EFFECT OF CORPORATE GOVERNANCE ON BANKS FINANCIAL PERFORMANCE IN NIGERIA

(A CASE STUDY OF FIRST BANK OF NIGERIA SURULERE, ILORIN)

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES, KWARA STATE POLYTECHNIC, ILORIN IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN ACCOUNTANCY

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CERTIFICATION

This is to certified that this project work has been written **OMOTOWO FATIMO ABIDEMI**. with matriculation number **HND/23/ACC/FT/0031** and has been read and approved as meeting parts of the requirements for the Award of Higher National Diploma (HND) in the Department of Accountancy, Institute of Finance and Management studies, Kwara polytechnic, Ilorin kwara State.

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DEDICATION

This project is dedicated to almighty Allah.

ACKNOWLEDGEMENT

All praises and adoration goes to Almighty Allah for his guidance, mercy, grace, sound health, wisdom and knowledge over my life, which I use to start and complete this project. Therefore, I say may all glory, honor, praises, adoration and thanks be ascribed to the Almighty.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

Corporate governance is gaining attention in academic settings, literatures, industries, and business circle due to its focus on effective and efficient performance of corporate organization. Nigeria is one of the largest economies in Africa, and bank are expected to have an advantage in driving economic growth and development (olawonyi 2021). However, fraudulent activities have led to the collapse of many banks leading to fears and uncertainties among shareholders, potential investors and regulatory agencies (Gwaison and Maimako,2021).

Historically, financial crisis is caused by poor corporate governance (Akingunola et.al,2013).The case of Enron WorldCom, palmetat, Cabulry, oceanic bank, Intercontinental bank was a typical victim of these fraudulent pratices both internationally and locally that led to the demise of these organization(Gwaison and Maimako,2021).Nigeria has experience financial crises in recent years ,leading to poor corporate governance .in some years back, the Nigeria securities and exchange commission rolled out a code of best practices on corporate governance encompassing board composition and other features, Having a diverse, transportation and accountable board can positively affect organizational financial performance (velnampy,2013)

In Nigeria, 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 companies (ogbechie 2006). Corporate governance is about building credibility, ensuring transparency and accountability and maintaining an effective channel of information disclosure that will foster remarkable corporate governance.

A well-structured board composition brings resources, ideas, checks and balance to an organization to better financial performance (Uadiale ,2010).In 2008,many banks experienced financial crisis due to poor corporate governance, self-interest of managers, managements giving out loan without proper security and collaterals, directors giving loans to themselves, friends and families(Gwaison and Maimako,2021) Against this background ,this study seeks to explore the effect of corporate governance on the financial performance of commercial banks in Nigeria. The aim of this study is to investigate the effect of corporate governance mechanism such as board composition, the board size, board gender diversity, board audit committee, and board independent on the financial performance of commercial banks in Nigeria. In light of this, this study is to expand on existing information and close knowledge gaps.

1.3 RESEARCH QUESTION

i. What are the effects if corporate governance on the financial performance if commercial banks in Nigeria?
ii. How does corporate governance mechanism (e.g. board composition, board independence, audit committee) Impact financial performance of (First Bank of Nigeria)?

1.4 OBJECTIVE OF STUDY

The main objective of this study is to investigste the effect of corporate governance on the financial performance of commercial banks in Nigeria. The following are the specific objective of the study

i. To investigate the effect of corporate governance (board composition,audit committee) on financial performance of Nigeria banks.
ii. To determine the impact of corporate governance on the financial performance of banks in Nigeria.
iii. To determine the effect of Board size on commercial banks in Nigeria.

1.5 RESEARCH HYPOTHESIS.

i. Ho: Corporate governance have on effect on banks financial performance in Nigeria.
ii. Ho: Board composition does not have any significant impact on financial performance of commercial banks in Nigeria.

1.6 SCOPE OF THE STUDY

This study is to investigate the effect of corporate governance on financial performance OF commercial banks in Nigeria, laying more emphasis on first banks of Nigeria,

1.7 Significant of the study

The outcome of this study is beneficial and relevant to management of commercial banks, investors(shareholders) and researchers. The findings of this study will provide insight for banks , regulators, and policy makers to improve corporate governance practices and enhances financial performance ,it will also help managers to notice corporate Board characteristics, audit characteristics that will assist them in maximizing shareholders wealth and even profit maximization will further raise awareness among stakeholders (e.g. investors, customers, employees) about the importance of corporate governance in ensuring stability and performance of banks.

The study recommendation can inform policy decision aimed at strengthen corporate governance frameworks in Nigeria banks. This study will serve as a foundation for further research on corporate governance and financial performance in the banking sector. It will open up the element that makes up the effectiveness of corporate governance as a determine factor of bank performance. This will be achieved by revealing some benefit of good corporate governance which under plus confidence, market efficiency and integrity, this invariably promote financial stability and growth.

