CORPORATE GOVERNANCE AND BANK'S PERFORMANCE IN NIGERIA (POST BANK'S CONSOLIDATION)

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Abstract
The financial institution in Nigeria like other African country has been struggling with the epidemic of inadequate corporate governance over the years what seem to be an exigency of integration between political and economic pursue after forty seven years of political independence. This has to do with what revolves round all the sectors of the economy corporate governance. It deals with the complex set of the relationships between the corporation and its board of Directors, Management, Shareholders and other Stakeholders. In the recent years, the regulators and legislators have intensified their focus on how business is been managed and run. This has led to creation of a template for new corporate governance and ethical standard which is beneficial for both the stakeholders and controllers. This study carried out some estimated models. Binary probit was adopted to test the covariance matrix computed on structured questionnaire to bank's clients and it was discovered that the variables such as independence, reliance, and fairness helps in the effective performance of banks but the major significant ones in this consolidation period are accountability and transparency of bank's staff. Also, least square regression analysis was adopted to convey the relationship between bank deposits with bank credit. The estimation of the developed model was found that banks total credit was positively related but not significantly determinant factors of bank's performance, and bank deposit was found to be positively related to bank performance but was insignificant in Nigerian economy. Base on the result therefore and view from bank's clients, it was cleared that corporate governance is needed for effective bank performance especially during the period of post consolidation in Nigeria. Hence, this study therefore summaries the highlights: discuss the impact of corporate governance in all the 24 Nigerian main stream banks. It is worthy of note that though corporate governance has been the heart beat of stakeholders and regulatory body yet the objective has not been fully achieved. The study recommend that, for better bank performance in Nigeria, banks should embrace the fiduciary element in financial services which include transparency, accountability, fairness, high ethical standard and they are to ensure that their top management officials is independent. These will promote corporate governance and leads to complete reliance of bank's clients on them.

Keywords: *Corporate Governance, Bank Performance, Ethical Standard, Fiduciary Principles, Financial Institution*

Background to the Study

It has become a worldwide dictum that the quality of corporate governance makes an important difference to the soundness and unsoundness of banks. Broadly speaking, corporate governance refers to the extent to which companies are run in an open and honest manner. Sanusi (2003). Thus, effective corporate governance practice incorporates transparency, openness, accurate reporting and compliance with

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statutory regulations among others. Historically, antecedents indicate that financial crisis is a direct consequence of lack of good corporate governance in banks; invariably one of the sources of instability in the banking sector is lack or inadequate practice of corporate governance. Wherever a power is exercised to direct, control and regulates activities that affect people, there is need for good exercise of such power. For corporate entities, particularly public liability companies, the exercise of power over the enterprise's direction, the supervision and control of executive actions, concern for the effects of the enterprise on other parties and especially the environment, the acceptance of a fiduciary duty to be accountable, constitute the quintessential of corporate governance.

The banking distress of the last decades has posed many challenges to corporate governance in banking industry. Bank distress can be associated to lack or avoidance of code of ethics and professionalism. Odozi (2007) expound this posting that, "Ethics, like, corporate governance, transparency and accountability, etc, is a cliché that has been abused and misused". The failure of banks in Nigeria, as elsewhere, has been largely due, not merely to inadequate corporate governance or leadership, but to a failure of professional ethics as manifested in numerous instances of creative accounting practices, professionals insensitive internal control and risk management position being seriously compromised or even colluding with fraudster.

Financial scandals around the world and the recent collapse of major corporate institution in the USA has brought to the fore, once again the need for the practice of good corporate governance, which is a system of managing the affairs of corporations with a view to increasing shareholders' value and meeting the expectations of other stake - holders. For the financial institutions, the retention of public confidence through the enthronement of good corporate governance remains of almost importance given the role of the industry in the mobilization of fund, the allocation of credit to the deficit sectors of the economy, the payment and settlement system and the implementation of monetary policy.

Universally, there is a grounds well of interest in corporate governance. Particularly, the need to implement good corporate governance in the banking sector becomes more apparent after the Asian financial crisis. This has been largely event- driven in the sense that it is in response to scandals and unexpected crisis, which in some cases abruptly terminated the existence of large corporate entities. The failure of Johnson Matheys Bank, Bank of Credit and Commerce International, Polly Peck, world com and Enron Incorporation are cases in point. The failure of these institutions has been traced to several lapses associated with poor corporate governance including conflicts of interest of corporate governors.

Corporate governance has in recent time's assumed heightened importance requiring that boards and management of companies' exhibit greater transparency and accountability in their business conduct. The just concluded consolidation of the Nigeria banking industry makes the institution of corporate governance a ***sine qua non*** in the industry. With twenty- five, now twenty- four as at today banks that emerged from the ashes of the erstwhile eighty- nine banks being publicly quoted, corporate governance should in fact take the centre stage in the management of these banks. Hence, effective corporate governance requires a clear understanding of the respective role of the board and of senior management and their relationships with others in the corporate structure. The relationships of the board of management with stockholder should be characterized by *candour*; their relationships with employees should be characterized by *fairness*; their relationships with the communities in which they operate should be characterized by *good citizenship*, and their relationships with government should be characterized by

commitment to compliance and good corporate citizenship. Anya (2003).
On the other hand, bank like many other economic organizations are expected to generate profit through effective and efficient utilization of resources (inputs) to create sound asset portfolio (output) and ensure continuity. The position of bank therefore in the nation is seen as the oil of the engine of economic development through financial intermediation and advisory services. Bank makes profit from the spread between interest charged on deposit and loan interest rate. These differentials ought to compensate adequately for the investors contribution and the service provider as well, if corporate governance has to be used a yard stick in determining bank performance.

Bank performance therefore, could be seen in term of how the management operates or the result of their actions. In view of the later, performance could be seen in terms of the absolute profits, rate of return, earnings per share, the quality of asset portfolio, level of liquidity and net contribution to the economic development of the nation. Performance however is not determined by inputs alone but is also dependent on the environment within which the bank operates. This environment is refers to as **"PESTLM"** comprising of Political, Economic, Social Cultural, Technology, Legal and Marketing. The level of bank's performance is determined also on how the institution can positively influence these environmental factors and effective survive in a driven competitive environment.

