

## **Corporate Governance and Financial Performance of Selected Deposit Money Banks: A Review**

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### **Abstract**

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The paper reviews the concept of corporate governance, its effects on financial performance of deposit money banks and outlines the theoretical framework underpinning corporate governance. The paper puts into perspective the corporate governance framework in Nigeria narrowing down to the guidelines, structure and the regulatory framework in the banking sector. The study is based on Agency and Financial Intermediaries theories. The methodology investigated world-wide existing empirical studies on the relationship between corporate governance and financial performance of deposit money banks in Lagos State, Nigeria. A conceptual framework was proposed based on the empirical studies and identified gaps in the literature. The study posits that an efficient practice of corporate governance amongst an organisation's workforce can be relied upon to safeguard the resources and entitlements of all stakeholders in the bank leading to increase in profitability and decreasing solvency challenges in Nigerian deposit money banks. The study also postulates that all stakeholders should be taken into consideration in the formulation and implementation of the banks' corporate governance structure. The study recommends full compliance with corporate governance tenets by banks as this will enhance their financial performance in both short and long run.

**Keywords:** *Corporate governance, Financial performance, Banking sector, Solvency, Agency theory*

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## **Background to the Study**

In today's ever-changing business environment, the goal of every financial institution is maximization of profit and shareholders' value. However, this is usually short-lived as these institutions are faced with the increasing poor banking performance which has led to failure and insolvency of financial organizations which have negative repercussions on countries' economic growth. Financial performance resulting from operating ratios analysis has long been used as a tool for determining the condition and the financial performance of an institution; however, there are crucial factors which can hinder performance. Several studies have been conducted to examine the decline of firm's financial performance. Majority of such studies have linked it with corporate governance (Ammar, Saeed and Abid, 2013; Xavier, Shukla, Oduor and Mbabazize, 2015; Osundina, Olayinka and Chukwuma, 2016). Corporate governance practices in developing countries including Nigeria are plagued with political meddlesomeness, weak regulatory enforcement capability, poor institutional facilities for protection of minority shareholders and a lack of institutional infrastructure such as power generation, functional road network and regulatory enforcement mechanisms (Adegbite, 2015). All these institutional and internal weaknesses have created a hostile business environment, and also escalated the costs of doing business and consequently, made most Nigerian businesses uncompetitive (Abdulazeez and Ndibe 2016). The issue of corporate governance practices in Nigerian banks is rooted in poor risk management practices, inability to manage expansion, low assets quality, inadequate supervisory framework and unethical practices among top executives who gave out loans without required collateral are some of the reasons for the era of financial crisis and underperformance of banks in the country was similar to the situation in most countries Code of Corporate Governance (2018). Banks and other financial institutions were not left out of the challenges and the role of leadership come to a fore in an effort to resolve the challenges experienced by the banks occasioned by the poor corporate governance practices (Babatunde, Awoyemi, Atsuwa and Akomolafe (2017). Though several studies have investigated corporate governance and organisational performance, only few of such studies examined specific financial performance of banks in Nigeria (Nigeria: Corporate Governance, 2019). Due to the aforementioned, this paper's objective is to provide a meta-analysis of Corporate Governance and financial performance of deposit money banks in Nigeria. This paper is structured into five parts: the introduction, literature review, theoretical framework, methodology, conclusion and recommendations

## **Literature Review**

### **Corporate Governance**

Corporate governance is the rules and practices that govern the relationship between the managers and shareholders of a corporation, as well as other stakeholders. It contributes to the growth and financial stability of a company by reinforcing market confidence, financial market integrity and economic efficiency. As a result, Corporate Governance distributes the rights and responsibilities among the various participants in a company such as the board, managers, shareholders, customers, employees, government, and other regulatory bodies. Mayer (1999) describes Corporate Governance as the sum of the processes, structures and information used for directing and overseeing the management of an organisation. Oyejide and Soyibo (2001) define corporate governance as the relationship of the enterprise to