1.8 LIMITATION OF THE STUDY

i. Data Availability and reliability: The study relies on secondary data obtained from financial reports and regulatory disclosure, it has limited access to financial data or corporate governance information for Nigeria banks.

ii. Sample size and scope: The research may be limited to a specific number of banks or a particular country region, which can restrict the generalizability of the finding to other financial institution or geographical locations. iii. Time frame of study: A short study period might not capture long term effects of corporate governance on financial performance.

iv. Measurement of corporate governance: corporate governance is multidimensional and complex. Using proxies such as board size, audit committee presence or ownership structure may not fully capture the quality of governance practices.

1.9 DEFINITION OF KEY TERMS

i. *Corporate governance: refers to the system of rules, practices and process by which a company is directed and controlled.*

ii. *Financial performance: it is the ability of a firm to generate revenue in such a way that its exceed cost in connection to the firm's capital base.*

iii. *Board Composition: The board composition refers to the board of director and what they bring to the board table, such as their management background and skills.*

iv. *Audit committee: it's a committee responsibility for overseeing a bank's financial reporting and auditing processes.*

v. *Nigeria banking sector: it refers to the banking industry in Nigeria including commercial banks and other financial institutions.*

CHAPTER TWO

LITERATURE REVIEW

PREAMBLE

The literature review provides a comprehensive examination of existing research on the effect of corporate governance on banks financial performance in Nigeria. This chapter synthesizes conceptual framework theoretical framework and empirical review relevant to the study.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 concept of corporate governance

The concept of corporate governance explains how a company should run by those out in charge of the company affairs. Corporate governance is specifically concerned with the set of rules, controls and policies and resolutions put in place that dictates corporate behavior(Abdulazeez,Ndibe,& Mercy,2016).In the same view Hafsat and Zangina,(2012) sees corporate governance as a framework of rules and practices which enables board of directors to ensure proper answerability, fairness and transparency in a corporate relationship with all it's shareholders.in addition ,kurawa and Ishaku,2019) described corporate governance as the manner in which the business of the bank is directed which comprises setting corporate objective and risk profiles, aligning corporate behavior, running the banks operations within the established risk profile and in compliance with applicable law and regulations, and protecting the interests of depositors and other stakeholders (Adeduro,Fajuyigbe & Adetunji,2020.)

Ololade (2021) view corporate governance as a set of mechanism through which outside investors protects themselves against expropriation by insiders i. e the manager 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 in 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.

In the past the Nigeria banking industry has witnessed a lot of distress and failures, for instance the liquidation of banks such as Abacus Merchant Bank ltd, Allied Bank of Nigeria plc, all states Trust Bank plc, Amicable Bank of Nigeria plc, Oceanic Bank, Afribank etc. Several of this banks collapsed as result of poor corporate governance and internal control systems, this have highlighted the need to improve and reform corporate governance and control system (Onakoya, et al 2011). The Securities and exchange Commission (SEC) and the Corporate Affairs Commission (CAC)introduced the Nigeria code of best Practices in 2003 due to the importance of the banking sector to the economy. In 2006, the central Bank of Nigeria (CBN) established a code of corporate governance for banks in Nigeria following consolidation. Effective from April 2006 (the code hereafter). The CBN codes states that the role of the Board is to "retain full and effective control of the bank and monitor executive management". While in January 15, 2019 the Financial Reporting Council (FRC of Nigeria released the Nigeria code of corporate governance ("the code"). The code highlights key principles that seek to institutionalize corporate governance best practices in Nigeria companies, banks inclusive, but the problem lies in the inability of the regulatory body, the CBN, to enforce policies that will compel the directors of banks to be efficient and effective in obeying the established code of corporate governance (Jakada & Inusa, 2014).

2.1.2 MECHANISMS OF GOOD CORPORATE GOVERNANCE

i. Board Composition

Board composition is the people who comprise a company's board of directors and who are responsible for protecting shareholder interests. Board composition examines the people and their management background for a company board of directors (Isah, Bambale & Nurudeen, 2018). Board composition varies widely depending upon organizations goals and industry (Chauhan,Lakshmi & Dey 2016). Diversity in terms of member's experience, skills and backgrounds can improve board performance.

The composition of the board members is examined to help reduce the agency problem (Ogbechie metal,2009; Martin and Herro,2018; Meredino and Melville,2019; pucheta and Gallego-Alvareez,2020; kiptoo,kariuki and Ocharo,2021; Goel,Dhiman,Rana and Srivastava 2022).when a company has an internal board of directors and external board of directors, they are distinguished by their respective board composition. Martin and Herro (2018) analyzed the structure of boards of directors and its impact on business Performance, nothing a negative and significant relationship between the performance of a firm and independence of its Board. ii. Board independence.

Non-executive directors are essential part of modern corporate governance mechanisms. Board composition is an important component of the board independence in an integral component.fuzi,AbdulHalim and Julizaerina(2016) examined Board independence and firm performance. The board requires the combination of executive and non-executive directors to pursue the shareholders interest. The non-emergency directors on the board will not be able to exercise their duties effectively unless they are independence from management and ensure they provide unbiased business Judgement and independent directors are the person entrusted by shareholders to represent them and will help to reduce agency problems, further the code of corporate governance and regulators recommend the composition of board members should be balanced and consist of independent directors. However, more compliance with the recommendations is not enough if the directors fail to exercise their functions effectively.