In the last two decades, developments in Nigeria financial sector have reinforced the need for greater concern for corporate governance in financial institutions in the country. The role of governance on banking performance relating to economic growth cannot be over-emphasized. Banks are the pivot of modern economy, the repository of people's wealth, and supplier of credit which lubricates the engine of growth of the entries economy. Ebhodaghe (1997). The upsurge in the number of financial intermediaries following deregulation and the failure of a significant number of the institutions with attendant agony suffered by many Depositors/Customers and the systemic threat to the economy, all underscore the imperative for greater concern for corporate governance in financial intermediaries especially mainstream banks. For instance, between 1994 and 1995, five banks failed and had their licenses revoked by the Central Bank of Nigeria (CBN) due to distress. This was to be a tip of the iceberg as the distress situation worsened and later resulted in the closure of thirty other licensed banks between 1998 and 2002.

With the catalogue of these failed banks even up to the period of consolidation in 2004 from the Nigeria banking landscape, the *'multi- million naira'* question now being asked by financial expects is how many more banks would follow suit? It is against this back drop that this study attempts to examine corporate governance and bank performance in Nigeria most especially the post- consolidation era. What has been the impact of corporate governance to bank performance? Since the advent of newly adopted "code of corporate governance in Nigeria launched by the past President Obasanjo on November 4, 2003, as there being any change in corporate organization.Hence, the kernel of this study is to examine how corporate governance affects bank performance in Nigeria.

Statement of Problem
There is no gainsaying that the present economy deserves a sound, stable and better banking performance following the causative factors, such as unethical and unprofessional practices, poor management quality among others which contributed to low level of bank performance and sometimes lead to failure of bank. The bitter experiences of Asian financial crisis of the 1990s underscore the importance of effective

corporate governance procedures to the survival of the macro economy. This crisis demonstrated in no unmistakable terms that "even strong economies, lacking transparent control, responsible corporate boards and shareholder right can collapse quite quickly as investor's confidence collapse". Sullivan (2000) The adoption of various economic reform programmes in Africa in the 1980s in which privatization of government owned enterprises form a major plank, has heightened the corporate governance debate in the continent. The bitter experience of massive governance in some countries of Eastern Europe like Czech Republic and Russia that rushed into large scale privatization without the necessary corporate governance " infrastructure", suggests that Africa needs to take stock of its corporate governance capacity.

The alarming rate of corporate failures as witnessed globally has necessitated this study apparently; the failures have known no boundary as it cuts across both the very big organizations and the very small corporate entities especially financial industries. In a nutshell, the present study is designed to investigate the Bank's management ability, capability and performance. It also reviews the interventionist role played by corporate governance to bank performance.

Objectives of the Study/ Research

This study has as its main objective, the evaluation of the impact of corporate governance and bank's performance in Nigeria (post bank's consolidation). The specific objectives are:

(1) To determine the impact of corporate governance on bank performance in Nigeria.

(2). To identify other factors affecting bank's performance in Nigeria.

(3) To appraise how collective orientation affect better performance of bank staff.

(4) Suggest ways by which unethical and unprofessional can be mitigate in banking industry to give room for good corporate governance in other to enhance better performance.

The hypotheses of this study are; corporate governance has no positive effect on bank's performance, Disclosure of information cum transparency of banks to customer does not exhibit a trait of true governance.

This study is design to fill the gap by considering factors relating to corporate governance that affect bank's performance. More to this is the fact that few studies has been carried out on corporate governance after the consolidation of banks. Hence our aim is to give the position of corporate governance in the Post-Consolidation era.

The study covers the main financial service industry in Nigeria. At the end of this study, this research will open up the elements that make up the effectiveness of corporate governance as a determining factor of bank performance. This will be achieved by revealing some benefit of good corporate governance which underpins confidence, market efficiency and integrity; this invariably promotes financial stability and growth. Hence, the institutionalization of good corporate government in Nigeria is therefore beneficial to the corporate bodies (banks and other finical insulations) the various stakeholder and the economy at large.

Literature Review/Theoretical Framework

It is incontrovertible that corporate governance is one of the most critical issues in the business world today. There was a time when this topic would not have elicited much attention. But, with episodic failures of Johnson Matheys Bank (JMB), Bank of Credit and Commerce International (BCCI), Baring Brothers

Nomura Securities, Brex and Long-ter Capital Management (LTCM) of the 80's and 90's and the more recent Enron and World Com debacles, corporate governance has taken a central stage in business discuss and any intellectual gathering on business management. The rise in interest in the subject of corporate governance could be traced to the fact that there is now an increasingly clear separation of ownership from management, which has come to define modern corporations. This disconnection of ownership from management and the insulation of the owners from the day-to-day operations or the business have raised the need to install an appropriate framework for ensuring transparency and accountability in the management of the business venture.

Secondly the current wave of globalization, which is blowing across the universe and the recent advances in information and telecommunication technologies have greatly facilitated business transactions across national boundaries. These developments, which have widened the geographical frontier of the market, have necessitated the development of international standards on best practices in the management of business for the benefit of all stakeholders. The existence of such standards would give comfort and regulatory agencies on the conduct of corporations, their country of origin not withstanding. The recent business failures cited above, demonstrate what happens when corporate governance fails. These failures also raise some fundamental questions, such as, the dependability of financial information, audit independence, the role of regulators, company management, the role of the board of directors, conflict of interest and, of course, the whole question of ethics and professionalism.

According to Kwakwa and Nzekwu (2003), governance is a 'vital ingredient in the balance between the need for order and equality in society; promoting the efficient production and delivery of goods and services; ensuring accountability in the house of power and the protection of human right and freedoms'. Governance is, therefore, concerned with the processes, systems, practices and procedures that govern institutions, the manner in which these rules and regulations are applied and followed, the relationships created by these rules and nature of the relationships. Corporate governance, on the other hand, refers to the manner in which the power of a corporate is exercised in accounting for corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and the satisfaction of other stakeholders while attaining the corporate mission (Kwakwa and Nzekwu, 2003).

