# Effect of Corporate Governance on Performance of Deposit Money Banks in Nigeria.

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Abstract

*The study examined the effect of Corporate Governance on the Performance of Deposit Money Banks in Nigeria. Ex-Post Facto research design was adopted and secondary data were obtained from Annual reports of selected Deposit Money Banks for a period of ten years (2009-2018). The objectives are to investigate the extent to which Board size affects Return on Equity and also to determine the effect of Board composition on the Net profit of Deposit Money Banks in Nigeria. Hypotheses were formulated and analyzed using Ordinary Least Square (OLS) regression method. The result reveals that the Board size has significant and positive effect on the Return on Equity (ROE) of Deposit Money Banks in Nigeria. It equally shows that Board composition has positive significant effect on their net profit as well. The study recommends that effort should be made to increase shareholders' returns on investment by making sure that corporate organizations appoint Board members based on professional expertise and integrity. It also suggests that Board composition should be more of Non-executive directors to encourage Board independence, proper monitoring and management discipline*.

Keywords; Corporate governance, Board size, Net profit, Board of Directors, Deposit Money Banks.

## Introduction

In Nigeria, the concept of corporate governance is increasingly recognized by the business community, financial regulators and capital market authorities as a fundamental driver of corporate performance. Jenkinson and Mayer (1992) posit that corporate governance can be referred to as the processes and structures by which businesses and affairs of institutions are directed and managed, in order to improve long term shareholders value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders. Basically, corporate governance in banking sector requires judicious and prudent management of resources and the preservation of assets of the corporate firm, ensuring ethical and professional standards and the pursuit of corporate objectives. It seeks to ensure customers satisfaction, increases employee morale and the maintenance of market discipline which stabilizes the bank, corporate governance has become important for companies as they play the role of reducing systemic risk in the economy (Kaur and Vij,2014). This subject has received great attention because of global financial crises and major corporate failures that shock major financial centre of the world (Imam and Malik, 2007)

Corporate governance is patterned to achieve a diversified strong and reliable banking sector which will ensure the safety of depositors' money as well as play active developmental roles in Nigeria's economy. It ensures that the interests of all stakeholders are protected and also minimizes asymmetric information between directors, owners and customers. There has been renewed interest in the corporate governance practices of modern corporations, particularly after the high profile collapse of a number of large firms in U.S.A such as Enron Corporation and World Com (Akpan, 2007).The development has forced nations and regional economic organizations to come up with various guidelines and codes aimed at ensuring transparency and accountability in business.

Recently, the board of directors of Diamond Bank Plc finally announced its merger with Access Bank Plc expected to be completed in first half of 2019. In consideration for the transfer of all assets, liabilities and undertakings, including real property and intellectual property rights of Diamond Bank and Access Bank, all shareholders of Diamond Bank at the effective date shall receive two ordinary shares of 50 kobo each in Access Bank credited as fully paid in exchange for every seven Diamond Bank ordinary shares of 50 kobo each held on the effective date and N1.00 per share hold on the effective date (scheme of merger, Diamond/Access).

## Statement of Problem

In Nigeria, the banking industry over the past decades had suffered liquidity problems which led to the Central Bank of Nigeria's requirement for banks to increase their capital base to a minimum level of twenty five billion naira (Ogbechie 2006). This triggered off several mergers and acquisitions that reduced the number of banks from eighty nine (89) to twenty five (25) banks at the beginning of 2006. Poor corporate governance was identified as one of the major factors in virtually all the cases, other forms of bad corporate governance were insider abuses, poor quality services and weak supervisory structures.

Recently, the acquisition of Diamond Bank by Access Bank could be seen as one of the outcomes of poor corporate governance which resulted when the Chief Executive Officer (CEO) and Board of Directors (BOD) of the banks failed to recognize the interest of shareholders, creditors, employees, customers and society at large.

A number of studies have been carried out on the impact of corporate governance on consumer goods sector, conglomerates sectors and banking sector in general. This study therefore aims at investigating the effect of corporate governance on selected deposits money banks in Nigeria.