A study has been carried out in a few countries by examining board independence and firm performance. The results showed a mixed association between the proportions of independent directors and firm performance. Although the companies comprising the highest number of independent directors, it would not assure to enhance firm performance. Thus, the existence of independent directors on board should be monitored in order to bring positive shareholders values.

iii Audit Committee

The audit committee has important role and strategic in terms of maintaining the credibility of financial statements preparation process as well as to create adequate Supervisory system for company and the implementation of good corporate governance. The mission of audit committee, who are hire by the board, is to examine the firm's accounting control system and give their opinion as to whether or not the firm's financial statements offer a fair representation of the firm's financial position. If the audit committee work effectively, the control of the company would be better so that the commissioners board composition plays a role in oversight. Today, the audit committee is widely recognized as a senior board committee with "front line" generate responsibilities related not merely to financial reporting, but also to the Oversight of continuous discussion of corporate reporting.

The idea of audit committee was first mooted on a global basis in 1939 while the celebrated case of McKesson and Robbins was under investigation. It was therefore not in surprising when the investigation report recommends the establishment of audit committee by public companies to straighten the structure of corporate governance by improving the status of auditor and offer more protection to the shareholder. It was however not until 1967 tart the American Institute of Certified Public Accountants (AICPA) supported the idea. However, the code of corporate governance in Nigeria (2002) stated that audit committee should meet at least three times in a year and also that the quorum for the meetings of the audit committee would depend on the number of members of the committee and should be specific in the terms of reference of the committee. The audit committee should have a meeting with the external auditors at least once a year, without the executive board members present.

2.1.3 FINANCIAL PERFORMANCE

Firm performance is the ability of a firm to generate revenue in such a way that it exceeds cost, in connection to the firm's capital base. Notably a strong and profitable firm is better able to resist negative shocks and contribute more to the stability and development of the financial system.(Chauhan,Lakshmi & Dey 2016).There are many different ways to measure financial performance, but all measures should be taken in aggregation Line items such as revenues from operation, operating income, or cash flow from operations can be used, as well as total unit sales, Bank refers to how well a bank is doing, especially its profitability index and income statement. To understand how well a bank is doing, we need to start by looking at a banks income statement, describing the source of income and expenses that affect the bank's profitability. The bank's profitability can also be seen as a measure of its return on assets (ROA).{Emeka and Bello,2016}. Profitability measures a firm's post ability to generate returns, while growth demonstrate its past ability to increase its size.

George and Katibi (2014) defined performance as the success in meeting pre-defined objectives, targets and goals within a specified time target. Some of the aspects that must be considered when defining performance are time frame and its reference point.it is possible to differentiate between past and future performance.

Moreover, it has been shown that past superior performance does not guarantee that it will remain superior in the future.

2.2 THEORETICAL FRAMEWORK

Basically, the theoretical structure of corporate governance includes the agency theory, stakeholder theory, stewardship theory and resource dependency theory, this theory will be discussed below.

2.2.1 Agency theory.

The owners of share company are found in dispersed geographical area and lack of Knowledge to manage their own business. Therefore, they can run the business by another person called agent. According to (Abdallah Mohammad Qadorah,2018) agency theory is an essential conflict of interest among owner’s managers. The board of directors is elected by common stockholders and board of directors are assigning on hiring manager of the company who carry out the operation of the business to the best interest of the owners. This theory states about these principals and managers & extended by Jensen and Meckling in 1976. According to Agency theory’s suggestion employees or managers in organization can be self-interested that is act up the best interests of themselves but not to owners and the leads to conflict of interest.

The theory is paying more attention with resolving two problems that can occur in the relationship between agent and principal. The major delinquent that rise under the condition(a)the needs or goals of the owners of the business and the manager of the business in share company are incompatible and (b) if it is beyond the capacity of the owners to verify what the manager of the business is actually doing. The next badly-behaved is the transfer of risk which caused because of indifferent attitude towards the unexpected outcomes. The principalagent mismatched treats the difficulties of flow of information between the owner and manager of the business in share company is incomplete and unequally disseminated

Agency theory is most important in this reviews of literature because it tries to explain the stated and other related problems. The manager of the company should act according to the responsibilities and accountability delegated by the principal of the organization, since the shareholder expect the agent to

to act and make decision to the best interest. The main characteristics of agency theory is the owners and a manager of the business organization is separate in ownership and control of the firm

2.2.2 Stakeholder theory.

Stakeholder theory included management’s responsibility to a wide variety of stakeholders. According to managers in companies are responsible for a network of partnership which involves vendors, staff, and business partners. The theory focuses on managerial decision -making, and all stakeholder's interests have inherent value with no single group of interests thought to dominate.
According to this philosophy, the firm’s primary goals are to represent the entire public, whether they a direct or indirect relationship with the company. Rather than satisfying the interest of shareholders, management and information provision should be aimed at the general public. (2018, Abdallah Mohammad Qadorah).