In other words, corporate governance refers to the establishment of an appropriate legal, economic and institutional environment that allows companies to thrive as institutions for advancing long-term shareholder's value and maximum human centered development. The corporation has to achieve this while remaining conscious of its responsibilities to other stakeholders, the environment and the society at large. Thus, corporate governance is also concerned with the creation of a balance between economic and social goals and between individual and communal goals. To achieve this, there is the need to encourage efficient use of resources, accountability in the use of power, and, the alignment of the interest of the various stakeholders, such as, individuals' corporations and the society.

Corporate governance is now widely accepted as being concerned with improved stakeholder performance. Viewed from this perspective, corporate governance is all about accountability, boards, disclosure, investor involvement and related issues. Research has shown that “firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditure and fewer corporate acquisition” (McRitchie, 2001).

From the foregoing, it is apparent that no matter the angle from which corporate governance is viewed, there is always a common consensus that corporate governance is concerned with improving stakeholder value, and that governance and management should be mutually reinforcing in working towards the realization of that objective. Sheifer and Vishny (1997), corporate governance deals with ways in which suppliers of finance, to corporations, assure themselves of getting a return on their investment. J. Wolfensohn (1999) asserts that corporate governance is about promoting corporate fairness, transparency and accountability. OECD (1999) opines that corporate governance is the system by which business corporations are directed and controlled. That the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, ,managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provide the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. Mathiesen (2002) describes corporate governance as a field in economics that investigate how to secure or motivate efficient management of corporations by the use of incentive mechanism, such as contracts, organizational design and legislation. This is often limited to the question of improving financial performance i.e profitability, for example, how the corporate owners can secure or motivate so that corporate manager will deliver a competitive rate of return.

I.M. Pandey (2006) asserts that corporate governance implies that the company would manage its affairs with diligence, transparency, responsibility and accountability and would maximize shareholders wealth. Hence, it is required to design systems, process, procedures, and structures and take decisions to augment its finance performance and shareholders value in the long run. Akinsulire (2006) sees corporate governance as a term covers all the general mechanism by which management are led to act in the best interest of the company owners. A perfect system of corporate governance would give management all the right incentives to make value maximizing investment and financing decision and would assure that cash is paid out to investors when the company runs out of viable projects i.e. investment with positive NPV Corporate governance attracts a good deal of public interest, because of its importance to the economic health of corporations, groups, countries, and society at large. But because it covers a large number of economic phenomena, it has become a subject with many definitions, with each definition reflecting an understanding of, and in the domain of an economic phenomenon being considered.

In general terms, however, corporate governance deals with the way corporate bodies utilize their funds to generate financial wealth for shareholders, and social wealth for the community in which they are located. This latter consideration is what has now become known as the Corporate Social Responsibility (CSR) of organizations.

So, essentially, corporate governance deals with issues of accountability and fiduciary duty, in the main advocating the implementation of policies and mechanisms to ensure good behaviour and protect shareholders. There is also the perspective of economic efficiency, through which corporate governance should aim to optimize economic results with strong emphasis on shareholders welfare. Yet a third consideration accommodates the interest of all stakeholders, which call for more attention and accountability to players other than the shareholders; like the employees and the environment/community, for examples. So, in short, corporate governance is about how an entity

I.M. Pandey (2005) opines that good corporate governance requires companies to adopt practices and policies which comprise performance, accountability, effective management control by the board of directors, constitution of board committee as part of professionally qualified, non-executive and independent directors on the board, the adequate timely disclosure of information and the prompt discharge of statutory duties. Chris. O (2006) sees key elements of good corporate governance principle as also include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect and commitment to the organization. Of importance is how directors and management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for it's effectiveness. In particular, senior executives should conduct themselves honestly and ethically especially concerning actual or apparent conflict of interest and disclosure in financial report.

The Organization for Economic Cooperation and Development (OECD) put forward a set of international principles of corporate governance. These principles were developed both in response to growing recognition of the importance of governance to enterprise performance and to the spate of recent corporate failures in Asia, America and other parts of the world. The OECD principles are organized under five headings, namely: The rights of shareholders, The equitable treatment of shareholders, The role of stakeholders, Disclosure and transparency; and The responsibilities of the board.

The Rights of Shareholders

This principle deals with the rights of shareholders. It concerns the protection of shareholders' rights and the ability of shareholders to influence the behaviour of the corporation. The basic shareholders' rights include the right to: Secure methods of ownership registration; Convey or transfer share; Obtain relevant information on the corporation on the timely and regular basis; Participate and vote in general shareholder meetings; Elect members of the board; and Share in the profits of the corporation. Fredrick (1999) noted that while these rights are important to good corporate governance, it must be noted that extensive rights in and of themselves are not equivalent to good governance.

Equitable Treatment of Shareholders

This principles emphasizes that all shareholders, including foreign shareholders, should be treated fairly by controlling shareholders, boards and management. This principle calls for transparency with respect to the distribution of voting rights and the ways in which voting rights are exercised. The high points of the principles include: All shareholders of the same class should be treated equally. , Insider trading and abusive self-dealing should be prohibited, Members of the board and management should be required to disclose any materials interests in transactions or matters affecting the corporation

The Role of Stakeholders

A good corporate governance framework should recognize the rights stakeholders has, as established by law. Such a framework should encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of a sound enterprise. To achieve this, corporate governance should ensure that: The rights of stakeholders are protected by law; The rights of the shareholders arte respected, Stakeholders have the opportunity to redress any violation of their rights, Permit performance enhancing mechanism for stakeholders participation, Provides stakeholders with access to relevant information to enable them participate actively in the governance process.

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Disclosure and Transparency

This principle supports the development of high internationally recognized accounting standards. This stipulates that all the material matters regarding the governance and performance of the corporation be disclosed. This also underscores the importance of applying high quality standards of accounting, disclosure and auditing. Disclosure should include, but not limited to, material information: The financial and operating results of the company, Company objectives; Major share ownership and voting rights; Members of the board and key executives and their remuneration; and Governance structure and policies information should be prepared, audited and disclosed in accordance with high quality standards, while the channels for disseminating information should be fair, timely and cost-effective.