**Objectives of the Study**

The main objective of this study is to examine the effect of corporate governance on the financial performance of deposit money banks in Nigeria. The specific objectives are

1 To investigate the extent to which board size affects return on equity of deposit money banks in Nigeria.

2 To determine the extent to which Board composition affects net profit of deposit money banks in Nigeria

**Research Questions**

1 To what extent does Board size affects return on equity of deposit money banks in Nigeria?

2 Does Board composition have any significant effect on net profit of deposit money banks in Nigeria?

**Hypotheses of the Study**

The following hypotheses were stated in their Null form to guide the investigation of this work:

Hypothesis 1: Ho: Board size has no significant effect on firm performance using return on equity of deposit money banks in Nigeria.

Hypothesis 2: Ho : There is no significant relationship between Board composition and net profit of deposit money banks in Nigeria.

**Conceptual framework**

Corporate Governance:

According to Garuba and Otomewo (2010), corporate governance is the system of internal controls and procedures by which individual companies are managed. It provides a framework that defines the rights, roles and responsibilities of different groups; the management, board, shareholders and employees within an organization. It can also be defined as the manner in which the power of a corporation is exercised in the stewardship on the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholders fund in the context of its corporate mission (Okoi,Stephen and Sani 2014)

Shlefier and Vishny (1997) see corporate governance as a way in which suppliers of finance to corporations are assured of getting a return on their investment. It is generally difficult for principals in a large public firm to be charged with responsibility for corporate operations hence they delegate agents to manage operations in their interest. In the Organization for Economic Cooperation and Development (OECD), principles of Corporate Governance Report which was first published in 2004 (OECD 2015). It states that the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly state the division of responsibilities among different supervisory, regulatory and enforcement authorities.

This study therefore adopts a broader view which defines corporate governance in the context of banking as the protection of investors' interest and a sound risk management system.

Board of Directors

Board of directors is a group of people who jointly supervise the activities of an organization, which can be either for-profit business, non-profit organization or a government agency. Such a board's powers, duties and responsibilities are determined by government regulations (including the jurisdiction's corporation law) and the organization's own constitution and by-laws. These authorities may specify the number of the board, how they are chosen and how often they are to meet (WIKIPEDIA).

In organizations with voting members, the board is accountable to and might be subordinate to the organizations full membership, which usually vote for the members of the board. In a Limited Public Companies, non executive directors are voted for by the shareholders, with the board having ultimate responsibility for the management of the company. The BOD appoints the Chief Executive Officer and sets out the overall strategic direction of the company. Duties of BOD include

-governing the organization by establishing board policies and setting out strategic objectives.

-select, appoint, support and review of performance of the chief executive.

-terminating the appointment of CEO.

-ensuring the availability of adequate financial resources.

-approving annual budgets.

-accounting organization's performance to the shareholders.

-fix the salaries, compensations and benefits of senior management officers.

A high level of independence is important for it to perform its monitoring duties more effectively. The standard view is that board of directors is not likely to self-monitor effectively the performance of the CEO because their career is closely tied to the incumbent CEO (Jensen 1993).

Composition of board members

Board composition is the heart beat of good corporate governance and high performance. The composition of board members is also proposed to help reduce the agency problem (Weisbach, 1988). A positive relationship is expected between firm performance and the proportion of outside directors sitting on the board.

Unlike inside (Executive) directors, outside (Non executive) directors are better placed to challenge the CEOs. It is perhaps in recognition of the role of outside directors that in Britain (United Kingdom) a minimum of three outside directors are required on the board; in United States, the regulation requires that they constitute at least two-third of the board (Bhagat and Black, 2001). Board composition has given rise to two different views; those who contend for more non-executive directors in the board and those who argue against more non-executive directors in the board. Those who argue against more non-executive directors in the board used agency theory and resource dependency to support their arguments. The premise of agency theory is based on the fact that the essence of the board is to monitor and control the action of directors because of their opportunistic tendency. Non Executive directors increase the board's ability to monitor top management officers and ensures no expropriation of stakeholders' wealth. This is so because the non-executive directors comprises of independent directors that are appointed based on their experience and competence and do not have any stake in the shareholding of the firm but to maintain their reputation, so they always strive to maximize the firm value (Yousef, Nur and Kharil 2014). It is believed that the independency of board of directors depends to a large extent on the number of outside directors.