shareholders or in the wider sense, as the relationship of the enterprise to society as a whole. Corporate Governance also ensures that rules and procedures for making decisions regarding corporate affairs are clear while it is considered an internal mechanism for monitoring management. Oman (2001) observes that there is a broader approach which views the subject as the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn a return on their investment. Turner and Anum (2004) on the other hand, argue that there exist narrow approaches to corporate governance, which view the subject as the mechanism through which shareholders are assured that managers will act in their (shareholders) interest. Central Bank of Nigeria (2002), in its guideline, defines corporate governance as the system by which enterprises are directed and controlled. That is, the way in which the affairs of corporations are conducted or managed by their boards and executives. Cadbury Code (1992), states that corporate governance relates to maintaining the balance between economic and social goals and between individual and communal goals. The governance framework is therefore to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim and main objective of corporate governance is to align as nearly as possible the interests of individuals, corporations and society as observed by Boyo (2004) that the Cadbury Report draws a positive feedback on performance of companies that adopt Corporate Governance early which is concerned with a clear distinction between the top management's operational processes, and the highest-level policy-based structure of an organisation. Enobakhare (2010), describes corporate governance as the system that relates to the patterns of arrangement within private organisations or companies, which vested individuals or groups with power and authority to control the affairs of an enterprise and relate to their functions, to improve the quality of life of the communities and stakeholders.

Good corporate governance is also considered as an effective tool for helping a firm to attain better performance as a framework of rules and practices by which board of directors comply with transparency, fairness, accountability with all stakeholders (Feleaga, Feleaga, Dragomir and Bigioi, 2011, Ghabayen 2012). Corporate Governance is therefore considered an internal device for monitoring management. According to the CBN (2006), the identified weaknesses in corporate governance in Nigerian banks include the following: Disagreements between Board and Management, giving rise to Board squabbles; Ineffective Board oversight functions; Overbearing influence of Chairman or the Managing Director/Chief Executive Officer, especially in family-controlled banks; Weak internal controls; Non-compliance with laid-down internal controls and operational procedures; Ignorance of and non-compliance with rules, laws and regulations guiding banking business; Poor risk management practices resulting in large quantum of non-performing credits including insider-related credits; abuses in lending, including lending in excess of single obligor limits; Technical incompetence, poor leadership and administrative ability; inability to plan and respond to changing business circumstances and ineffective management information system (Nwosu and Eze-Nwosu, 2016). Mostepaniuk (2017) identified complexities in Corporate Governance as a combination of a process involving organisational, legal, economic, motivational and social tools that provide a unique working environment capable of minimizing costs and reduce gap between interest of managers and those of owners.

Miller-Dickson and Southall (2018) outline specific benefits of corporate governance to include moral uprightness among organisation workforce and it can be counted upon to safeguard the resource and entitlements of all stakeholders. Also, it improves the confidence of the investing public while attracting foreign investors to the companies in particular and the economy in general. Corporate governance enhances the performance and ensures the conformance by creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firm operational efficiency returns on investment and long-term productivity growth. The ultimate outcome of these corporate governance benefits are higher cash flows and superior performance of the firm (Amitava and Amanda (2017). Chen (2019) goes further to define Corporate Governance as the system of rules, practices, and processes by which a firm is directed, controlled and more importantly, it encompasses interests of all stakeholders.

### **Transparency and Disclosure**

The corporate governance framework ensures that timely and accurate disclosure is made on all material matters regarding the organisation, including the financial situation, performance, ownership and governance of the company. A company's information disclosure that consists of corporate performance disclosure and financial accounting disclosure is the principal means through which companies become transparent to all stakeholders (Miller-Dickson, Southall, 2018). The disclosure and transparency should show that the existence of policies and instructions are in line with the laws, values and a regulation relating to the company and the nature of the business (Kamau, 2018). Therefore, transparency and disclosure are significant and fundamental features of corporate governance, which means that good disclosure practice is unarguably, a form of good corporate governance. This is because the market might expect more serious information asymmetry problems if a company has poor information disclosure and transparency practices (Paniagua, Rivelles & Bolufer, 2018).