The Responsibilities of the Board

The traditional view of directors is that they serve primarily to monitor management. However, there is an emerging school of thought that directors can and should add value to the enterprise (Fredrick, 1999). The principle, which reflects the value-added approach, suggests that directors are responsible for the strategic guidance of the enterprise in addition to monitoring management. Thus, the board has a definite function to perform to ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the corporation and shareholders. In doing this, board members should: Ensure the independence of the board; Act on a fully informed basis and in good faith, with due diligence and care, and in the best interest of all stakeholders; Treat all shareholders fairly, particularly in decisions that affect different shareholder groups; and Ensure compliance with applicable laws. Other principles of corporate governance include Honesty, Trust, Transparency, Performance Orientation, Integrity, Responsibility, Accountability, Mutual Respect, Commitment to the Organization

Pillars of Corporate Governance

In all fields of human endeavour, good corporate governance is founded upon the attitudes and practices of the society. According to Kwakwa and Nzekwe (2003), these values centre on the: Accountability of power, based on the fundamental belief that power should be exercised to promote human well-being; Democratic values, which relate to the sharing of power, representation and participation and participation; the sense of right and wrong; Efficient and effective use of resources; Protection of human rights and freedoms, and the maintenance of law and order and security of life and property; Recognition of the government as the only entity that can use force to maintain public order and national security; and Attitude towards the generation and accumulation of wealth by hardwork..

The above attributes have been reduced to four pillars on which governance is framed. These pillars encompass; Effective body responsible for governance, separate and independent of management, An approach to governance that recognized and protects the rights of members and all stakeholders Institutions to be governed and managed in accordance with its mandate; and An enabling environment within which the institutions' human resources could contribute and bring to bear their full creative powers.

The Business Roundtable (2002) supports the following guiding principles of corporate governance;

1. The paramount duty of the board of directors of public corporation is to select a Chief Executive Officer and to oversee the CEO and other senior management in the competent and ethical operation of the corporation on a daily basis.
2. It is the responsibility of the management to operate the corporation in an effective and ethical manner in order to produce value for shareholders. Senior management should know how the corporation earns its income and what risk the corporation is undertaking in the course of carrying out its business. Management should never put personal interest ahead of or in conflict with the interest of the corporation.
3. The management, under the oversight of the board and its audit committee, should produce financial statements that fairly present the financial condition and result of operation of the corporation and make the timely disclosure investors need to permit them to assess the financial and business soundness and risks of the corporation.
4. It is the responsibility of the board and its audit committee to engage an independent accounting firm to audit the financial statement prepared by management and to issue an opinion on those statements based on Generally Accepted Accounting Principles.
5. The independent accounting firm is responsible to ensure that it is in fact independent, is without conflicts of interest, employs highly competent staff and carries out its work in accordance with Generally Acceptable Auditing Standards. It is also the responsibility of the independent accounting firm to inform the board, through the audit committee, of any concerns the auditor may have about the appropriateness of quality of significant accounting treatments, business transactions that affects the fair presentation of the corporation's financial condition and result of operation, and weakness in internal control systems.
6. The corporation has the responsibility to deal with its employee in a fair and equitable manner.

Theory of Corporate Governance

Four models of corporate control were indentified in the literature (Hawley and Williams 1996). They are the:

i. The simple financial model
ii. The stewardship model
iii. The stakeholder model
iv. The political model

The Hawley and Williams surveys indentified model of corporate control were explain thus:

The simple finance model: In the finance view, the central problem in corporate governance is to construct rules and incentives (that is, implicit or explicit 'contracts') to effectively align the behavior of managers (agents) with the desires of principles (owner). The rules and incentives in the finance model refer to those established by the firm rather than to be legal/political /regulatory system and culture of the host economy or the nature of the owners. The finance view represents a sub-section of the political model of corporate government. The political model interacts with the 'cultural' 'power' and 'cybernetics' models raised in line

with the behaviors of managers (agent) and principals owners)
The Stewardship Model: In the stewardship model, managers are good stewards of the corporations and diligently work to attain high level of corporate profit and share holders' returns (Donaldson and Davis 1994). Donaldson and Davis note that managers are principally motivated by achievement and responsibility needs' and given the need of managers for responsible. Self-directed wok, organizations may be better served to free managers. From subservience to non-executive directors dominated boards. According to Donaldson and Davis, 'most researchers into boards have has as their prior belief the notion that independent boards are good and so eventually produce the expected findings. However, supporting, stewardship theory are the individuals who contributes their own money and other resources to non-profits organizations to become a director. In analyzing the welfare distributed to stakeholders through introducing a Tabelini (1996) made provision in their equations to include the welfare contributed by controllers. In commenting on stewardship theory, Hawley and Williams (1996) state that' the logical extension is either towards an excusive-dominated board or towards no board at all'

The stakeholders model: In defining 'stakeholder theory' (1994) states: "The firm" is a system of stake holders operating within the larger system of the society that provides the necessary legal and market infrastructure for the frim's activities. The purpose of the firms is to create wealth or value for its stake holders by converting their stakes into good and services. This view is supported by Blair (1995) who proposes: the good of director and management should be maximizing total wealth creation by the firm. The key to achieving this is to enhance the voice of and provide ownership-like incentives to those participants in the firms who contribute or control critical, specialized inputs (firm specific human capital) and to align the interests to these critical stakeholders with the interest of outside, passive shareholder. Consistent with this view by Blair to provide 'voice' and 'ownership' like incentives" to critical stakeholders'

The political model: The political model recognizes that the allocation of corporate power, privileges and profits between owners, managers and stakeholder is determined by how governments favour their various constituencies. The ability of corporate stakeholders to influence allocation between themselves at the micro level is subject to the macro framework, which is interacting subjected to the influence of the corporate sectors.

