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CORPORATE GOVERNANCE PRACTICES IN HOLDING AND NON-HOLDING OPERATING STRUCTURED BANKS IN NIGERIA

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Abstract

This study empirically evaluated corporate governance practices in Nigerian listed banks with international banking licenses operating a holding and non-holding company, using a comparative approach with a view to establishing whether there are divergences or not. Descriptive research design was employed to guide in the collection, analysis and interpretation of data. Three banks operating a holding company operational structure and five operating a non-holding company structure were selected for the purpose of this study. Secondary data were obtained from the annual reports of the selected banks. These data spanned 2007-2015. Five hypotheses were formulated and tested at 5% level of significance. Findings, amongst other things, revealed that Nigeria listed banks with international banking license operating a holding company structure have more independent boards that those operating a non-holding company structure. The study concluded that divergences exist in corporate governance practices amongst Nigerian listed banks with international banking license operating a holding company structure and those operating a non-holding company structure. It was recommended, inter alia, that regulatory bodies should improve their oversight functions and monitoring strategies to eradicate governance abuses, and any compromise should be exposed and promptly penalised materially

Keywords: *Holding Company; Corporate Governance; Banks; Agency Theory and Board Size .JEL Classification: G34 &M41.*

INTRODUCTION

The banking sector is critical to the economic growth and development of any nation (Levine, 1997; Khan & Senhadji, 2000) hence the need for its strict regulation all over the world (Bobakova, 2003; Bokpin, 2013). The success or failure of the banking system determines the effectiveness of national monetary policies. The banking sector is the most regulated sector in the Nigerian economy and has gone through fundamental reforms on nine occasions. From 1952 the Nigerian banks' operational activities have been defined and redefined by the Central Bank of Nigeria (CBN) in 1958, 1962, 1969, 1988, 1991, 1997, 2000, 2001, and 2004. Corporate governance on its own helps facilitate a firm's ability to define and achieve its purpose. The board must agree on the company's values (what it stands for), and the strategy to achieve its purpose, account to shareholders, and also be responsible for relations with its other shareholders (Dennis & McConnell, 2002).

Banks are multi-constituency organisations (Bcht, Bolton & Roell, 2012) and their corporate governance practices differ from other firms because their domain extends beyond the shareholders to include debtors (Hopt, 2012) and the regulators who are stakeholders saddled with the responsibility of promoting a safe, sound and stable financial system that supports economic growth with minimal disruption.

The Central Bank of Nigeria (CBN) repealed the Universal Banking Guidelines of 2002 and introduced a New Banking Model in 2010 as part of the strategic initiatives to reposition the Nigerian banking system on the path of sustainable viability. This New Banking Model permits banks/banking groups to retain non-core banking businesses by evolving into a non-operating Holding Company (HoldCo) structure. Under this Model, a non-operating HoldCo is expected to hold equity investment in banks and non-core banking businesses in a subsidiary arrangement. This arrangement seeks to ring-fence depositors' funds from risks inherent in non-core banking businesses (CBN, 2010).

Himaj (2014) noted that the desire to maximise profits at the expense of following prudential limitations always results in a far-reaching crisis. He indicated poor corporate governance as being one of the causes of the 2008 credit crisis (Himaj, 2014). This led the G20 leaders in their 2009 Pittsburgh summit to call for uncompromising guidelines for risk-taking, improved corporate governance practices that incorporate compensation with long-term performance and greater transparency (Kostyuk, Mizuno & Pizzo, 2012).

Several attempts have been made to improve corporate governance practices in Nigeria by regulatory bodies like the Institute of Directors, Central Bank of Nigeria, Nigeria Stock Exchange and Financial Reporting Council of Nigeria. However, there are still violations and abuses by corporate operators from within and outside their establishments. In addition, over the years, the government has revised regulations on the scope of banking activities for various reasons and yet many of the banks still directly or indirectly involving themselves in non-core banking activities that were exposing depositors fund to unnecessary risks. Some of these activities at times contribute to the failure of some of the banks. Therefore, looking at these reform elements' relationships (corporate governance and scope of banking activities) will allow the government, regulatory bodies, analysts and academics to identify appropriate areas to dissipate energy meaningfully towards the promotion of a sound financial system and protection of depositors and creditors. The adoption of the International Financial Reporting Standards (IFRS) makes all reported financial statements internationally accessible and firms that perform below expectation will not only be able to borrow in times of need, but equally be unable to attract foreign investment and acceptance. Besides, recommendations from this study will assist the government to curb the frequently reported corruption and governance abuses in Nigerian banks and other corporate organisations. It is believed that if the shareholders' fund is optimally employed and the best corporate governance practices are in force in Nigerian banks, returns will be enhanced and public confidence guaranteed.