Bhasin and Shaikh (2013), Isikul&Chizea (2017) in their separate studies conclude that higher transparency and better disclosure reduce the information asymmetry between a firm's management and stakeholders. Their results suggest that companies with lower transparency and disclosure are less valued than companies with higher transparency and disclosure. Isikul & Chizea (2017) state further that better transparency and disclosure practices establish a stronger corporate governance practice, which leads to good corporate performance. This implies that the quality of corporate disclosure practice has a positive relationship with firm's performance. They also find that corporate transparency has a significant positive relationship with firm performance, concluding that transparency is one of the most essential indicators for evaluating corporate performance especially as disclosed in their Annual Reports. Improving transparency is one of the main aspects of corporate governance as stipulated in The Nigerian Code of Corporate Governance (NCCG 2018) with the provision that enables companies to make informed decision because the code requires companies to be transparent in their dealings with shareholders and key stakeholders. Although NCCG 2018 is voluntary, adherence to it, enhances effective risk management while minimizing losses for business sustainability. Further, a good system of corporate governance calls for a high level of

disclosure of financial information and also to reduce information asymmetry between all parties and to make corporate insiders accountable for their actions (Palaniappan and Srinivasa (2016). A company should provide accurate disclosure in relation to all material matters concerning the firm, including the financial situation, performance, ownership, disclosures and governance of the company as emphasised in The Nigerian Code of Corporate Governance (NCCG 2018).The NCCG 2018 further stressed that material information should be provided about members of the board of directors and key employees. External disclosure of material information, such as related-party transactions, external audit results and insider transactions, is a feature of a well-governed firm (Palaniappan and Srinivasa (2016).

Okike & Okuogbo (2019) emphasize that transparency and disclosure are unarguably important means through which information of a firm is conveyed to external investors. Ojeka, Mukoro, and Kanu (2015) also state that the decision of management about whether to disclose information or not is based on weighing the expected costs and the benefits of making the information public. But this should not be the case as the financial report of organisations especially banks should always provide transparent and reliable information to assist users in decision making and it is also meant to disclose relevant, reliable, comparable and understandable information (Bhasin and Shaikh (2013). On the other hand, transparency of financial reporting emphasizes that information is reasonably free from error and bias and also faithfully represents what it is intended to denote. However, full disclosure if not well managed, might negatively affect an organisation's financial performance also. A main disadvantage especially of being transparent and disclosing financial information is that the financial disclosure will require an organisation to comply with generally accepted accounting principles (GAAP). This by and large significantly increases annual reporting requirements and adds to the cost of gathering, processing and auditing financial information. Transparency and disclosure in corporate governance might also make an organisation lose or weaken their competitive advantage as competing organisations might use the disclosed information to their own advantage. Considering that transparency and disclosure also require the organisation to report problems it is encountering, thereby exposing its weakness to competitors who can then access detailed information about the organisation's operations by getting copies of the financial reports. Transparency and disclosure also put owners of businesses at risk as their net worth is widely known since they must disclose their stock holdings as part of these reports. This shows that strategic planning and timing are important factors to be considered by organisations engaging in transparency and disclosure. All these indicate that if an organisation's financial transparency and disclosure is not well managed in line with corporate governance tenets, the business growth and financial performance of an organisation might be at risk.

### **Financial Performance**

Firm's financial performance is based on the value of the firm. According to Kariuki (2014), financial performance facilitates the adequate measurement of an organisation's financial health over a certain period of time, usually, one year. Also, financial performance allows management to judge the output of business plans and its activities in monetary terms.

Onaolapo and Adebayo (2012), in their study conclude that financial performance of financial institutions is measured using any of financial ratios, analysis, benchmarking and measuring financial performance against budget or a mix of these methodologies. Financial ratios used include the Return on Assets (ROA) and Return on Equity (ROE). ROA reflects the ability of management to generate profits from the assets of the firm; it is considered a better metric of the two because it takes into account the assets used to support business activities (Oyugi, 2014). On the hand, ROE focuses on returns to shareholders and may sometimes be manipulated to falsely portray financial soundness. Studies show that financial performance of firms can also be influenced by ownership identity (Ongore and Kisa, 2013).