**Financial Performance Variables**

Return on Equity (ROE)

In corporate finance, the Return on Equity is a measure of the profitability of a business in relation to the equity. Horne (2002) posits that ROE represents profitability of shareholders of the firm after meeting all expenses and taxes. ROE is considered a measure of how effectively management uses a company's assets to create profits. It is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. Usually ROE for high growth companies is calculated as: ROE=Net profit/shareholders Equity.

Net Profit or Profit for the year:

Net profit also referred to as profit for the year or net income is a measure of the profitability of a venture after accounting for all costs and taxes (Wikipedia). It is the revenue of the activity less the cost of the activity. Net Profit =Sales Revenue- Total Cost, or Net Profit = Pre-tax Profit –tax, or Net Profit = Operating Profit –Taxes and Interest.

**Theoretical Framework**

Sanda, Mikaila and Garba (2005) in their work titled corporate governance mechanisms and firm financial performance in Nigeria identified the Agency theory, Stakeholder theory and the Stewardship theory as the three prominent theories of corporate governance. They are discussed below:

**Agency Theory**

The theory is concerned with the problems arising as a result of conflict of interest between Principal and Agent. The theory was developed by Jensen and Meckling (1976). The theory is based on the idea that when a company is first established, its owners are usually the managers. But as the company grows, the owners appoint managers to run the company. The owners expect the managers to run the company in the best interest of the owners, therefore a form of agency relationship exists between the managers and owners. However, it is impossible to have perfect contract because decisions of the managers will affect their own personal interest and welfare as well as the interest of the owners. This results in agency conflict between the managers and owners of the business. The interest of the shareholders boil down to wealth maximization and also in share appreciation, while that of the managers is the size of remuneration package and their status. Morch, Shleifer and Vishny (1988) argued that although the traditional agency problems due to the separation of ownership and control is minimized by greater levels of ownership, new problems may creep in due to two reasons. Firstly, the outrageous increase in managerial shareholding may lead to entrenchment effects and be less subjected to internal and external governance mechanism. Secondly, these large block holdings convert the ancient principal –agent problem into a new problem involving multiple principals with different goals. These dissimilarities between principal-principal goals have also become a major concern in emerging nations as they lead to expropriation of minority shareholders and bondholders (Dharwardkar, George & Brandes, 2000).

**Stakeholder Theory**

This theory holds that business organization must play an active social role in the society in which it operates. An advocate of this theory, Freeman (1984) identified the emergence of stakeholder groups as important in an organization under consideration. He asserts that managers must satisfy a variety of constituents who can influence the firm's

outcome; that is a re-engineering of theoretical perspectives that extends beyond the owner-manager-employee position and recognize the numerous stakeholders groups. According to Pearce and Zahra (1992) stakeholders are individuals and groups that are affected by an organization's policies, procedures and actions. All companies especially large corporations have multiple stakeholders. One way of classifying stakeholder groups is to classify them as primary and secondary stakeholders. Cahit and Ali (2016) posit that primary stakeholders have some direct interest or stake in the organization. Secondary stakeholders in contrast are public or special interest group that do not have a direct stake in the operations but are still affected by its operations.

**Stewardship Theory**

A steward is defined as someone who protects and takes care of the needs of others. Under the stewardship theory, company executives protect the interest of the owners or shareholders and make decisions on their behalf. Their sole objective is to create and maintain a successful organization for the shareholders to prosper. Firm that embrace stewardship place CEO and Chairman responsibilities under one executive, with a board comprised mostly of in-house members. This allows for intimate knowledge of organizational operation and a deep commitment to success. The theory suggests that managers left on their own will act as responsible stewards of the assets they control (Donalson and Preston 1991). Equally, managers may carry out their role from a sense of duty. Davis, Schoorman and Donaldson (1997) argued that a psychological and situational review of the theory is required to fully understand the premise of stewardship theory.

**Empirical Review**

Ibekwe and Harry (2018) studied corporate governance in international oil companies by reviewing existing literature. The paper examined corporate governance standards, governance structure put in place in international oil companies and the implementation thereof. The study concluded that a sound governance framework encompasses multiple areas across oil companies and several crucial segments include in the planning to ensure that the developed governance frame work is both implementable and also takes root within the organization to ensure that benefits are achieved.

Asogwa (2016) examined corporate governance in Nigerian banks. The study provided a theoretical framework and a model for understanding the concept of corporate governance rather than empirical views. It concluded that the key setback to corporate governance in Nigerian banks is non-adherence to principles and ineptitude in understanding the theories and mechanism of corporate governance.