Various studies on banking reforms in Nigeria have placed much emphasis on bank's corporate governance, recapitalization, capital adequacy and performance (Adegbaju & Olokoyo, 2008; Ningi & Dutse, 2008; Fadare, 2011; Bakare, 2011; Sanusi, 2010; Olalekan & Olayinka, 2013; Afolabi & Amupitan, 2015). Adegbaju and Olokoyo, (2008) examined capitalisation and bank performance in Nigeria and established that the mean of key profitability ratios such as yield on earnings assets (YEA), return on equity (ROE), and return on assets (ROA), were statistically significant – meaning there was a statistical difference between those before and after recapitalisation. Ningi and Dutse (2008) investigated the impact of consolidation strategy on the Nigerian economy and found that the CBN reforms have transformed the banking sector's market structure, improved the efficiency and reliability of the banks, provided opportunities for financial institutions and market participation, and raised their intermediation potentials.

Fadare, (2011) explored the liquidity and financial crisis in the Nigerian banking sector and found that the monetary policy rate, liquidity ratio and lagged loan-to-deposit ratio alone are significant for predicting banking sector liquidity. Bakare (2011) analysed the trend and growth implications of bank recapitalisation in Nigeria and found that a post-recapitalisation mean at 21.58 is higher than the pre-capitalisation mean of 15.09 – which by implication suggests banks are more adequately capitalised and less risky after the programme. He also found that recapitalisation has a small but significant impact on growth of the economy compared to other variables in his model. Olalekan and Adeyinka (2013) observed capital adequacy and bank profitability in Nigeria and established a direct interplay between capital adequacy and profitability of banks – meaning that capitalisation and profitability are pointers of bank-risk management efficiency and a cushion against losses not covered by current earnings. Afolabi and Amupitan, 2015 examines corporate governance issues and challenges in the Nigerian banking sector using the survey approach and found that the increasing level of fraud and failures among Nigerian banks was largely due to poor corporate governance practices.

The above studies are relevant and have contributed in different ways to knowledge but none of them or any other study known to the researcher has ever analysed the link between corporate governance metrics and Nigerian banks' scope of activities. This study therefore aimed at answering the following questions: (a) Are there significant differences in board independence between holding and non-holding operating structured banks?; (b) are there significant differences in board size between holding and non-holding operating structured banks?; (c) are there significant differences in audit committee independence between holding and non-holding operating structured banks?; (d) are there significant differences in audit committee size between holding and non-holding operating structured banks; (e) and are there significant differences in the banks' ownership structure between holding and non-holding operating structure?.

2. LITERATURE REVIEW

Decision-making authority should be allocated equitably so that checks and balances work properly within the organisation. An opaque company is not rated highly in the financial markets even if its profitability is high. For survival and stability, good corporate governance that can lead to transparent and accountable management is needed (Dawoo, 2007). The fact that banks can operate with such substantial differences and are still competitive indicates that no single optimal governance framework is the answer for all banks. Instead, banks with regional, national or international operational base must base their operating structure on the type of investors they are able to attract, the quality of management available, and the individuals willing to serve as directors (Spong & Sullivan, 2007).

For example, according to Soludo (2004), recapitalisation of the Nigerian banking sector was compelled by a high concentration in the sector of small banks with capitalisation less than $10 million, and each with expensive headquarters, heavy fixed and operating expenses, and with few branches clustering in a few commercial cities – leading to a very high average cost for the industry (Soludo, 2004). The state of the Nigerian banking sector in pre-recapitalisation was so bad that only 10 of 89 banks own 51.9% of their total assets, 54.4% of the total deposit liabilities, and 42.8% of the total credit (CBN, 2004). The unsound banks displayed such weaknesses as undercapitalisation, illiquidity, weak/poor asset quality, and poor earnings (CBN, 2004; Soludo, 2004).

The main thrust of the Central Bank of Nigeria's (CBN, 2010) revised Regulation on the Scope of Banking and Ancillary Matters No. 3, 2010 requires commercial banks to divest from non-core banking businesses or adopt a holding company structure. The primary aim of the CBN's proposed new model is the protection of depositors by "ring fencing" business from non-banking activities.