The use of return on asset (ROA), return on equity (ROE) and Tobin's Q as performance measures are in line with the argument that the use of only accounting or market measures of performance are responsible for establishing the interrelatedness between corporate governance and performance of firms (Warrad 2015). Return on asset ratio measures the amount of earnings that have been generated from invested capital assets (Ijaz and Naqui 2016). ROA enables users to understand how the mechanisms are in assisting, securing and monitoring the efficiency of the management in utilizing assets to generate profits. However, deposit money banks view return on asset as a percentage (%), which measures the net income earned on assets;  $ROA = \text{Profit before tax} / \text{Total assets}$ . Return on asset is considered as an important performance measure when it includes current liabilities, and owners' equity, which constitute total sources of funds invested in assets. Return on asset becomes a useful measure when one wants to evaluate how well the bank has used its funds (short-term creditors, long-term creditors, bondholders, and shareholders) in generating profits. Return on asset ratio can also be used by the bank's top management and the regulator to evaluate the performance of individual managers and commercial banks respectively in generating profits.

### **Theoretical Review**

Many models and theories have been developed and put forward such that research into corporate governance and leadership studies can grow. Such models and theories can be argued to form the framework to many studies as they support the development of hypothesis and ultimately give rise to new findings to support the study.

### **Agency Theory**

The separation of ownership and control is one of the key features of modern corporations, and corporate governance that has become necessary to mitigate the principal-agent problem. The agency problem was first highlighted by Adam Smith (1776) in the eighteenth century and explored by Ross (1973), with the first detailed description of the theory presented by Jensen and Meckling in 1976. Subsequently, Berle & Means (1932), Williamson (1987), Aghion and Bolton (1992), Fama and Jensen (1993a, b), and Hart (1995) all of whom further explicated this problem over the next two decades. The agency theory evolved from the economic literature and has developed into two separate streams: the positivist agent and the principal agent. Both streams concern the contracting problem of self-interest as a motivator of both the principal and the agent, while they share common assumptions

regarding people, organisations and information. However, they differ in terms of mathematical rigidity, dependent variables and style (Jensen, 1993). The agency relationship is described by Jensen and Meckling (1976) as a contract under which one or more persons (the principals) engage another person (the agent) to perform some services on their behalf, which involves delegating some decision-making authority to the agent.

According to Agency theory, shareholders who are the owners of the corporation appoint managers or directors and delegate to them, the authority to run the business for the corporation's shareholders Tantalo, and Priem, 2016. The agency relationship between two parties is defined as the contract between the owners (principals) and the managers or directors (agents). On the basis of the agency theory, shareholders expect the managers or directors to act and make decisions in the owners' interests. However, managers or directors may not necessarily always make decisions in the best interests of the shareholders. The separation of ownership and control produces an innate conflict between the shareholders (principals) and the management (agents). This conflict of interest can also be exacerbated by ineffective management monitoring on the part of shareholders as a result of the latter (shareholders) being dispersed and therefore unable, or lacking the incentive, to carry out necessary monitoring functions. Consequently, the managers of a company might be able to pursue their own objectives at the cost of shareholders.

Thus, two problems involving the agency theory occur in the agency relationship. The first problem is that, because it is difficult or expensive for the principal to verify what the agent actually does, the principal cannot confirm that the agent has behaved appropriately. The second problem is that, because of differing attitudes towards risk, the principal and the agent may favor different courses of action (Eisenhardt, 1989). Shareholders' efforts to monitor the agent for instance, shareholder engagement and incentive schemes or contracts lead to additional costs for the company (Solomon, 2010). Grant (2003) argues that the main purpose of shareholders (principals) is to maximize their value (interest), whereas the main purpose of agents is to expand and grow the corporation because success will reflect favorably on management. According to Kiel and Nicholson (2003), the agency theory suggests that the separation of the positions of chairman and Chief executive officer (CEO) leads to higher performance. Fama (1980) contends that the appointment of non-executive directors to a board is designed to control management issues which is also intended to have a positive effect on firm performance (Jensen and Meckling, 1976). Barnhart and Rosenstein (1998) as well as Yoshikawa and Phan (2003) emphasize that larger boards seem to be less helpful and more difficult to coordinate, which results in a negative effect on performance.