Akintoye (2010) indentified three essentially theories of corporate governance: the steward-ship theory, the agency theory and the market theory. The stewardship theory of corporate governance holds that, because people can be trusted to act in the public good in general and in the interests of their shareholders in particular, it makes sense to create management and authority structures that, because they provide unified command and facilitate autonomous decision making, enable companies to act (and react) quickly and decisively to market opportunities. This approach leads, for instance, to the combination of the roles of chair and CEO, and for audit committees to be either non-existent or lightweight. Resistance to the modern corporate governance movement to a day tends to be based on this theory. The agency theory of corporate governance, on the other hand, sees shareholders as the principals and management as their agents. Agents will, however, act with rational self-interest: as employee directors of a company, they will tend to maximize their monetary compensation, job stability and other perks, and do no more than seek to appease shareholders. They cannot, in other words, be expected to act in the interests of the shareholders. They need, instead, to be monitored and controlled top ensure that the principals' best interest are served. This

theory is the basis for most of today's corporate governance activity.
The market theory of corporate governance holds that is doesn't really matter whether managers see themselves as steward or agents, because shareholders will simply sell in the market the stocks and shared of those companies whose directors are not generating adequate returns for their investment. To the extent that this theory was genuinely held, it was fatally undermined by the corporate scandals at the turn of the century: shareholders in Enron (including many of its employees) were unable to sell their shares (many of which were held in pension plans) once it became clear that the company's governance was wholly inadequate.

Challenges/ Weaknesses of Corporate Governance in Companies in Nigeria.
(1) Disagreement between board and management giving rise to board squabbles
(2) Ineffective board oversight function.
(3) Overbearing influences of chairman on MD/CEO.
(4) Weak internal controls
(5) Non- compliance with laid down internal controls and opinion procedures.
(6) Passive shareholders.
(7) Sit-tight directors- even when such directors fail to make meaningful contribution to the growth and development of the organization.
(8) Inability to plan and respond to changing business circumstances.
(9) Succumbing to pressure from other stakeholders e.g. appetite for high dividend.
(10) Ineffective management information system.
(11) Establishing Codes: There is a popular saying that where there is no law, there is no offence. For most institutions and professional bodies in Nigeria, it is either that there is no codes of conduct or the codes are not being followed. Therefore, the first challenge in ensuring good star from taking appropriate steps to ensure that a code that will guide stakeholders is put in place.
(12) The challenge of enlightenment: There is the need for mass enlightenment on corporate governance. In this part of the world corporate governance is relatively a new concept and even some company directors are not fully aware of the onerous responsibilities of a director.

Empirical Review on Corporate Governance
One of the major challenges facing the adherence to the code of conduct of corporate governance in the banking industry is the non-compliance and/or enforcement to the conduct of corporate governance by the banks in Nigeria; which are weaken corporate structure for the effectiveness of performance of banks in Nigeria by the establishment of the regulatory agencies in Nigeria like: the Central Bank of Nigeria (CBN), Securities Exchange Commission (SEC) and son on. To this, there has been in the last few years an abundance of literatures on the research work. Past works of notable researchers on this research and how it affects performance of banks were critically reviewed in this aspect of this research work. Their views, methodology employed and their conclusions were discussed chronologically.

Kojola (2009) examine corporate governance and firm performance in Nigeria. The result reveals that there is significant relationships between Return on Equity (ROE) and board size as well as chief executive status. Likewise, it further reveals a positive significant relationship between Profit Margin (PM) and chief executive.

Weisbach (1988), Heranlin and Weisbach (1991) examine agency theory and corporate governance. They observed that there is a positives relationship between firm performance and the proportion of outside directors sitting on the board. But Forberg (1989), Weisback (1991), Bhaget and Black (2002) and Sanda et al (2005) argued that the relationship between board composition and the performance (Board Size and Outside director) measure is not statistically significant. The implication of this is the for sample firms, there is no relationship between the firms' financial performance and the outside directors sitting on the board.

Agrawal and Knoeber (1996) in agency theory and corporate governance, examine a range of governance variables within a simultaneous regressions framework and find that the proportion of outside directors on company's board is the only governance mechanism with consistently affects corporate value. However, the relationship is negative, suggesting the US firms have destroyed shareholder wealth by employing these directors. Weisbach (1988) and Warner et al, (1988) in agency theory and corporate governance, was of the view that, the most consistent empirical results in the corporate governance literature is that directors are more likely to lose their jobs if they are poor performers and find that it is only the very poorest performing management who lose their jobs and that is generally takes a prolonged period of poor performance to result in forced top executive turnover.

Shabbir Ahmad (2002) examined the relationship between corporate governance and performance of commercial banks in Pakistan, result revealed that from all variables stated in the model analyzed, market share variable has an impact on the performance of banks negatively, suggesting that banks in a less competitive environment might feel less pressure to control their costs. Burki and Niazi (2004) and Patti and Hardy (2005). Further examined corporate governance and performance of commercial banks in Pakistan but analysis reveal that banks with larger assets size (i.e state owned banks) give lower efficiency than the other Peer groups of banks, i.e., private bank and foreign banks as the division of banking sector stated. Their study revealed further that better liguidity management implies a better performance of the banks. Bebehuk and Cohaen (2004) also finds out that, board size, board composition, and whether the CEO is also the board chairman have shown that well governed firms have higher firm performance. Though, there is a view that large board are better for corporate performance because they have a range of experertise to help make better decisions, and are harder for a powerful CEO to dominate. In a Nigerian study, Sanda et al (2003) found that, firm performance is positively related with small, as opposed to large boards.

Kyereboad-Coleman (2007) examined the effort of corporate governance on the performance of firms in Africa by using both market and accounting based performance measure. The study used unique data from 103 listed firms drawn from Ghana, South Africa, Nigeria and Kenya covering the five year period 1997-2001. The analysis was carried out within the dynamic panel data framework. Their results indicate that the direction and the extent of impact of governance is dependent on the performance measure being examined. Specifically, the findings show that large and independent boards enhance firm value and that combining the positions of CEO and board chair has a negative impact on corporate performance. The study also finds that CEO's tenure in office enhances a firm's profitability whiles board activity intensity affects profitability negatively. The size of audit committees and the frequency of their meetings have positive influence on market based performance measures and that institutional shareholding enhances market valuation of firms. finally, the results pointed out that sector characteristics influence the impact of governance on corporate performance. For enhance performance of corporate entities, the study recommended a clear separation of the positions of CEO and board chair and relatively independent audit committees should be maintained.