2.1. Relationship Between Corporate Governance and Bank's Operating Activities

One of the regulatory controls of the Central Bank of Nigeria to ensure an efficient and operational banking system is to initiate policy regulation on bank's scope of activities and corporate governance requirements. According to Beck et al. (2005), since 1952 when the first banking legislation was enacted, all the banking reforms in Nigeria have specified scope of activities. Even though commercial banks have dominated the Nigeria financial markets landscape, their activities have been marked with lack of corporate discipline and high incidences of fraud and forgery, poor asset quality, and weak management (CBN, 2004: Edward, 2004; Dabo, 2015). The definition of operating activities scope is an essential component of reforms in the Nigerian financial sector, because of its effects on both banks and the Nigerian Stock Market. This on occasions has compelled banks to have a strong capital base that will be capable of absolving losses from non-performing liabilities – which will safeguard against becoming distressed (Adegbaju & Olokoyo, 2008).

The CBN in 2002, through the Universal Banking Guidelines, authorised banks to engage in non-core banking financial activities either directly as part of banking operations or indirectly through designated subsidiaries. In 2010 via the revised Scope of Banking Activities and Ancillary Matters No. 3 which repealed the universal banking guidelines instituted a new banking model which restricts banks to only banking business but permits them to retain non-core banking businesses by evolving into a non-operating holding company (HoldCo) structure. Under this model, a non-operating HoldCo is expected to hold equity investment in banks and non-core banking businesses in a subsidiary arrangement. This arrangement seeks to ring-fence depositors' funds from risks inherent in non-core banking businesses. As a result of this measure, some banks such as First Bank, Stanbic IBTC and UBA had evolved as

HoldCos, while banks such as Guaranty Trust Bank, Diamond Bank and Skye Bank had sold off their non- banking subsidiaries (Idowu, 2014).

In January 2011, the CBN introduced three classes of banking licences for Commercial Banking, Merchant Banking, Specialised and Development Banking. According to Sanusi Sanusi,the CBN Governor under the new licences, commercial banking include regional, national and international authorisation banking licences while specialised banking licences will be issued for Micro-finance banking, Mortgage banking, Non-interest banking which may be regional and national. Also to be issued are licences for operators to do Investment Banking and Development Banking. Minimum capital requirements were specified at 10 billion naira, 25 billion naira and 50 billion naira for commercial banks authorized to conduct business on regional, national and international basis respectively (CBN, 2010).

2.2. Corporate Governance Indicators

2.2.1. Board Independence

It is the responsibility of the Board to oversee the effective performance of management in order to protect and enhance shareholder value and to meet the company's obligations to its employees and other stakeholders. While the significance of board independence cannot be denied, there is no consensus definition of "independence" (Brennan & McDermott, 2004; Hooghiemstra & van Manen, 2004). While many firms classify their directors as "executive" and "non-executive", and disclose very little information regarding them to external stakeholders, other studies investigating the independence of directors established challenges in comparing one firm's definition of director independence to that of another firm. To avoid the challenges of independence, other studies used the word "outside directors" to describe directors presumed to be independent of management (Ajinkya et al., 2005) or simply consider potential differences between "non-executive" and "executive" directors. Earlier research usually recognises the independence of a director when he/she is independent of higher management of the firm (Anderson et al., 2004; Dulewicz & Herbert, 2004; Hooghiemstra & Van Manen, 2004).

2.2.2. Board Size

According to CBN corporate governance guidelines (2014), the size of the Board of any bank or discount house shall be limited to a minimum of five (6) and a maximum of twenty (20). Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters – in accordance with the extant CBN Guidelines on Fit and Proper Persons' Regime. The Board shall consist of executive and non-executive directors. The number of non-executive directors shall be more than that of executive directors. The Board shall disclose, in the corporate governance section of the annual report, the total number of Board meetings held in the financial year and the attendance by each director.

Earlier research established a negative correlation between board size and firm performance (Yermack, 1996; Eisenberg, Sundgren & Wells, 1998). This correlation is in line with the view that communication and agency challenges become more critical as a Board expands. Lipton and Lorsch (1992) claim that Directors do not usually criticize the policies of higher managers or present candid discussions about company performance. These challenges are more evident in larger boards – since any individual Director's cost of not exhibiting persistence in monitoring management, falls in direct proportion to the total number of board Directors. Similarly, Jensen (1993) asserts that Directors are not likely to perform effectively and can easily be controlled by the CEO – once there are more than seven or eight on a board. Coles, Daniels and Navrees (2008) found that there is a U-shaped relationship between firm size and corporate performance.