From the perspective of the agency theory, corporate governance is viewed as a monitoring or control mechanism that is sufficient to protect shareholders from conflicts of interest with agents whose objectives are to increase the organisation's financial performance through profit maximization. The agency theory explains the different levels of obedience of the principal and the agent thereby solving the agency problem. When the agency problem is solved, an organisation stands a better chance of improving its financial performance compared to when it is unsolved. The theory also leads to an agentic state where people obey more when the

orders are given with more authority. It helps explain unexplainable actions using the agentic and autonomous state thereby relating to corporate governance and financial performance studies.

### **Stakeholder Theory**

The stakeholder theory has been developing continuously over the past three decades. One of the first theorists to present the stakeholder theory as inherent in management discipline was Freeman (1984). He also proposed a general theory applicable to firms, which is based on the premise that firms should be accountable to a broad range of stakeholders (Solomon & Solomon, 2004). Freeman, Harrison, and Zyglidopoulos, (2018) describe stakeholder as 'any group or individual who can effect or is effected by the achievement of corporation's purpose'. Thus, the term stakeholder may cover a large group of participants; in fact, it applies to anyone who has a direct or indirect stake in the business. Stakeholders include shareholders, employees, suppliers, customers, creditors and communities in the vicinity of the company's operations, in addition to the public (Solomon, 2010).

According to Wheeler and Sillanpaa (1997), the stakeholders that should be taken into consideration in the governance structure include investors (including banks), managers, employees, customers, business partners (suppliers and subsidiaries), local communities, civil society (including regulators and pressure groups) and the natural environment. The relationship between the company and its internal stakeholders (such as employees, managers and owners) is framed by formal and informal rules that have been developed in the course of the relationship. The stakeholder theory supports the contention that 'companies and society are interdependent and therefore the corporation serves a broader social purpose than its responsibilities to shareholders' (Kiel and Nicholson, 2003). Donaldson and Preston (1995) suggest that the literature on the stakeholder theory can be seen as having three branches: descriptive, instrumental and normative. The descriptive branch considers how managers deal with stakeholders and how they represent stakeholder interests, the nature of a company, the way managers think about managing, the way board members think about the interests of the company's constituencies and how some companies are actually managed. The instrumental branch is concerned with the organisational consequences of taking into account stakeholders in management, examining the connections between stakeholder management and achieving traditional corporate goals such as profitability and growth. The normative branch addresses the purpose of a company, including the identification of moral or philosophical guidelines linked to the activities or management of that company.

The stakeholder theory is particularly important for managers in a corporation, who have critical networks of relationships other than those with the owners, managers and employees who are part of the agency theory (Freeman, 1999). Kaplan and Norton (1996) argue that a company should develop relationships with customers by improving customer services, thereby enhancing its financial performance. Atkinson, Waterhouse and Wells (1997) emphasize that employees and communities also need to be included in relationships in order to enhance financial performance. The stakeholder approach has become acceptable in the areas of accounting and finance (Solomon, 2010). Indeed, according to the stakeholder



model, corporate governance is mainly concerned with how effective different governance systems are in encouraging long-term investment and commitment among the various stakeholders (Maher and Anderson, 2000).

According to Bosse, and Coughlan, corporate managers should maximize the total wealth of the organisation, by taking into account the effects of their decisions on all stakeholders which will result in higher profitability, stability and growth of the company. They went further to conclude that the stakeholder theory solves the problems caused by multiple objectives, as this theory seeks to maximize value in the long term. Moreover, if management decisions do not take into account the interests of all stakeholders, the firm cannot maximize its value. The stakeholder's theory according to Chang, Kang, and Li, Y. (2016), allows for higher productivity through corporate transparency and disclosure, employee satisfaction, improved customer retention and referrals, increased investment from happy financiers and improved talent acquisition from the organisation's positive image. The stakeholder theory is not a single model that identifies the objectives of the organisation, it also takes economical and ethical questions into consideration. It furthermore promotes fairness for everyone involved in the organisation and gives directors an objective which is to work to benefit their stakeholders. This is in line with corporate governance and helps to promote financial performance making it valuable for this study.