Methodology

This research work is a descriptive and quantitative type of survey in nature. The method used in this study is to examine how bank can achieve corporate performance putting in place good corporate governance. It provides an accurate description or picture of a particular situation or phenomenon at one or more points in time. This approach does not try to establish cause end effect relationship, instead it attempts to identity variables that exist in a given situation.

Also, the source of information (data) used in this research is both primary and secondary data. It is a non-numeric data which is categorical in nature because it deals with evaluation of bank's performance from the view of corporate governance perspective. It consists of existing information which may be useful for the purpose of the survey at hand. However, both internal and the external sources of secondary data was exploited from the relevance secondary data such as Bank's Total credit and Bank Deposit for the period of 15 years were collected from CBN Annual Report and Statement of Accounts for the year ended 31st December, 2006 between 1992 and 2006, while other relevance information were gathered from Bank's Annual Reports. Primary data were sourced from the banks' clients which was a closed ended well - structured questionnaire administered to them with the aims of verifying the authenticity of their claims of corporate governance compliance.

Apriori Expectation

The undesirable banking practices such as poor risk diversification, inadequate loan evaluation, fraudulent activities among others are expected to have a negative impact on bank performance, while disclosure of information, quality credit facilities, transparency, trust and other fiduciary principles are traits of true governance expected to have positive influence on bank performance.

Model Specification

The study adopts two models, to be appropriate because of the large number of non-metric independent variable, that is, the managers' personal trait that would make dummy coding for canonical correlation cumbersome. The model specified the relationship between the managers' traits as it affect the performance of bank. Appropriate indices that could be quantitatively and qualitatively measure were adopted, this include loan to deposit ratio, bank total deposit and bank's credit for the data collected from secondary data while fiduciary duties cum personal traits of managers of the bank which include transparency, independence, fairness, reliance, accountability and disclosure were tested under the questionnaire administered to the bank's client. Hence two model were adopted for each source of data.

Model Formulation And Definition

This study tried to capture specially the impact of corporate governance on bank performance. Bank performance can be viewed from bank health as considered by Oluitan (2004). This model was mathematically formulated thus:

$B_n = L_q + P_r$

Where

B_h Bank's Health

L_q Liquidity

P_r Profitability

Based on the strength of the Literature reviews, this study, with consider bank performance to be function of corporate governance. It can be represented mathematically thus;

$B_p = f(C_q)$ ……………………………………………………………………..(1)

Where

$C_q = f(B_{d,} B_{tc})$ …………………………………………………………………….(2)

Where B_p - Bank Performance

C_q - Corporate Governance

B_d - Bank deposit

B_{tc} - Bank total credit

Substituting equation (i) from (ii) equation becomes:

$B_p = f(B_d + B_{tc})$ …………………………………………………………………… (3)

The study based it assumption on adherence to regulatory authority, disclosure to shareholders, stakeholder, and customers, ethical standard, adequate utilization of depositors money to be variables associated to corporate governance.

Hence when the equation is presented in a generic form, We have

$B_p = b_o + b_1 + B_d + b_2 + B_{ts} + b_3 N \ldots + U$ ……………………………………… (4)

Where $b_3 N$ - represents associated variables to corporate governance

U - Errors terms

Model Development

It is a system of equation which relates the performance measures managerial effectiveness on banks' performance. The argument is that actions of the managers as reflected in deposits mobilization and credit packaging and granting, will determine the performance of banks. If we assume that bank performance, Bp is a function of banks specific attributes then,

$Bp_{it} = AX_{it}$ …………………………………………………………………… (1)

Where Bp_{it}- a column vector of banks' performance measured by Loan interest rate, strong deposit mobilization strategy among others by mangers of bank in time t.

X_{it} a row vector of banks/ manager's traits measure as pillars of corporate governance which includes, transparency, Accountability, Responsibility, Independence, Fairness and Discipline (*TARIFD*).

A is a fixed productivity related factors.

Equation (1) can be transformed in a way that reflects the effect of unobservable factors on banks performance thus we have:

$Bp_{it} = a_o + a_i X_{ij} + U_{it}$ ……………………………………………………… (2)

Where U represents random error term.

i represents individual banks

j represents mangers trait in bank i

Therefore equation (2) can be rewritten explicitly as:

$$Bp_{it} \quad = a_o + a_i T_{it} + a_2 A_{it} + a_3 R_{it} + a_4 I_{it} + a_5 F_{it} + a_6 D_{it} + \ldots U_{it} \ldots ..(3)$$

Source of Data

The source of data or information is from both primary and secondary data. The secondary data is a non-numeric data which is categorical in nature drawn from existing information.

Data Gathering

Data collected from Builders Special Report (2007), summary of Deposit Money Bank's activities and Banking system credits to the economy from central bank of Nigeria Annual Report and statement of Accounts for the year ended 31st December, 2006 covering year 2002 2006 is evaluated and analyzed using financial ratio assessment to determine the level of corporate governance significance on bank performance. Also Secondary data were soured from CBN Annual Report and Statement of Accounts for the year ended 31st December, 2006 between 1992 and 2006 while a constructive questionnaire was administered to the bank's clients, which enable us to analyze the true statement of the banks report on adherence to corporate governance.

Data Analysis Presentation and Interpretation of Result

Data Presentation

The presentation of the data is from the comparative analysis of five (5) selected banks in 2007offers in the market. This can be seen in table 1 below. This report of the five banks whose offers are X-rayed include Afribank Nigeria(now Mainstream) Plc, First City Monument Bank Plc (FCMB), Fidelity Bank Plc, Plantinum Habib Bank Plc (now keystone) and Zenith bank Plc. This report is form wealth Bucklers Special Report (2007).

