha α). Since alpha is less than p value (table 5, 0.412) in conclusion board of directors does not have effect on the banks performance. We reject alternative hypothesis and accept the null hypothesis that composition of the management board has no significant influence on corporate governance and bank performance in Nigeria. The higher p value (0.412) above the level of significance (α) indicates that the models fails to explain a lot of variation in earnings per share.

5. Conclusion and Recommendations

The study examined the corporate governance implication for bank performance. Corporate governance is considered to involve a set of complex indicators, which face substantial measurement error due to the complex nature of the interaction between governance variables (such as board size, board composition, etc) and firm performance indicators. Nevertheless, previous empirical studies have provided the nexus between corporate governance and firm performance. However, despite the volume of the empirical work, there is no consensus on the impact of corporate governance on bank performance. Consequently, this lack of consensus has produced a variety of ideas (or mechanisms) on how corporate governance influence bank performance.

Our analysis showed that corporate governance variables such as board committees, age of bank, and board directors do have impact on the performance of banks. The study established a weak relationship between EPS and bank age, board of directors and board of committee. This relationship is not well linearly correlated. The bank age shows a negative relationship with the earning per share which means there is a decrease in the performance of the banks. The board size show a positive relationship with earnings per share which means that there is an increase in the performance of the bank, which will increase the level of their service delivery to customers. The board of committee has a negative relationship with the eranings per share which means that there is a decrease in the level of performance of each director which was caused by non employment of independent director by the management of the banks. Generally, the result showed that the banks are relatively better in implementing the corporate governance practices. This is constructed under the assumption that aged banks are able to build better reputation over the years, later on banks tend to do better business due to reputation. This is proved to be correct because banks are relatively aged and also carry better market valuation. The composition of board committees in a bank determine its performance and how it can be managed properly without misconduct among management. The finding is consistent with the finding of Babatunde and Adeniran (2009); Oyejide and Soibo (2001); Wilson (2006); Oluyemi (2005); Sanda et al (2005); and Kajola (2008). Wilson (2006) opined that poor corporate governance can lead market to lose confidence in the inability of a bank to properly manage it assets and liability, including deposits which could in turn trigger a bank liquidity crisis. Oluyemi (2005) considered corporate governance to be of special importance in ensuring stability of the economy and successful realization of bank strategies. This research has improved previous studies on corporate governance by identifying importance of bank age and board committee as another good indicators of corporate governance quality. The inability of board committee to hold regular meetings, lack experience on financial matters and are incapability to resolve contentious financial issues depicts poor quality of governance.

From the findings, the following recommendations are to be considered to address the observed short falls.

i. Board of directors should meet regularly to ensure that necessary problem of the bank is discussed and addressed.
ii. The number of board of directors should not be too many in order not to overwrite its benefits.
iii. Bank should devise its own programs to expose board and top management requisite skill and technical know-how with the dynamic of financial market.
iv. The banks must set up more committees that will improve or facilitate good corporate governance in order to checkmate corruptions in banking system in Nigeria.

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