### **Methodological Review**

This section focused on various methods utilized by previous researchers in order to establish robustness and suitability of the methodological approaches. This study is therefore a position theoretical paper.

### **Empirical Review**

The empirical review of findings was carried out in this section on objectives with emphasis on other authors' studies, findings and contributions to knowledge. The independent variable in this review is corporate governance (transparency and disclosure) while the dependent variable is financial performance.

Barako (2007) posits that firm's characteristics and ownership structure have a significant influence on the levels of corporate governance transparency and disclosure. He further stated that the level of voluntary corporate governance transparency and disclosure amongst Kenyan firms were low. Transparency and disclosure are significant and fundamental features of corporate governance, which means that good disclosure practice is a form of good corporate governance and ultimately impacts on an organisation's financial performance. This is because the market might expect more serious information asymmetry problems if a company has poor information disclosure and transparency practices. Ahmed (2009) empirically examined the relationship between the disclosure score and selected corporate attributes. The determinants of corporate attributes he used are size of the bank (total assets, gross revenue and number of branches), profitability (EPS, ROA, ROI and net profit margin (NPM)), and credit deposit ratio (CDR), Capital Adequacy Ratio (CAR), Debt Equity Ratio (DER) and Shareholder's Risk ratio). The results showed that disclosure levels are associated

with some company characteristics. The only two variables that were found to be significant in determining disclosure levels are return on assets and capital adequacy ratio. A company information disclosure that consists of corporate performance disclosure and financial accounting disclosure is the principal means through which companies become transparent to all stakeholders and significantly affects their financial performance (Gill, Vijay and Jha, 2009). Almaqtari, (2016) examined financial transparency with 36 attributes referring to accounting policies and standards, audit fees and efficiency indicators and revealed that there was inverse relationship between market to book value, price to cash flow, market adjusted stock returns and financial transparency with only price earnings ratio showing a direct relationship with financial transparency.

Yilmaz (2018) stated that to reflect the market performance, Tobin's q is used as accounting-based indicators; return on asset profit margin, Earnings before interest and tax (EBIT) margin and net profit margin (NPM) are used. The results showed that there are significant results between financial ratios and characteristics of corporate governance, but the overall relationship is weak in Oman context. Even though individual effects of some components of corporate governance are not significant, most models produced overall significant results. Chebbi's (2009) work on the relationship between increased company's yield and increased transparency found a positive relationship between accuracy of information and increased funding and that investment in stock exchange, debt ratio is correlated with quality of disseminated disclosure. This also shows the relationship between corporate governance measured with transparency and disclosure and financial performance of an organisation. Okpara (2010) in his study reveal that barriers hindering the implementation and promotion of effective corporate governance in Nigeria include abuse of minority shareholders' rights, lack of commitment on the part of boards, lack of adherence to the regulatory framework, weak enforcement and monitoring systems, and lack of transparency and disclosure.

Stiglbauer (2010) posits that there exists a significant positive relationship between corporate governance transparency and disclosure with firm performance using content analysis. The disclosure and transparency should show that the existence of policies and instructions are in line with the laws, values and regulations relating to the company; the nature of the business and the better the disclosure and transparency of an organisation, the shareholders have increased trust in the organisation resulting in their better performance (Kamau, 2018).