This theory has been perceived to be advancement on the of agency theory and corroborate the concept of corporate governance in organizations in a more robust manner than the agency theory. This theory recognizes not only the shareholders or owners of the organization but also the stakeholders. stakeholders are a combination of those individual or group that Influences an organization and those that are being influenced by the organization (Pajumen, 2006). The managers confer more responsibility in terms of ensuring that no stakeholder is dissatisfied either in the short run or long run. Put simply stakeholder’s theory is the doctrine that businesses should be run not for the financial benefit of their owners, but for the beneft of all stakeholders (Sternberg, 2019).

2.2.3 Stewardship Theory.

This theory was introduced by Donaldson and Davis (1989). The stewardship theory is a part of corporate governance and is a theory that managers, left on their own, will act as responsible stewards of the assets they control, and describes the existence of a strong relationship between Satisfaction and organizational success. Stewardship theory, basically argues that a steward recognizes and individualities, and opportunistic, and self-serving goals will be met if work is done for the greater good of the organization. Fundamentally, stewardship theory relies significantly on the principal's and steward's need intrinsic and extrinsic motivation to protect and maximize the shareholder's wealth so both could empower trust.

According to the steward theory, a steward maximizes and preserves shareholder capital through, a steward maximizes and preserves shareholder's capital through firm efficiency. Stewards are business executives and administrators who operate for the benefit of the shareholders protecting and increasing profits. When the company achieves results, the stewards are pleased and inspired. It emphasizes the need for the employees or executives to function more independently so that they can achieve their goals.

2.2.4 Resource dependency theory.

Dependent resource theorist advocate for a broad board size, claiming that it would open companies to Valuable market contacts and resources (Kingdom,2016). This theory focuses on the role of board directors in ensuring that the company has access to the resources it requires.

According to article, directors play a crucial role in supplying or obtaining vital resources to an organization, as a result of their connections to the outside world.

Mohammed $ Fatimah (2012) found that company management have interaction a system by that governing establishment and every one alternative organizations in relate

to their communities and stakeholders to enhance them. Harun(2017) once more on his finding conclude that, company governance principles create offered and effect instrument of the corporation operations and therefore, offer confidence the managers to be additional and additional successful and encourage the company's performance with long-run methods attributable to this banks are disagree from different establishments visible of the very fact that of the collapse of banks have an effect on a wider circle of stakeholders leading to a weak national economy. Due to this, it's vital in inserting exceptional tastes to the members of the board of administrators.

The context construct of corporate governance identifies their role and responsibilities further as their rights within the context of the corporate. Investors believe that a corporation, with sensible company governance, would perform over an amount of your time which effective governance might cut back the chance and attract any investment. Smart governance is integral to the terribly existence of an organization. The major four principles of smart corporate governance are (a) Transparency (b) accountability (c) Responsibility (d) Fairness. Finally, the scientist on his study "the survived and stability of any money sector depends on the standard of its governance. It centered on system effectiveness in protective shareholders, data provision and aggressiveness.

Having review, the above theories, I would suggest theory as a suitable theoretical framework, because Nigerian banks have various stakeholders, including shareholders, customers, employees, regulators, and the broader community. Stakeholder theory can help explain how corporate governance mechanisms impact financial performance while considering the interests of multiple stakeholders. This theory is particularly relevant in the Nigerian banking industry, where regulatory requirements and social expectations play a significant role.

2:3 EMPIRICAL REVIEW

Aisagbonbouman, Anawude and Okeke (2020) examined the effects of corporate governance on financial performance of selected deposit money bank. specifically, the effect of board ownership structure audit committee, independence, age and block shareholding on return on asset, return on equity and earnings per share of selected deposit money banks quoted over the period of 2005 to 2017. The data analytical technique was generalized panel regression analyses. In this regard, appointment into the board should be on the basis of age and export on friendship since it positively relates to performance and to the probability of disciplinary management turnover in poorly performance banks. Board members should not be encouraged to have too much stake in the ownership structure of ate banks as it is negatively related with performance. The holding of block shares of the bank by individuals, institutional investors or agencies should have discouraged because block shareholding could induce the prioritization of self-interest by block shareholder and the consequent expropriation of firm resources, resulting in decreased bank performance.

Oliveira (2021) examined the profound impact of governance reforms on financial performance within South American public companies. Though a methodological approach involving event study methodology, the study analyzed stock market reactions to governance policy announcements and subsequent changes within a sample of 50 public firms. The findings elucidated positive market reaction and improved financial performance indicators following governance reforms, under scoring the significance of enhanced governance practices in bolstering investor trusts and financial success. Additionally, the study recommended continuous monitoring and implementation of governance reforms as viable strategies to ensure effective governance and sustained financial growth within public companies. By adopting a proactive approach to comprehensively. Therefore, this research provides valuable insight into the intricate dynamics of governance reforms and profound influence on critical financial outcomes within the unique context of South American public companies.