2007 Market Indicator Determinant

Banks	Shareholders Fund (N'bn)	Dividend Yield %	Tanning Yield %	Current PAT (N'bn)	Gross Tanning (N'bn)	ROA %	ROE %	Total Assets (N'bn)
Afribank(now Mainstream)	30.77	0.98	3.34	5.0	27.54	2.67	16.25	187.08
Fidelity	25.66	0.91	1.63	3.22	11.93	2.66	12.25	187.68
BankPHB(now keystone)	28.44	2.74	5.0	7.7	36.2	4.85	27.07	158.86
Zenith	116.45	2.17	4.65	18.6	94.88	1.91	15.97	972.82
FCMB	31.10	2.0	3.57	5.95	24.97	2.26	19.13	262.84

This comparative analysis is to determine how investor of fund can earn the highest return from their investment. Though banks promises to make investor invest than they met then but have the banks investors actually got fair deal from the banks? What have the banks done with the investor money? How much value have they added to investor's fund?

From Table (1) above three (3) indicators will be examined.

Earning

Of the five banks being looked at, Zenith has the most earnings Zenith made earnings of N 95, billion in 2007 compared with N 53, billion in the preceding financial year ended June 30, 2006, the highest in the banking industry and about 27 percent off the industry earnings of N 346, Billion. Bank PHB(keystone) made the second highest earnings of N 36, Billion compared with n 13.3 billion in 2006. The figure represents about 11 percent of the banking, industry earnings in 2007. Afribank's(Mainstream) earning of N 28 billion compared with N 15.64, in the preceding financial year ended march 31, 2006 ranked it third among the five. The bank group by performance was in control of 8 percent of the industry's earnings in the review period. With FCMB's N 25, billion in gross earning in 2007 compared with N 11.04 billion in 2006, it has 7.22 percent of the industry's earnings in 2007, coming fourth on the list of five while Fidelity had the least earning among the five banks with reported earnings of N 11 billion or 3.45 percent of industry earnings. The bank recorded an earning of N 6.4 Billion in 2006.

Return on Equity

This is good indication of how much return the bank is making on shareholders fund or equity. Bank PHB(keystone) the most returns per naira of shareholders fund mobilized. Analysis of it edified financial figure of the financial your ended June 30, 2006 showed that the bank converted an average of N 27 per N 100 of shareholders fund to profit the performance was better than that of 2006 when it could only convert about N 19 of every 100. FCMB was the second most efficient bank in utilizing shareholders fund in the reviewed period, converting an average of N 19 of every N 100 put into use. Unlike Bank PHB(keystone) which grew by 8.11 basic point, FCMB recorded a 3.72 basis points growth between 2006 and 2007.
Afribank(Mainstream) and Zenith were almost at par at N 16.25 and 15.97 percent respectively as at the end of their respectively financial years while Fidelity was the least at N 12.55 per N 100 of shareholders funds deployed in it last financial year.

Return on Assets.

Analysis showed that Bank PHB(keystone) was the most efficient it recorded N 5.0 per N 100, representing a growth of 8.11 basis point compared with N 4.6 per N 100 recorded in 2008. Afribank(Mainstream) and Fidelity followed on the list with N 2.67 and N 2.66 per N100 deployed assets respectively. Afribank's(Mainstream) growth margin was more aggressive at 0.77 basis points compared t other banks the case of Fidelity was precarious as growth in both return on assets and equity plummeted by 1.02 and 0.85 basis points respectively. Bank PHB(keystone) however recorded the most aggressive growth in ROE in the reviewed period. Meanwhile FCMB and Zenith Bank Plc converted N 2.26 and 1.91 per N 100 deployed assets in the period. FCMB however nosedived by 0.4 basis points from N 2.26 per N 100 in 2006 to N 2.26 per N 10 asset in 2007 while Zenith bank marginally went up by 0.06 basis point from N 1.85 per N 100 in 2006.

Attractive Offer Price Based on Historical Financial Performance

Pricing an offer is key as it determines the return of an investor. It an offer is overpriced, then it will have a low potential of offering high return and a high potential of returning losses to the investor. There are two major technical ways of determining. If an offer is fairly priced. These are the market price to book vale per share ratio and the price earnings ratio.

Using price to book value per share Bank PHB(keystone) and Zenith are the most fairly priced on this index with 3.7 times their book value per share, FCMB Is priced at average of 4.44 times it book value per share while Afribank(Mainstream) and Fidelity look quite expensive at their prices of 5.0 and 5.12 times book value per share respectively. This is all together as result of good adherence to corporate governance which serves as a catalyst for bank performance. Corporate governance makes it easy for bank to coordinate. Control and calculate relevance determinant ratio adequately that affect bank performance.

Presentation and Interpretation of Result
The result obtained from the first equation specified in the previous chapter is presented bellow.

Variable	Coefficient	Std Error	T-statistic
C	-0.272066	0.442850	-0.614354
BTC	8.45E-07	7.91E-07	1.068328
BD	8.52E-07	1.73E-06	0.492160
LTDR	0.002751	0.006714	0.409800

$R^2 =$ 0.75
$R^2 =$ 0.68
Durbin-Watson 1.57
F-Statistics 10.7
Schwarz Criterions 0.355
Akaike info Criterions 0.167.

Interpretation of Result
Base on the data from the statistical bulletin, the result obtained from the regression analysis carried out presented above shows a good outcome. Constant in the model shows an inverse relationship with the bank performance but was not significant. A positive result was found between the Bank total credit and bank performance in the result. This shows that the more the banks have the ability of granting credit to the public the greater will be the effectiveness of the bank in performing efficiently in the economy.

However, the result was not significant, this indicate that total credit given out by the bank though help to improve bank performance but it is not a major variable that determine the way bank performs in the country. Bank deposit was found to be positively related to the bank performance but was insignificant. This result conforms to the apriori criteria in that a positive relationship is expected between bank deposit and the performance of the bank. The insignificant of this result shows that despite the fact that Bank deposit leads to positive impact on the performance of the bank; it is not a major variable that is significant in determining the bank performance in the economy.