2.2.3. Audit Committee Independence

Audit committee independence is taken in many studies as being the key factor which is generally allied with audit committee effectiveness. Abbott et al. (2000) found that audit committee independence is inversely related to misstatements and established further that the size of the committee and the financial expertise of members provided a significantly negative association. The number of audit committee meetings and audit committee independence, are inversely associated with fraudulent financial reporting (Owens-Jackson, Robinson & Shelton, 2009). Empirical findings from different research has established audit committee independence as being a significant trait for financial reporting (Dimitropoulos & Asteriou, 2010; Siagian & Tresnaningsih, 2011).

2.2.4. Audit Committee Size
CBN code on Banks' corporate governance 2014 states that the Board Audit Committee (BAC) shall have unlimited access to the financial records of the bank, including external auditors' reports. It shall have sufficient size, independence and technical expertise to discharge its mandate effectively. Every public company is required under Section 359 (3) and (4) of the CAMA to establish an audit committee. It is the responsibility of the Board to ensure that the committee is constituted in the manner stipulated and can effectively discharge its statutory duties and responsibilities. Members of the committee should have basic financial literacy and should be able to read financial statements. At least one member should have knowledge of accounting or financial management. Whenever necessary, the committee may obtain external professional advice.

2.2.5. Ownership Structure
Many studies have been conducted on the link between ownership structure and firm performance and have found that ownership structure impacts on firm performance (Pedersen & Thomsen, 2000). However, Demsetz and Lehn (1985) did not find a direct interplay between insider ownership and performance. While Spong and Sallivan (2007) claimed that concentrated ownership may bring better performance, controlling shareholders' extraction of benefits at the expense of the minority shareholders, is negative. On the other hand, when ownership is too dispersed to apply value maximisation, company assets may be deployed to benefit managers at the expense of shareholders (Morck et al., 1988).

3. Agency Theory
Agency theory deals with the interplay of interest between shareholder and management, known as principal and agent respectively. The shareholders's objective is the maximisation of wealth for their firm, while managers have incentives to act in their own interest (Berle & Means, 1991). According to Syed et al. (2010), the shareholders need a pledge that the management operations will be conducted in a way that serves and safeguards their interests, while management have their own personal agenda. This interest conflict leads to agency cost for the firm. Shareholders can bridge this interest gap by providing inducements for management to pursue profit maximisation. An improvement to agency theory was stakeholder theory, which was propounded by Freeman (1994, 2004). While stakeholder theory claims a balanced power for every stakeholder with an input in the firm's achievement and has argued that the firm's goal is well-defined by the total value creation for stakeholders, it therefore needs to be administered in the interest of every stakeholder (Mintzberg, 1983; Freeman 1994), agency theory sees the firm as being shareholder property (Jensen & Meckling 1976). Stakeholder theory attempts to develop alternatives for corporate governance – which include a balance of a multitude of interests.

4. RESEARCH METHODS
This study empirically evaluated corporate governance practices in Nigerian banks with holding and non-holding company operational structure, with specific focus on the ones with international banking license. As obtained from the annual reports of these banks, there are three of them with holding company structure (First City Monument Bank, First Bank Nigeria, Stanbic IBTC and United Bank for Africa), while there are five with non-holding company structure (Access Bank, Diamond Bank, Fidelity Bank, Guaranty Trust Bank, Skye Bank and Zenith Bank Plc). In total, there are ten banks in these categories. Stanbic IBTC and Skye Bank were not selected as samples on the ground of incomplete data set, thereby leaving eight banks with complete data set. This represents eighty per cent (80%) of the population of study. It is pertinent to mention that this study focused on only listed banks. It was based on this that certain banks with international banking license, which could have fallen into either of these two afore-mentioned categories, were excluded.

The implementation of the guideline on Holdco operating structure by the selected banks commenced in 2012 and as such, the data collected should have been made to start from 2012. However, they spanned from 2007-2015. We justify this timeframe on the ground that the trend of the selected (computed) corporate governance variables were such that the differences between what they were pre-2012 and post-2012 were established to be statistically insignificant. Consequently, whether the collected data cover 2007-2015 or span 2012-2015 is an empirically inconsequential factor for the purpose of our review. What is however important is the classification that we have used the Holdco guideline to achieve. The 2007-2015 periods also provided the study with richer and more robust data set.