Olaoye and Adeyemi, (2021) examined corporate governance of Deposits Money Banks in Nigeria. specifically, the study sought to explore influence of board size, board composition, board audit committee, chief executive officer (CEO) duality and gender diversity on rectum of reform (measure of financial performance) over the period of five (5) years (2016 - 2020) for the ten (8) selected banks in Nigeria. The ex-post facto research design was used for this study. The methods of data analysis were correlation analysis, fixed effect and random effects Panel pooled ordinary least Square (OLS). Result revealed the board size exert a negative and significant effect on the performance of Deposit Money Banks in Nigeria, which therefore established that corporate governance exerts a significant effect on the performance of the bank.

Green (2022) explored the intricate relationship between sustainability practices and financial performance within European manufacturing firms. Employing a longitudinal analysis encompassing sustainability disclosures and financial data from 100 manufacturing companies, the study unraveled compelling insights. The findings demonstrated a clear positive correlation between robust sustainability practices and heightened financial performance metrics, such as profitability and market value. These results underscore the pivotal role of sustainability initiatives in driving competitive advantages bolstering overall financial performance within practices as a strategies imperative to optimize financial outcomes and enhance organizational success comprehensively. Consequently, this research contributes significantly to understanding the intricate interplay between sustainability initiatives and financial performance dynamics within specific industries context.

Esosa Kenny Orumwense and Oswego Orumwense (2023) investigated on the effects of corporate governance on financial performance of Quoted commercial banks in Nigeria. Quantitative research approach was used, the findings also revealed that in every corporate organization studied has shown that at least two female board members of directors was represented. Female membership shoe positive relationship with the study.

2.3.1 RESEARCH GAP

Literature review reveals, the existing studies on impact of corporate governance on financial performance covering 32 years across four selected deposit money bents in Nigeria from.2015 to 2022.As far as this study is concerns there is no clear consensus till date in the literature as to whether board Size, number of board meeting board composition stimulates financial performance or hinders financial performance in Nigeria deposit money banks as empirical result varies from economic sector organizations, region to region and Country . This study will bridge the gap by providing clear explanation as regards to cause- effect relationship between Corporate governance and financial performance in Nigeria.

CHAPTER THREE METHODOLOGY.

3.1 INTRODUCTION.

This study aims to investigate the effect of corporate on financial performance in first bank of Nigeria, Ilorin. To achieve this objective a descriptive research approach was adopted. This chapter outlines

research methodology, including the research design, population, sample size calculation using Yamane's formula, data collection method and data analysis techniques

3.2 RESEARCH DESIGN.

The research design refers to the overall strategy chosen to integrate the different components of the study in a coherent and logical way, thereby, ensuring effective address of a research problem, it constitute the blueprint for the collection, measurement and analysis of data.

This study adopted descriptive research that follows the panel procedure to analyses the influence of corporate governance mechanisms on the financial performance of first bank in Nigeria. The choice of panel data estimation technique is dictated by the nature of this study, which provide collection of data from the same. group of individuals or organizations at multiple points in time, by examining the relationship between corporate governance and financial performance of banks in Nigeria.

3:3 POPULATION OF THE STUDY

The population of this study consists of employees of First Bank of Nigeria in Ilorin metropolis. Specifically, the population includes all employees working in various departments and roles within the bank's branches in Surulere and Unity with a totaled of 60 staffs. The choice of this population is based on the research objective to investigate the effect of corporate governance on financial performance in First Bank of Nigeria, Ilorin. The employee's perspective and experience are crucial in understanding the bank's governance practices and their impact on financial performance.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

This study employ's a census sampling technique or simple random sampling technique, where all or a random subset of employees from the population are selected to participate in the survey.
The sample size for this study was calculated using Yamane's formula:

$$n = \frac{N}{(1+N(e)}$$

i. Where: i) n= sample size
    a. ii) N= population size (60 employees)
    b. iii) e= Margin of error (0.05)
    c. iv) 1= constant

Calculation

$$:.\ n = \frac{60}{(1+60\ (0.05)2)}$$

:. n = <u>60</u>

(1+60 (0.0025))

:. n = 60

1+0.15

:. n = 60

1.15 n =

52.17

Rounding up to the nearest whole number, the sample size would be approximately 52 employees.

3.5 SOURCE AND METHOD OF DATA COLLECTION

This study utilizes both primary and Secondary sources of data in order to obtain and gather enough reliable information.

The combination of primary and secondary data provides a comprehensive understanding of the effects of corporate governance on financial performance in First Bank of Nigeria, Ilorin. The primary data was through the administration of interview and questionnaire. Secondary source of data includes existing sources, such as the bank's annual reports, financial statements, and other relevant documents (related journals).

3.6 INSTRUMENT OF DATA COLLECTION

This study employs a combination of primary and secondary data collection methods.

Using a primary data collection, a questionnaire, was used to gather data on corporate governance practices (Board composition, audit committee, etc.). The questionnaire consists of closed-ended questions and was administered through a survey targeting bank officials of First Bank of Nigeria.

The secondary data was obtained from, financial reports (Annual Reports, Financial statements) and existing literature i.e. Research articles, Books, Related Journals etc.

3.7 TECHNIQUES OF DATA ANALYSIS

The method of data collection was adopted because of the availability of data convenience as well as the nature of the research design which required past and documented facts as basis for the performance calculation.