Fuzi, Halim, and Julizaerma (2016), in their study exposed that independence of the board is a significant variable in explaining internal control transparency and disclosure in Ghanaian firms. Samaha, Dahawy and Stapleton (2011) show that firms with higher number of independent directors had slightly better corporate transparency and disclosure scores than firms with a smaller number of directors. Agyemang, Aboagye and Ahali (2013) show a strong positive relationship between the governance disclosures of organisations and their performance in Ghana. Bhasin (2013) in his study revealed the poor state of corporate governance transparency and disclosure in developing countries especially when compared with the levels of transparency and disclosure in developed countries. Azita, Farzaneh and Yaser (2014) in the study relationship between financial information transparency and financial performance of listed companies in Tehran stock exchange revealed there is

significant relationship between financial information transparency and financial performance at 95% confidence level. Oguntibeju, Ibitoye, Atoyebi and Falana (2014) posit that good corporate governance determines the success of an organisation and are perceived as a solution tool for global financial crises. Corporate policies and practices are helpful as they assure investors that their hard earned monies would be prudently and judiciously applied. Seenivasan (2014) revealed that corporate governance mechanisms of controlling shareholders, board of directors, top management, information disclosure, stakeholders and supervisor's committee are largely responsible for decision making and decision-execution mechanisms, and furthermore, they have direct and profound effects on the performance and value of listed companies. Arbatli and Escolano (2015) in their study shows that financial transparency has a positive and significant effect on ratings in advanced and developing economies, respectively – but its effect works through different channels in advanced and developing economies.

Ayodele, Aderemi, Obigbemi and Ojeka (2016) in their study provided evidence that corporate governance disclosure level has a positive and significant impact on the return on equity (ROE) which is a measure of an organisation's financial performance. Insiders' misinformation (lack of transparency and disclosure) could result in an unstable and underdeveloped capital market in the financial and banking sectors which needs to be strongly guarded by Codes of Ethics as enshrined in the banks' and country's corporate governance principles and practices. Organisational wrongdoing (non-transparency and disclosure) results in rogue managers and leaders, which leads to corporate collapse (Al-Tawil, 2016; Kakabadse, Khan and Kakabadse, 2016). The effect of having rogue leaders in an organisation is a bad followership. The followers who obey the orders of bad leaders tend to execute the orders the leaders give. It will become difficult to comply with corporate governance practices of transparency and disclosure to all stakeholders involved in the operations of the banks (Inayatullah and Milojevic, 2016). Consequently, the bank's profitability and success is retarded both on the short and long term. Companies wishing to attract funds to support their operations and boost their financial performance therefore need to embrace the basic tenets of good corporate governance such as transparency, probity and accountability and this rests on the board of directors who are agents (based on agency theory) and carry out their activities to ensure increasing financial performance of their organisation to the delight of their stakeholders (drawing from the stakeholder's theory) (Nwosu and Eze-Nwosu, 2016). Torchia and Calabrò (2016) examine the link between board of directors' structure and financial transparency and disclosure (T&D). The paper analysed financial T&D and board structure of Italian listed companies using multiple linear regression. The results show a significant relationship between board structure and the level of financial T&D. Specifically, it revealed a positive and significant relationship between the independent directors' ratio and the level of financial transparency and disclosure but a negative relationship between board size and the level of financial transparency and disclosure.

Akhigbe, McNulty and Stevenson (2017) analyzed the relation between transparency and bank holding company (BHC) profit efficiency using these measures of transparency for 1996 through 2014. Their findings indicate that transparency has a positive effect on bank financial

performance. Musyoka (2017) in the study, 'Effect of Voluntary Disclosure on Financial Performance of Firms', listed at Nairobi Securities Exchange measures voluntary disclosure with financial, investment, growth and development and research and development disclosure. Results of the study revealed positive and significant relationship between financial, investment, sales growth, research and development and financial performance. Wanjau, Muturi and Ngumi (2018) in the study of influence of corporate transparency disclosures on financial performance of listed companies in East Africa, revealed that there was a positive and significant relationship between financial, governance, risk, social transparency and financial performance of listed companies in East Africa. Adiloglu, Gungor and Yucel (2018) in their study of the link between financial transparency and key financial ratios: a case from Turkey reveal that transparency level has statistical differences among the group means of some key financial ratios. High quality disclosure also indicates more accountable and transparent companies for investors. The study concludes that high quality disclosure has significant influence on investors and lenders who must assess risks and returns in order to decide where to place their money best, strengthen the efficiency of capital allocation as well as offer the benefit of reducing the costs of capital. All these go to show the impacts of corporate governance measured with transparency and disclosure on an organisation's financial performance.

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