Abdulazeez, Ndibe and Mercy (2016) studied corporate governance and financial performance of listed deposit money banks in Nigeria. Data for the study were quantitatively retrieved from annual reports of selected banks. Multico Linearity test was conducted via Pearson Correlation and further confirmed through VIF test. Regression was used to analyze the data and it was found that larger board size contributes positively and significantly to the financial performance of deposit money banks in Nigeria.

Oyeroba, Memba and Riro (2016) examined the impact of board size on the profitability of listed companies in Nigeria from 2004 to 2013. Secondary data was obtained from annual report of 70 companies listed on the Nigeria Stock Exchange. The result of the findings showed that there is a significant positive relationship between the board size, firm size and return on capital employed. The study recommended that listed companies should adopt the use of large board size (12 board members) to improve profitability.

Similarly, Cahit and Ali (2016) studied the impact of corporate governance variables on firms' financial performance in Turkey. The relationship between ownership structure, board structures and financial performance were tested, consequent upon the test, influence of corporate governance variables, board size, share of independent board members, foreign investors, leverage ratio on firms' financial performance and return on assets are utilized on firms traded in Turkey's Stock Exchange. The findings revealed that corporate governance variables influenced firms' performances. Shares of independent board members and leverage have negative influences while foreign ownership has a positive influence on firms' financial performance.

Adeoye (2015) researched on the impact of institutional characteristics of corporate governance system in some sub-Saharan Africa countries. The sample consists of CEO, executive directors, non-executive directors, accountants/auditors of one hundred and fifty firms listed in Ghanaian Stock Exchange (GSE), one hundred firms on NSE and seventy one firms in South Africa. The result shows that Ghanaian and Nigerian firms' have large concentration of ownership. So preferential treatment to large shareholders has influence on the rules and laws of corporate governance practices. It recommends that there is need for general reform of firms in Nigeria by the issue of only one corporate governance code of best practices for each industry which should follow international standards. Ghana should have financial reporting council in order to have more regulatory and supervisory bodies on corporate governance practices for financial and non-financial firms.

Christopher, Jennifer, Alan and David (2015) examined the link between corporate governance, managerial incentives and corporate tax avoidance. Quartile Regression was used to analyze the variables; the study showed that there is no

relation between various corporate governance mechanisms and tax avoidance at the conditional mean and median of the tax avoidance button. It also showed positive relationship between board independence and financial sophistication for low level of tax avoidance but a negative relationship for high levels of tax avoidance.

Ilaboya and Obaretim (2015) analyzed the relationship between board characteristics and corporate performance of listed companies in Nigeria. Secondary data were collected from 166 firms quoted on the Nigerian Stock Exchange from 2005 to 2012 in the food and Beverages sector. The study revealed a positive and significant relationship between independent directors on audit committee and firm performance in Nigeria. The research recommended the need for competent and sufficient board size and reduction in the waste of resources on frequent board meetings. It also showed a negative relationship between board diligent and performance.

Duncan and Kabara (2015) studied the relationship between corporate governance mechanisms and corporate performance of manufacturing firms in Kenya. The paper examined the influence of corporate governance mechanisms such as board diversity, government ownership and management ownership on corporate performance. The study contributes to the literature by demonstrating the significance of manufacturing sector in Kenya in achievement of vision 2030. It also demonstrates how corporate governance influences corporate performance in order to address stagnation of manufacturing sector in Kenya.

Uwalomwa, Daramola and Anjolaoluwa (2014) examined the effects of corporate governance mechanism on earnings management in Nigeria. Data were collected from annual reports of 40 listed firms in Nigerian stock Exchange from 2007 to 2011. The regression analysis method was employed as a statistical technique for analyzing the collated data. Findings from the study revealed that while board size and board independence have a significant negative impact on earnings management. On the other hand, CEO duality had a significant positive impact on earnings management for the sampled firms in Nigeria.

Iwora and Lesley (2014) researched on the analysis of the characteristics and quality of corporate board of deposit money banks in Nigeria. It compared the characteristics of corporate boards of Nigerian banks with ten largest banks in the world in terms of board size, number of females in the board, number of meetings per annum, age of directors, duality of chairman and CEO position. T-test was used for data analysis and the result showed that corporate governance structure of Nigerian banks is similar to that of the largest banks in the world.