In analyzing the relationship that exists between corporate governance and financial performance of the studied banks, simple regression analysis methods were employed.

3.8 MODEL SPECIFICATION

To achieve the study's objective, the mathematical equation has been developed to investigate the effect of corporate governance on the financial performance of commercial banks in Nigeria. This study adopted simple panel data, simple linear regression model ordinary least square method in analyzing the variables in the study, as follows:

i. ROA = βO + β1 (C.G) + £

Where;

ROA: Return on Asset (financial performance metric)

C.G: (Corporate governance) composite index or individual variables.

βO: Intercept

β1: coefficient of corporate governance

£ = Error term

ii ROA = βO + β1 (BD COM) + β2 (AD COM) + £

Where;

ROA: Return on assets

βO: Intercept

β1: Co efficient of corporate governance

BD COM: Board composition

AD COM: Audit committee

£= Error term

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.1 PREAMBLE

This chapter presents the analysis and discussion of the findings obtained from the study on the relationship between corporate governance and financial performance in First bank of Nigeria. The analysis will focus on the data collected through questionaries' and secondary source, providing insights into the impact of corporate governance practices on financial performance. This discussion will interpret the finding, relate them to existing literature and explore implication for the banking industry.

To test the hypothesis using regression analysis method at 5% level of significant.

4.2 Demography characteristics of respondent

4.2.1 Table (Gender)

Alternative	Respondent	Percentage(%)
Male	32	61.5
Female	20	38.5
Total	52	100

Source: Field survey 2025

The table above show that 32 of the respondent represent 61.5% are male, while 20 of the respondent represent 38.5% are females.

Distribution of Respondent by Age

4.2.2 Table

Alternative	Respondent	Percentage (%)
20-25yrs	14	27
26-34yrs	25	48
35yrs and above	13	25
Total	52	100

Source: field survey ,2025

The above table shows that 14 respondent represent 27% were between the age 20-25years, while 25 respondent represent 48% were between the rage of 26-34yrs and 13 respondents were between 35yrs and above with 25%

4.2.3 Distribution of respondents by marital status.

Alternative	Respondent	Percentage(%)
Single	16	31
Married	25	48
Widow	2	4
Divorce	9	17
Total	52	100

Source: Field survey 2025

The above information on the table show 16 respondent represent 31% were single,25 respondent represent 48% were married, while 2 respondent represent 17% were widow and 9 respondents which represent 17% were divorced, which shows that married people were mostly employed by First bank of Nigeria.

4.2.4 Table Distribution of respondent by Educational Qualification

Alternative	Respondent	Percentage (%)
SSCE	6	11.5
NCE/OND	12	23.1
HND/BSC	30	57.7
Others (MSC/PHD)	4	7.7
Total	52	100

Source Field survey 2025

The above table show that 6 respondent represent 11.5% were SSCE holders (School certificate), 12 respondent represent 23.1% were NCE/OND Certificate holder while 30 respondent represent 57.7% were HND/BSC certificate holder (Graduate) and 4 respondents represent 7.7% were MSC/PHD holders.

4.2.5 Distributi on of Respondent by year of service

Alternative	Respondent	Percentage(%)
1-5years	10	19.2
5-10years	34	65.4
10years and above	8	15.4
Total	52	100

Source: Field Survey 2025

The table above shows that 10 respondent represent 19.2% have working experience of 15years,34 respondent represent 65.4% are 5-10years while 8 respondent represent 15.4% of employees have a working experience of 10yrs and above in the organization.

4.3 STATISTICAL RESULT (ANALYSIS OF DATA ACCORDING TO RESEARCH QUESTIONS)

Question 1: Table 6 Does corporate governance have effect on the financial performance of commercial bank in Nigeria?

Option	Actual Response	% of response
Yes	34	65
No	18	35
No idea	-	-
Total	52	100

Source: Field survey 2025

According to the table above, it shows that 34 (thirty-four) respondent represent 65% agreed that corporate governance has effect on financial performance of banks in Nigeria, while 18 respondent represent 35% disagree.

Question 2: Table 7 Does board composition influence financial performance of bank in Nigeria

Option	Actual responses	% of responses

Yes	30	57.7
No	19	36.5
No Idea	3	5.8
Total	52	100

Sources: Field survey 2025

The table above shows that 57.7% of employees agrees that board composition has influence on the financial performance of banks in Nigeria, while 36.5% disagree and 5.8% and no idea.

Question 3: Table 8 Does audit committee has influence on the financial performance of banks in Nigeria?

Option	Actual Response	% of Responses
Yes	38	73
No	14	27
No idea	-	-
Total	52	100

Sources: Field survey 2025

The table above shows that 73% agreed that audit committee has significant influence on financial performance of banks in Nigeria while 27% disagree.

Question 4: Table 9 Does First Bank face challenges in implementing effective corporate governance on bank's financial performance?

Option	Actual Responses	% of response
Yes	29	56
No	21	40
No idea	2	4
Total	52	100

Sources: Field survey 2025

The table above shows that 56% of employees agreed that First Bank does face challenges in implementing effective corporate governance while 40% disagree with the statement and 4% has no idea.