Experimental research design was employed to guide the process of data collection, analysis and interpretation. The use of this research design was informed by the researcher's attempt to explain a phenomenon whose behaviour is dependent on another phenomenon.
Corporate governance practices in banks with holding and non-holding company operational model were empirically evaluated using board independence, board size, audit committee independence, and audit committee size and ownership structure. These variables are as defined below:

Variables	Operational Definitions
Board Independence	Ratio of non-executive Directors to total numbers of Directors on the Board
Board Size	Total numbers of Directors on the Board
Audit Committee Independence	Ratio of non-executive Directors to total number of Directors on the Audit committee
Audit Committee Size	Total number of Directors on the audit committee
Ownership Structure	Proportion of the largest five shareholders to total outstanding shares

The averages of the above corporate governance variables were computed for the two categories of these banks (holdco and non-holdco banks with international banking licenses) and the mean differences test for significance was then carried out to test the five formulated hypotheses. These analyses were aided by Statistical Package for Social Sciences (SPSS, Version 19.0). The test was carried out at the 5% level of significance.

5. ANALYSIS OF DATA AND PRESENTATION OF RESULTS

5.1. DESCRIPTIVE STATISTICS

From table 1 in appendix below, the average board independence for banks with international banking license operating holding company structure between 2007 and 2015 was 0.66. This implies that there were more non-executive directors than executive directors on the boards of these banks. The average board size in these banks is approximately 16, meaning that these banks have an average of 16 directors. Considering that the revised Codes for Banks and Financial Institutions of 2014 specifies a minimum board size of six (6) and a maximum board size of 20, an average Board size of sixteen (16) indicates substantial compliance with the revised codes.
On the audit committees of these banks, there were more non-executive directors than executive directors, as shown by an average of 61 (See table I below). The table also revealed that these committees had an average of nine (9) members, while the ownership structure tends to be more towards dispersed than concentrated, as the average ownership structure coefficient was 0.27, implying that on the average the largest five shareholders own 27% of the total shareholdings of these banks. In addition, the nature of the distribution of the data is significantly normal across all the variables, as revealed by the Jarque-Bera probabilities that are greater than 0.05 – the adopted level of significance.
From table 2 in appendix below, the average board independence for banks with international banking license operating non-holding company model between 2007 and 2015 was 0.57, indicating that there were more non-executive than executive directors on the Boards of these banks.. The average Board size is approximately fourteen (14), implying an average of 14 Directors on their Boards. This shows compliance with the revised Codes for Banks and Financial Institutions of 2014, which specifies a minimum Board size of six (6) and a maximum Board size of twenty (20) Directors. On the audit committees of these banks, there were more non-executive Directors than executive Directors, as shown by an average of 0.78. This suggests independence. The table also revealed that the audit committees had an average of eight members, while the ownership structure tends more towards one of dispersal than concentrated, as the average ownership structure coefficient is 0.22.
In comparison, the banks with holding company operating structure tend to have boards that are more independent, a slightly bigger board size and audit committee size that the ones operating non-holding company structure. However, the latter banks have more independent audit committees and more dispersed ownership structure when juxtaposed with those of the former banks.

It is pertinent to mention that the nature of the distribution of the data is significantly normal across all the variables, as revealed by the Jarque-Bera probabilities which are greater than 0.05 – the adopted level of significance. These results support our use of a parametric test such as T-test.

6. TEST OF HYPOTHESES

6. 1 HYPOTHESIS ONE:

H_0*: There is no significant difference in Board Independence of Banks with Holding and those with Non-Holding Operating Structure*

As shown in Table 3 below, the average board independence banks with international banking license operating a holding company structure was 0.6629 – an index that is comparatively higher by 0.0906 than that of those that are not operating holding company structure– suggesting that the former have more independent Boards than the latter. This difference is statistically significant at 5% level. This is because the probability value of 0.036 is lower than the adopted level of significance of 5% *(See table 5 in appendix below)*, implying the rejection of the null hypothesis that there is no significant difference in Board Independence between Banks with Holding and Non-Holding Operating Structure. In other words, this means that banks with international banking license operating holding company structure have more independent boards of directors than those with similar license operating a non-holding company structure.