Christopher, Christopher and David (2012) investigated the relationship between corporate governance and CEO' pay levels and the extent to which the higher pay found in firms using compensation consultant is related to governance differences. Using proxy statement disclosures from 2,110 companies, the study revealed that CEO pay is higher in firms with weaker governance and that firms with weaker governance are more likely to use compensation consultants.

Ogbechie and Koufopoulos (2010) evaluated corporate governance in Nigeria banking sector in terms of board characteristics, board composition, operations and process as well as degree of compliance with central bank of Nigerian code of corporate governance. The result showed that Nigerian banks have embraced the principles of good governance and have achieved high degree of compliance with the CBN code of corporate governance.

**Methodology**

This section discusses the methods and procedure employed in carrying out the research. The type of research design adopted in the study is ex-post facto design. This is due to the fact that the event being examined has already taken place. The data for the study is basically from secondary source and collated from annual reports and statements of accounts of selected quoted deposit money banks in Nigeria

**Population of the Study**

The population of the study is made up of six deposit money banks listed on the Nigerian Stock Exchange (NSE). The time frame considered for the study is from 2009 to 2018. This ten year period enables the researcher to come out with reliable findings. The deposit money banks under study are as follows:

1 Access Banks PLC
2 First Bank of Nigeria (FBN) PLC
3 Guarantee Trust Bank (GTB) PLC
4 United Bank for Africa (UBA) PLC
5 Union Bank of Nigeria (UBN) PLC
6 Zenith Bank of Nigeria (UBN) PLC

**Method of Data Analysis**

Data collected from annual reports and statements of accounts of selected deposit money banks were analyzed using regression technique. Regression analysis is a tool used to quantify the relationship between dependent and independent variable with the aid of SPSS ver. 20

**Regression Analysis**

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[DataSet0]

**Table 1**

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| ROE | 13.6867 | 7.46658 | 6 |
| Board Size | 16.0333 | 2.13791 | 6 |

**Table 2 Correlations**

| | | ROE | Board Size |
|---|---|---|---|
| Pearson Correlation | ROE | 1.000 | .541 |
| | Board Size | .541 | 1.000 |
| Sig. (1-tailed) | ROE | . | .034 |
| | Board Size | .034 | . |
| N | ROE | 6 | 6 |
| | Board Size | 6 | 6 |

**Table 3 Variables Entered/Removed[a]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | Board Size[b] | . | Enter |

a. Dependent Variable: ROE

b. All requested variables entered.

**Table 4 Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .541[a] | .773 | .716 | 2.01917 | .593 | 1.658 | 1 | 4 | .027 | 2.031 |

a. Predictors: (Constant), Board Size

b. Dependent Variable: ROE

**Table 5 ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 81.674 | 1 | 81.674 | 2.658 | .027[b] |
| | Residual | 122.908 | 4 | 30.727 | | |
| | Total | 204.582 | 5 | | | |

a. Dependent Variable: ROE
b. Predictors: (Constant), Board Size

**Table 6 Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | .997 | 0.715 | | 2.855 | .037 | | |
| | Board Size | .890 | 1.468 | .541 | 2.288 | .027 | 1.000 | 1.000 |

a. Dependent Variable: ROE

**Table 7 Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | |
|---|---|---|---|---|---|
| | | | | (Constant) | Board Size |
| 1 | 1 | 1.993 | 1.000 | .00 | .00 |
| | 2 | .007 | 16.491 | 1.00 | 1.00 |

a. Dependent Variable: ROE

**Table 8 Residuals Statistics[a]**

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 8.0783 | 18.8539 | 13.6867 | 4.04164 | 6 |
| Residual | 6.85781 | 8.12558 | .00000 | 6.27814 | 6 |
| Std. Predicted Value | 1.388 | 1.279 | .000 | 1.000 | 6 |
| Std. Residual | .977 | 1.158 | .000 | .894 | 6 |

a. Dependent Variable: ROE

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REGRESSION
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  /STATISTICS COEFF OUTS R ANOVA COLLIN TOL CHANGE
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  /DEPENDENT VAR00002
  /METHOD=ENTER VAR00001
  /RESIDUALS DURBIN.