The loan to deposit ratio in the result also shows that it is not significant but positively related to the performance of the bank. Hence, increase in the LTDR will help to improve the level of bank performance in thee economy, but it is not a major variable that is significant in explaining the way banks will performs in the economy. Based on the result therefore and views from the customers it is clear that corporate governance is needed for effectives bank performance mainly during this period of consolidation which have pave way for economic development and strong banks in the country. The R- square value of about 75% indicate that Bank performance in the economy is explained with about 75% of the explanatory variable and this is confirm by the higher adjusted R-square value of about 68%. The D.W value of about 1.57 indicate the absence of correlation in the model which proves the model to be while noise. However, the F- statistics of

10.79 shows the overall significance of the model. The Schwarz criterion and Akaike info-criteria of 0.36 and 0.17 indicate that the model selection is good for our consideration.

In order to know the views of customers, questionnaire were administered and the outcome of the questionnaire regressed using the probit model. From the outcome of the result, based on the traits of the business manager, the constant was found to be positively related but was not significant. Transparency in the result shows a positive relationship with bank performance and was significant at 10%. The result indicates that transparency by the banks will help to improve corporate governance and it will help to improve the performance of bank. Hence, there is need for banks to be transparent in order to ensure a good performance in the banking sectors. Accountability is also positively related to the bank performance and was also significant. This result shows that accountability by banks will help to improve the performance of the banks and a major variable that determine the performance of the bank in the economy. Hence, bank needs efficient accountability in other to ensure bank efficiency. Independence of banks also shows a positive relationship but was insignificant. Hence, a bank should ensure that their top management is independent so as not to open all the secret of the banks outside as this will help to ensure that banks perform effectively.

Fairness of banks also shows a positive but insignificant relationship with bank performance. This result shows that fairness by banks help to improve banks performance. Hence, for banks to perform effectively there is need for them to be fair in their relationship with their clients. However, fairness is not a major variable according to the respondents that really determine the bank performance. Reliance on banks also shows a positive relationship with bank performance. Hence, as customers continue to have more reliance on banks it will help to boost the performance of banks.

Summary of Findings

This research work examines corporate governance and bank performance, post consolidation. The study cut across the main stream of commercial financial institution we have in Nigeria data were generated from selected annual banks statement, Central bank of Nigeria Statistical bulletin; data tested ranges from 1992 2006.

Binary Probit test was conducted to determine the significance opinion of bank's clients with a total number of 40 customers selected randomly from different banks and Least Square Regression analysis was also employed to estimate the variables data collected from Central Bank of Nigeria Statistical Bulletin. These were done to capture the impact of corporate governance on bank performance in Nigeria. The result shows that Bank deposit mobilized and credit created over these period increase over the years but were more positively related to bank performance during the period of consolidation but were not significant while managerial traits of managers employed in the bank seems to be the major determinant factors of bank performance when they are positively embraced. From the test, it was revealed that they were related as well as significant to bank performance. These among others include; Transparency, fairness, independent, reliance, accountability which is tantamout to disclosure of information. These were observed to be the major factors of corporate governance that determine the performance of banks in Nigerian economy.

Conclusion

To minimized financial and economic crime in the system, banks must embrace fiduciary duty which include transparency, honesty and fairness in dealing with all it stakeholders. It is concluded that, though factor such as accountability, transparency, independence, reliance and fairness, help in the effective performance of banks but the major significant was in this period of consolidation are accountability and transparency.

Corporate governance affects stakeholders. It also affects a corporate potential or ability to access its market share both locally and globally. It also determines the ability of the organization to fulfill its social contracts with the clientele and society at large. These lofty ideals will not come if the enterprise could not improve on its economic fortunes at an increasing rate. An organization will not promote its economic fortunes at an increasing rate without instituting measures to fight corruption transparently and ensuring that the major stakeholders, shareholders, directors and management are conscripted into the vanguard for the institution of corporate governance.

It is cleared that corporate governance is a catalyst that speed up the performance of banks in Nigeria base on this study. It is therefore worthy to note that, although Nigerian banks cannot be fully supported to be practicing what we regards to as corporate governance but in a nutshell, corporate governance practice at the long run will completely encourage bank client's patronage and total reliance on the services provided by the banks in Nigeria. Hence, for banks to have a brighter tomorrow there is need for effective corporate governance. Ebhodaghe (1997), asserted that in the country, the role of governance on banking performance relating to economic growth cannot be over-emphasized. Banks are the pivot of modern economy, the repository of people's wealth, and supplier of credit which lubricates the engine of growth of the entries economy. The upsurge in the number of financial intermediaries following deregulation and the failure of a significant number of the institutions with attendant agony suffered by many Depositors/Customers call for improve service delivery of bank staff in other to maintain their fiduciary duty.

Recommendations

There is no doubt that good corporate governance is a major factor in financial sector stability. Both at the micro (individual) and macro (sector-wide) levels, if the institutions comply with regulations and ensure that all organizational activities are carried properly, the system will remain solid. Since the salience of corporate governance in the fight against financial and economic crimes cannot be overemphasized, the following recommendations are hereby suggested:

1. The challenge banks therefore are to ensure that corporate governance become their watchword. This will enhance the efficiency and profitability and encourage an environment for the cultivation of the other attributes of corporate transparency.
2. The operation scope of corporate governance includes accountability, transparency and operationalised anti-corruption anchored on stakeholder participation. In any banking environment therefore, corporate governance should promote accountability, transparency, healthy ethics and general participation of stockholders, which is central to creating and sustaining the enabling environment of wealth creation, equitable welfare distribution, economic growth and development.

3. Internal discipline and a strong operational agenda rooted in corporate governance, strong leadership, strengthened by moral questions bordering on integrity to carry out functions as appropriate should be put in place in banking sector.

4. In all this capacity building is important. Complementary to the need for professional grounding of management and staff of bank is institutional capacity building. The competence of individuals in a corporate entity dovetails into the capacity of the organization for analyzing, assessing and addressing governance issues with quick responsiveness. Institutional capacity requires the strengthening of in-house expertise in the various areas of activities and of governance. An organization in quest of thorough governance will therefore incorporate local knowledge and experience, insights and institutional context in governance initiatives. As the leadership of such enterprise rise to demands of effective working environment with requisite infrastructure and knowledge bases, the ability of stakeholder to access information will enhance and vindicate the expectations of board of management, government and civil society

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