6.2 HYPOTHESIS TWO:

H_0: There is no significant difference in Board Size of Banks with Holding and those with Non-Holding Operating Structure

Results in Table 6 below provide that an average board size for all the banks operating a holding company structure was approximately fifteen (15) members, while those operating a non-holding company structure have an average of fourteen (14) members on their Boards. This suggests that the former banks have bigger Boards, though marginal, than the latter banks. The difference between the means of these categories of banks was 0.34816. This difference is however, not statistically significant at the 5% level of significance (see table 8 below). This is because the probability value of 0.689 is much higher than the adopted level of significance of 5%, suggesting that the null hypothesis that there is no significant difference in Size of Banks with Holding and those with Non-Holding Operating Structure stands accepted, while the alternative is rejected. This means that these banks have almost the same number of Directors on their Boards irrespective of the operating structure they have adopted.

6.3 HYPOTHESIS THREE:

H_0: There is no significant difference in Audit Committee Independence of Banks with Holding and those with Non-Holding Operating Structure

Results in Table 9 below provides that average audit committee independence of banks operating a holding company structure was 0.6099, while those on the other side of the divide have an average index of 0.7798, resulting in a difference in means of -0.1699 *(See table 11 below)*. This difference suggests that the latter banks have audit committees that are more independent than the former one. Considering the test shows a probability value of 0.001, a figure that is higher than the 5% level of significance *(See table 11 below)*, means that the difference is statistically significant. The implication is that the null hypothesis is rejected, while the alternative is accepted. The inference is that banks operating a non-holding company structure have more independent audit committees that the ones operating a holding company structure.

6.4. HYPOTHESIS FOUR:

H_0: There is no significant difference in Audit Committee Size of Banks with Holding and those with Non-Holding Operating Structure

Results presented in Table 12 below, among other things, provide that the number of members on the audit committees of banks with international banking license operating a holding company structure was nine (9), while those operating a non-holding company structure have eight (8) members, with a marginal difference of one (1) member *(see table 14 below)*. This difference is statistically significant with a probability value of 0.006 *(see table 14 below)*.This means that the null hypothesis stands rejected, while the alternative is accepted. The implication is that banks with international banking license operating a holding company structure have more members on their audit committees that those not operating a holding company structure..

6.5. HYPOTHESIS FIVE:

H_0: There is no significant difference in Ownership Structure of Banks with Holding and those with Non-Holding Operating Structure

As revealed by results in table 15 below, banks operating a holding company structure have ownership that averaged 0.2738, while those not operating similar model have an ownership structure computed index of 0.2281, resulting in a difference of 0.04564. At 5% level of significance, this difference is statistically significant, as table 17 below revealed a probability value of 0.023 – lower than the 5% level of significance – thereby implying that the difference in ownership structure index between the two categories of bank is significantly different from zero. This implies that the null hypothesis that there is no significant difference in Ownership Structure of Banks with Holding and those with Non-Holding Operating Structure stands rejected, while the alternative is accepted. This means that banks with holding company operating structure less dispersed ownership structure compared to those operating a non-holding company structure.

7. IMPLICATIONS OF FINDINGS

The study revealed that banks with international banking license operating a holding company structure and those with similar license but which are not operating a holding company structure are significantly different in board independence, audit committee independence, audit committee size and ownership structure, but similar in board size only. While the holdco banks have more independent board, larger audit committee size and less dispersed ownership structure, those in the latter category have more independent audit committees and more dispersed ownership structures. This implies, amongst other things, that corporate governance practices using these metrics are at variance in these banks, except for board size. These findings have implications for investors, the management of these banks, government and future research works.

Board structure and the committees of the board of any firm are arguably the most important elements in any corporate governance framework. By any stretch of argument, the success or otherwise of corporate governance structure depends on the extent to which they are effective. Studies have demonstrated that the board size, board independence, audit committee size and audit committee independence take pre-eminence as indicators of boards' and audit committees' effectiveness. Therefore, the primacy of their place is underscored by the wide-ranging responsibilities entrusted on its members by different Codes of Corporate Governance, especially the roles external directors or members have to play.