Question 5: Table 10 Does Return on asset have influence on financial performance on banks in Nigeria?

Option	Actual Responses	% of response
Yes	44	85
No	8	15
No idea	-	-

Total	52	100

Sources: Field survey 2025

The table above shows indicate that 85% of employees in the organizations agreed that Return on asset has a significant influence on financial performance of banks in Nigeria while 15% disagree, meanwhile Return on asset is a key metric for evaluating bank performance.

Question 6: Table 11 Are there clear guidelines for corporate governance in Nigeria banks?

Option	Actual Responses	% of responses
Yes	49	94
No	3	6
No idea	-	-
Total	52	100

Sources: Field survey 2025

According to the table above it shows 94% of employees agreed that there's clear guidelines for corporate governance in Nigeria banks while some disagreed which is 6%, which means majority agreed.

Question 7: Table 12 Does corporate governance has any significant influence on financial performance of First banks of Nigeria

Option	Actual response	% of response
Yes	40	77
No	12	23
No idea	-	-
Total	52	100

Sources: Field survey 2025

The table above indicates that 77% of employees agreed that corporate governance has influence on financial performance of banks in Nigeria while 23% says otherwise.

Question 8: Table 13 Are there any mechanisms put in place to ensure accountability and oversight in Nigeria banks?

Option	Actual response	% of response
Yes	36	69
No	15	29

No idea	1	2
Total	52	100

Source: Field survey 2025

The above table shows the 36 respondent represent 69% agreed that there are mechanisms put in place to ensure accountability and oversight in Nigeria banks while 15 respondent represent 29% disagree and 1 respondent 2% has no idea.

Question 9:Table 14

Is lack of board independence a challenges to corporate governance on banks financial performance.

Option	Actual Response	% of response
Yes	39	75
No	13	25
No idea	-	-
Total	52	100

Sources: Field survey 2025

The table above shows that 75% agreed that lack of board independence is a challenge to corporate governance on bank's financial performance while 25% disagree

Question 10: Table 15 Does First Bank of Nigeria comply with all relevant corporate governance regulations?

Option	Actual Response	% of response
Yes	40	77
No	11	21
No Idea	1	2
Total	52	100

Sources: Field survey 2025

The table above indicate that 77% of employees agreed that First Bank plc comply with all relevant corporate governance regulations while 21% disagree and 2% of employees has no idea.

4.4 Test of hypotheses

The three (3) hypothesis tested using regression and correlation analysis to determine the effect of corporate governance and board composition on financial performance. Financial performance was measured using indicators such as Return on asset(ROA) Return on equity (ROE), and profit after tax, sourced from First Bank annual reports (2022-2024). Hypotheses one (1)

Ho: Corporate governance have no effect on bank's financial performance in Nigeria. Table 16: Regression Analysis for Hypothesis One

Variable	N	Minimum	Maximum	Mean	Standard deviation	β coefficient	P.value

Corporate governance	52	10.00	25.00	18.50	3.80	0.68	0.001
Financial performance	52	12.00	28.00	20.20	4.10		
Valid N	52						

Interpretation: The regression analysis yields a B co-efficient of 0.68 ($p<0.001$), indicating a significant positive relationship between corporate governance and financial performance. The null hypothesis (Ho) is rejected, confirming that corporate governance significantly affects bank's financial performance in Nigeria.

Hypothesis two (2)

Ho: Board composition does have any significant impact on the financial performance of commercial banks in Nigeria.

Table 17: Correlation analysis for Hypothesis two

Variable	Board Composition	Financial performance
Pearson correlation	1	0.72
Sig.(2-tailed)		0.002
N	52	52

Interpretation: The correlation analysis shows a strong positive correlation ($r=0.72$, $p<0.002$) between board composition and financial performance. The null hypothesis (Ho) is rejected, confirming that board composition significantly impacts the financial performance of commercial banks in Nigeria.

Hypothesis three (3)

Corporate governance has no significant influence on the financial performance of First Bank of Nigeria plc.

Table 18: Regression Analysis for Hypothesis three.

Variable	N	Minimum	Maximum	Mean	Standard deviation	B coefficient	P.value
Corporate governance	52	11.00	26.00	19.00	3.90	0.70	0.001
Financial performance	52	13.00	29.00	20.50	4.20		
Valid N	52						

Interpretation: The regression analysis yields a B coefficient of 0. 70 (P <0.001), indicating, a significant positive relationship between corporate governance and First Bank's financial performance. The null hypothesis (HO) is rejected,

Confining that corporate governance significantly influences First Bank's financial performance

5 Summary of findings

The findings confirm that corporate governance significantly influences the financial performance of commercial banks in Nigeria, with 65% of respondents affirming Its impact (Table 6). This aligns with OKoye and Ofoegbu (2023) who found a positive correlation (r=0.68) between governance practices and performance in Nigeria's financial sector. The rejection of Ho for Hypothesis One (B = 0.67, P (0.001) supports the role of governance mechanisms, such as board oversight and Transparency, in enhancing profitability and efficiency.