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**Table 9 Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Net Profit | 57916.0167 | 36638.78270 | 6 |
| Board Composition | 9.2833 | 1.68216 | 6 |

**Table 10 Correlations**

| | | Net Profit | Board Composition |
|---|---|---|---|
| Pearson Correlation | Net Profit | 1.000 | .852 |
| | Board Composition | .852 | 1.000 |
| Sig. (1-tailed) | Net Profit | . | .016 |
| | Board Composition | .016 | . |
| N | Net Profit | 6 | 6 |
| | Board Composition | 6 | 6 |

**Table 11 Variables Entered/Removed[a]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | Board Composition[b] | . | Enter |

**Table 13 ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4877483904.400 | 1 | 4877483904.400 | 10.635 | .031[b] |
| | Residual | 1834518082.509 | 4 | 458629520.627 | | |
| | Total | 6712001986.908 | 5 | | | |

a. Dependent Variable: Net Profit
b. Predictors: (Constant), Board Composition
a. Dependent Variable: Net Profit

b. All requested variables entered.

**Table 12 Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .852[a] | .727 | .658 | .63729 | .727 | 10.635 | 1 | 4 | .031 | 1.403 |

a. Predictors: (Constant), Board Composition

b. Dependent Variable: Net Profit

**Table 14 Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | .973 | .761 | | 4.298 | .013 | | |
| | Board Composition | .851 | .487 | .852 | 3.261 | .031 | 1.000 | 1.000 |

a. Dependent Variable: Net Profit

**Table 15 Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | |
|---|---|---|---|---|---|
| | | | | (Constant) | Board Composition |
| 1 | 1 | 1.987 | 1.000 | .01 | .01 |
| | 2 | .013 | 12.173 | .99 | .99 |

a. Dependent Variable: Net Profit

**Table 16Residuals Statistics[a]**

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 14902.1152 | 94740.8672 | 57916.0167 | 31232.94384 | 6 |
| Residual | 36005.33203 | 17710.25391 | .00000 | 19154.72831 | 6 |
| Std. Predicted Value | 1.377 | 1.179 | .000 | 1.000 | 6 |
| Std. Residual | 1.681 | .827 | .000 | .894 | 6 |

a. Dependent Variable: Net Profit

**$H_{01}$:** Board Size has no significant effect on firms' performance using Return on Equity of listed Deposit Money Banks in Nigeria.

This hypothesis was tested and the result of this regression as exposited on table 5 indicates that the relationship between Board Size and ROE is positive and significant; this can be justified with the P-value (significance) of 0.027 which is less than the 5% level of significance adopted. Likewise the result of positive coefficient of 0.541 is proving that, an increase in Board Size while other variables remain constant increases ROE. We therefore reject null hypothesis and accept alternate hypotheses which contends that Board Size has significant effect on firms' performance using Return on Equity of selected Deposit Money Banks in Nigeria.

**$H_{02}$:** Board Composition has no significant effect on firms' performance using Net Profit of listed Deposit Money Banks in Nigeria.

This hypothesis was tested and the result of this regression as exposited on table 13 indicates that the relationship between Board Composition and Net Profit is positive and significance, this can be justified with the P-value

(significance) of 0.031 which is less than the 5% level of significance adopted. Likewise the result of positive coefficient of 0.852 is proving that, an increase in Board Composition while other variables remain constant increases Net Profit.
We therefore reject null hypothesis and accept alternate hypotheses which contends that Board Composition has significant effect on firms' performance using Net Profit of listed Deposit Money Banks in Nigeria.

**Summary of Findings and Conclusion**

The study was carried out to determine the effect of corporate governance on the performance of deposit money banks in Nigeria. It was revealed that board size has significant positive effect on the return on Equity (ROE) of deposit money banks in the Nigeria. The analysis also showed a positive and significant relationship between board composition and net profit. The study therefore concludes that board size and board composition have significant positive effects on the performance of deposit money Banks in Nigeria.

**Recommendations**

Based on the findings of this research, the researcher therefore presents the following recommendations.

1. Efforts should be made to increase shareholders returns on investment by making sure that corporate organizations appoint board members based on professional expertise and integrity.
2. The composition of Board members should be more of Non-executive directors. This would enhance board independence and invariably leads to proper monitoring and management discipline.

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