For instance, the Nigerian Codes of Corporate Governance for Public Companies 2011 specifies that the principal objective of the Board and its committees is to ensure that the company is properly managed, oversee the effective performance of the management in order to protect and enhance shareholder value and to meet the company's obligations to its employees and other stakeholders. In this regard, investors would be concerned about board independence and board size as these determine the overall success of corporate governance structure. As this study revealed that banks with international banking licenses, operating holding company structures have more independent boards and bigger audit committee size, more concentrated ownership structures, in contrast to those with non-holding operating structure, investors who would want to be guided by these corporate-governance-related attributes of banks would rank highly these banks or group of banks when making investment decisions.

The findings of this study and its implication become more pertinent when it is situated with studies that have established that board independence, bigger audit committee size and more concentrated ownership structure have significantly positive impact on share prices of banks. However, for those investor who place high premium on banks with more independent audit committees and more dispersed ownership structure, especially in the light of the empirical findings that these corporate governance variables have significantly positive influence on share price performance, they may be inclined to consider those banks with international banking license operating a non-holding company structure in Nigeria.

For government, through regulatory agencies such as Securities and Exchange Commission (SEC), Central Bank of Nigeria and Financial Reporting Council of Nigeria, these findings are practically significant in terms of policy formulation in the areas of corporate governance. These agencies have formulated different codes for banks especially the listed ones and it is not clear if the nature of commercial banking license these banks have obtained and the operating structure they have adopted are considered as factors when developing and formulating Corporate Governance Codes. The fact that this study has established that divergences exist in corporate governance metrics in the banks with international banking license operating a holding company structure and those not operating a holding company structure should compel their considerations as factors when formulating revised Codes.

For the management and shareholders of these banks, the findings also have far-reaching implications, one of which is that they should be mindful that the operating structure their banks have adopted have bi-directional implications for corporate governance practices. Finally, driven by the differences in corporate governance practices established above, frontier of knowledge in this research area will be expanded if separate studies that will show the effect of corporate governance variables in these two categories of bank are conducted.

8. CONCLUSION

This study empirically evaluated corporate governance practices in Nigerian Banks with international banking license operating a holding company structure, on the one hand, and those operating a non-holding structure on the other hand. Findings from the study revealed that banks with international banking license operating a holding company structure and those with similar license but which are not operating a holding company structure are significantly different in board independence, audit committee independence, audit committee size and ownership structure, but similar in board size only. While the holdco banks have more independent board, larger audit committee size and less dispersed ownership structure, those in the latter category have more independent audit committees and more dispersed ownership structures. This implies, amongst other things, that corporate governance practices using these metrics are at variance in these banks, except for board size. On the bases of these findings, it can be concluded that there are divergences in corporate governance practices in banks operating a holding company structure and those operating a non-holding structure.

9. RECOMMENDATIONS

Based on the findings of these study and the implications therefrom, the following recommendations are offered:

- Regulatory bodies should improve their oversight functions and monitoring strategies to eradicate governance abuses, and any compromise should be exposed and promptly penalised materially. The divergences in corporate governance practices that were revealed by this study make this recommendation more compelling.
- The regulatory bodies should rise to the challenge of closely monitoring the activities of the existing banks to avoid further failure and improve public confidence in the banking system. It is worth stating also that when they considering revising the Codes, the nature of banking license and operating structure should be regarded as an active variables.
- The disclosure requirements for corporate governance structure should incorporate the number of professional Directors with their related experiences and number of relevant meetings held, as this would enhance quality control. This would also ensure that expertise and experience are constantly considered in appointments as compared to favouritism and nepotism.
- In order to foster good corporate governance, banks are encouraged to make robust disclosures beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990 as amended, and other applicable laws.
- Investors, when contemplating investing in Nigerian banks, are advised to consider their banking license and the nature of operating structure they have adopted.

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APPENDICES

Table 1: Group Descriptive Statistics on Corporate Governance Variables for Banks with Holding Company Operational Structure (International Banking License)

	BI	BS	ACI	ACS	OS
Mean	0.6629	14.5926	0.6099	8.8889	0.2738
Median	0.6154	15.0000	0.5000	8.0000	0.2992
Maximum	0.9000	20.0000	1.0000	12.0000	0.6464
Minimum	0.5000	7.0000	0.5000	6.0000	0.0038
Std. Dev.	0.1366	3.7546	0.1678	2.7363	0.1879
Skewness	0.6981	- 0.1460	1.3951	0.0726	0.2976
Kurtosis	2.0387	1.9914	3.6993	1.2180	2.0469
Jarque-Bera	3.2325	1.2405	9.3090	3.5963	1.4203
Probability	0.1986	0.5378	0.0095	0.1656	0.4916
Observations	27	27	27	27	27