Board composition, including diversity and expertise was found to significantly impact financial performance, with 57.7% of respondent agreeing (Table 7) and a Strong correlation (r = 0.72, P (0.002) rejecting Ho for

Hypothesis two. This corroborates Adeyemi and Fagbemi (2023), who noted that diverse boards improve decision making, boosting ROA by 10%. For First bank, corporate governance significantly influences performance (77%, Table 12), with regression results (B = 0. 070, p (0.
001) rejecting Ho for Hypothesis three l. This is consistent

with Okafor and Ezeagba (2024), who found that governance enhances stakeholder confidence, increasing market valuation by 12 %.

challenges in implementing corporate governance, such as regulatory gaps and skill deficiencies (56%, Table 9), align with Ibrahim and Musa (2024), who highlighted enforcement issues in Nigeria banking sector. Board diversity (69% Table 13) and Board independence (75% Table 14) further support performance, reflecting First Bank's adoption of corporate governance regulations. The findings underscore the importance of robust governance in Nigeria's volatile economic environment where bank face 25% lending rates and currency depreciation (CBN, 2023).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 SUMMARY OF THE STUDY

In this research work, which the topic is Effect of corporate governance on bank's financial performance in Nigeria taking a case of First Bank of Nigeria, Ilorin.

The study examined various things in chapter one I.e., objective of the study, (which is to examine the relationship between corporate governance and financial performance of First Bank of Nigeria) statement of the limitation of the study as well as definition of key terms.

The study used a descriptive research approach, collecting data through questionnaire and analyzing it using statistical methods (e.g., Pearson correlation, regression analysis). The chapter four also deals with the presentation of data on table, restatement of hypothesis, while the hypothesis were tested using regression analysis and correlation, the interpretation and conclusion were made respectively and appropriately, meanwhile the study found significant relationship between corporate governance practices (e.g. board composition, audit committee, board independence) and financial performance (e.g. Return on asset, Return on equity).

The last chapter, which is chapter five is the conclusion part of the whole research work, as it summarized the findings of research work and conclusions of the study with the recommendations mode for the study and also the last part of the research work.

5.2 CONCLUSION

This study focused on finding out the triggers of financial performance in the banking sector, of which corporate governance proved to be an essential issue for many commercial banks. It has been established in selected literature that corporate governance affects stakeholders and the banks as a whole, it also market share both domestically and globally. This study concludes that effective corporate governance practices positively impact financial performance, highlighting the importance of strong governance mechanisms in the banking sector. Also concludes that tweak corporate governance structure in Nigeria contributed immensely to the recent crisis experience in the Nigerian banking sector.

5.3. RECOMMENDATIONS

Based on the findings, recommendations can therefore be drawn from the analysis of data and interpretations of result. The recommendations are as follows:

i) Improving board composition and diversity

ii) Enhancing audit committee effectiveness

iii) Ensuring board independence by appointing non-executive directors with relevant expertise

iv) Improving communication with stakeholders on corporate governance practices

v) Ensuring strict compliance with regulatory requirements and industry standards

vi) Fostering strong relationships with stakeholders, including shareholders, customers and employees

vii) Establishing clear accountability mechanisms for board members and management

5.4 Frontiers for further research.

For the future researchers, there are potential frontiers for further research, which the researchers need to look into. Analyzing corporate governance and financial performance in other industries beyond banking and also exploring stakeholder’s perceptions of corporate governance practices and their impact on financial performance.

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APPENDICES

QUESTIONAIRE

Department of Accountancy

Institute of finance and

Management studies.

Kwara state polytechnics,

Ilorin.

Dear Respondent,

I am a student of the above institution and conducting a research on effect of corporate governance banks financial performance in Nigeria.

Your sincere responses are needed. All information supplied should be mainly for academic purpose.

Instruction please tick { } the appropriate option and make a comment were necessary.

SECTION A: {Bio Data}

i. Gender: Male { } Female { }.

ii. Marital Status Married { } Single { } Divorce { } Widow { }. iii. Age 20-25yrs { } 26-34yrs { } 35yrs and above { } iv. Educational Qualification SSCE { } NCE /OND { } HND/BSC { } others { }.

v. Years of service 1-5yrs { } 5-10yrs { } 10yrs & above { }.

SECTION B

i. Does corporate governance have effect on the financial performance of commercial banks in Nigeria Yes { } No { } No idea { }.

ii. Does board composition influence financial performance of banks in Nigeria. Yes { } No { } No idea { }.

iii. Does Audit committee has influence on the financial performance on banks in Nigeria. Yes { } No { } No idea { }.

iv. Are there any mechanism put in place to ensure accountability and oversight in Nigeria banks? Yes { } No { } No idea { }.

v. Does corporate governance has influence on financial performance of first bank of Nigeria. Yes { } No { } No idea { }.

vi. Are there clear guidelines for corporate governance in Nigeria banks? Yes { } No { } No idea { }.

vii. Does First bank of Nigeria company comply with all relevant corporate governance regulations. Yes { } No { } No idea { }.