(Source: Author's computations' aided by E-views, Version 7)

Table 2: Group Descriptive Statistics on Corporate Governance Variables for Banks with Non-Holding Company Operational Structure (International Banking License)

	BI	BS	ACI	ACS	OS
Mean	0.5735	14.2444	0.7798	8.1556	0.2281
Median	0.5714	14.0000	0.7273	7.0000	0.3022
Maximum	0.6923	20.0000	1.0000	14.0000	0.4111
Minimum	0.4000	10.0000	0.2727	6.0000	0.0037
Std. Dev.	0.0596	1.8605	0.2398	2.5041	0.1360
Skewness	- 0.0107	0.5162	- 0.5356	0.9632	- 0.4987
Kurtosis	3.5549	4.0867	2.0436	2.8063	1.7551
Jarque-Bera	0.5783	4.2127	3.8669	7.0288	4.7713
Probability	0.7489	0.1217	0.1446	0.0298	0.0920
Observations	45	45	45	45	45

(Source: Author's computations' aided by E-views, Version 7)

HYPOTHESIS ONE

Table 3: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BIHOLDCO	.6629	9	.08643	.02881
	BINONHOLCO	.5735	9	.02639	.00880

(Source: Author's computation aided by SPSS Version, 2016)

Table 4: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	BIHOLCO & BINONHOLCO	9	-.682	.043

(Source: Author's computation aided by SPSS Version, 2016)

Table 5: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	BIHOLCO & BINONHOLCO	.08934	.10620	.03540	.00771	.17098	2.524	8	.036

(Source: Author's computation aided by SPSS Version 9, 2016)
BIHOLDCO: Board Independence for Holding Company Banks
BINONHOLCO: Board Independence for Non-Holding Company Banks

HYPOTHESIS TWO

Table 6: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BSHOLCO	14.5926	9	2.03291	.67764
	BSNONHOLDCO	14.2444	9	1.06667	.35556

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 7: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	BSHOLDCO & BSNONHOLDCO	9	-.240	.533

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 8: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	BSHOLDCO & BSNONHOLDCO	.34816	2.51259	.83753	-1.58319	2.27950	.416	8	.689

(Source: Author's computation aided by SPSS Version 19, 2016)

BSHOLDCO: Board Size for Holding Company Banks
BSNONHOLCO: Board Size for Non-Holding Company Banks

HYPOTHESIS THREE

Table 9: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	*ACIHOLDCO*	.6099	9	.05854	.01951
	ACINONHOLCO	.7798	9	.06286	.02095

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 10: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	*ACIHOLDCO* & *ACINONHOLCO*	9	-.404	.281

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 11: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	*ACIHOLDCO - ACINONHOLCO*	-.16989	.10173	.03391	-.24809	-.09169	-5.010	8	.001

(Source: Author's computation aided by SPSS Version 19, 2016)

ACIHOLDCO: Audit Committee Independence for Holding Company Banks
ACINONHOLCO: Audit Committee Independence for Non-Holding Company Banks

HYPOTHESIS FOUR

Table 12: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	*ACSHOLDCO*	8.8889	9	1.05408	.35136
	ACSNONHOLDCO	8.1556	9	1.39204	.46401

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 13: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	*ACSHOLDCO & ACSNONHOLDCO*	9	.916	.001

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 14: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	*ACSHOLDCO - ACSNONHOLDCO*	.73333	.60001	.20000	.27213	1.19454	3.667	8	.006

(Source: Author's computation aided by SPSS Version 19, 2016)

Note:

ACSHOLDCO: Audit Committee Size for Holding Company Banks

ACSNONHOLCO: Audit Committee Size for Non-Holding Company Banks

HYPOTHESIS FIVE

Table 15: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	*OSHOLDCO*	.2738	9	.05579	.01860
	OSNONHOLDCO	.2281	9	.04066	.01355

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 16: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	*OSHOLDCO & OSNONHOLDCO*	9	.530	.142

(Source: Author's computation aided by SPSS Version 19, 2016)

Table 17: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	*OSHOLDCO - OSNONHOLDCO*	.04564	.04858	.01619	.00830	.08299	2.819	8	.023

(Source: Author's computation aided by SPSS Version 19, 2016)
Note:
OSHOLDCO: Audit Committee Size for Holding Company Banks
OSNONHOLCO: Audit Committee Size for Non-Holding Company Banks