IMPLICATIONS OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA (2005 – 2010)

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ABSTRACT
The issue of corporate governance has crept into the business world and the banking industry is not an exception. This necessitates the study to ascertain the implications of corporate governance on the performance of Deposit Money Banks in Nigeria in order to look inwardly the extent application of corporate governance code has enhanced the efficiency and effectiveness of the Nigerian banking industry. Also, the lingering problem of bank failure in Nigeria generated another concern with the existence of bunch of rules and regulations governing the operations of banking business. Descriptive research design was adopted reviewing corporate governance principles and theory to ascertain the problem at hand and to achieve the stated objectives. The study found among other things that non compliance to corporate governance code in the Nigerian banking industry hampers banks performance. The position of the paper is that good corporate governance culture is non negotiable since it has impact on the performance of existing banks in Nigeria. It is recommended that the Deposit Money Banks should enforce full disclosure practices and transparency practices of corporate governance thereby enhancing trust in order to survive in the competitive financial environment in Nigeria.

Background of the Study
The ongoing financial crisis that started in late 2007 and recent corporate scandal that lead to demise of corporate giants across the globe has brought out the importance of effective corporate governance world over. Lapses in the senior management team of corporation and the careless attitude of board of directors in Nigeria notably in the areas of ensuring adequate review of the system for compliance with the rules and regulations, coupled with inadequate system to review and approved material changes in accounting principles, continue to put corporate governance in the fore front as panacea for turn around.

Corporate Governance implies rules and regulations that ensure that a company is governed in a transparent and accountable manner such that the enterprise survives and meets the expectation of its shareholders, creditors and stakeholders of which society forms a large part of the banking industry. The overall effect of corporate governance could be the strengthening of investors’ confidence in the economy of a particular country, sub-region, or region. The Enron and the Worldcom saga in the United States (Brick, Palmon and Wald, 2006) the Vivendi and the recent Parmalat scandals in Europe (Brown, Stuman and Simmering, 2003) are the most recent of such disturbing failures of credible business practice. Nigeria has also had its share of illegal business practices that have resulted in failed corporate giants.
For instance, in the late 1980 and early 1990s the country witnessed a near collapse of the financial sector through the phenomenon of failed banks and other financial institutions. In consequence, the Failed Banks (Recovery of Debt) and Financial Malpractice in Banks Act 2003 was promulgated to facilitate the prosecution of those who contributed to the failure of banks and to recover the debt owed to the failed banks. El-Rufai (2003), opines that Nigerian Public Enterprises enjoyed N265 billion in transfers, subsidies and waivers, which could have been better invested in our education, health and other social sectors. While they were created to alleviate the shortcomings of the private sector and spearhead the development of Nigeria, many of them have stifled entrepreneurial development and fostered economic stagnation.

Privately owned companies did not fare any better than state-owned enterprises regarding their corporate governance practices (El-Rufai 2003). A few examples will suffice, the first example is Savannah Bank of Nigeria. The Central Bank of Nigeria withdrew the banking license of Savannah Bank of Nigeria on the 15, February 2002 because of a number of reasons as the ineffectiveness of the board as well as the ineptitude and instability of the management; the false and unreliable returns to the regulatory authorities; the insolvent and deteriorating financial position of the bank; prospective and the banking system and the inability of the bank to respond to various regulatory initiatives (CBN, 2002).

Onwuka Interbiz is the second example. This company was a wholly owned Nigerian company, which was listed on the second-tier securities market of the Nigerian Stock Exchange (NSE) on 9th September 1991. Six years later, it was de-listed and folded up.

Thus, within Nigeria’s domestic corporate setting, the effect of the Chief Executive Officer duality functions engendered a renewed emphasis on effective corporate governance standards. The recent launch of Code of Best Practices on Corporate Governance in Nigeria (Corporate Governance Code, 2003) lays credence to this emphasis.

**Statement of the Problem**

The experiences of advanced countries have demonstrated a positive marriage of convenience between well coordinated wealth management and economic development. Lack of framework to manage wealth continues to plague and plunge less developed counties, like Nigeria into the vicious circle of poverty. Nigeria has a lot of resources being the seventh largest oil producer in the world but lack the ability to manage wealth by effectively developing and encouraging indigenous and foreign investment. This inability has a direct relationship with the need for efficient corporate governance in Nigeria for sustainable development. The lack of effective corporate governance in Nigeria has worked to the decrement of shareholders and created a class of stakeholder who has lost interest in the system. The corporate governance culture in Nigeria have persistently failed to be responsible to the stakeholders and has no deep rooted mechanisms to a balance among the major players (board of directors, shareholders and management) in the system or economy.

The spectacular failure and decline of companies like Enron, Worldcom, Lehman Brothers, Northern Rock (UK) Parmalat (Italy), Fannie Mae and Freddie Mac (US) make them ready to be cited as problem. The recent corporate collapses of these large organizations have raised questions about the efficacy of corporate governance.

However, corporate governance improves management oversight and increases disclosure and quality of reported financial information (Hermalin 2005) and reduces the information asymmetry between managers and capital providers (Core, Holthausen, and Larcker 1999). For instance, at board level, there was lack of Corporate Governance and serious conflict of interests, where the Chief Finance Officer was guilty of participating in the running of Special
Purpose Entities (SPESS) which was created to siphon funds from the company. Also in Worldcom, there was lack of Corporate Governance. The company lent the CEO money to offset the loan that he took to buy his own shares. While Parmalat operated a financial speculative scheme to lure investors money and siphon it off through a network of 260 international offshore entities where money disappeared. In all these cases cited above, poor corporate governance remains the central problem.

In Nigeria, we observed in the 1980s and 1990s that Savannah Bank and Societe Generale Bank of Nigeria died prematurely where the CBN listed the reasons as the ineffectiveness of the board as well as the ineptitude and instability of the management; the false and unreliable returns to the regulatory authorities; the insolvent and deteriorating financial position of the banks and the urgent need to protect the interest of depositors, both existing and prospective and the banking system and the inability of the bank to respond to various regulatory initiatives (CBN, 2002).

The revocation of Peak Merchant Bank license by the Central Bank of Nigeria because of over bearing influence of the Chairman who was also the majority shareholder of the bank; persistent liquidity problem; poor asset quality; significant insider abuses; poor track of profitability; unseriousness, inability and unwillingness of shareholders to recapitalize; reckless granting of credits; complete absence of focus and lack of corporate governance, are quite indication that the state of corporate governance in the Nigeria Banking industry is at low ebb. (CBN, 2004)

The shakeup which affected the banking industry, and the replacement of the CEOs of five banks (Oceanic Bank, Intercontinental Bank, Union Bank, Afribank, Finbank, and ETB) exposed the failure of the Regulatory authorities and lack of good corporate governance in detecting deep rooted mismanagement and the existence of large cases of insider lending to directors and their relations, unsecured margin loans and other toxic debts which were already threatening the financial well being of the banks are indication that all is not well with our banking industry (Sanusi, 2009). A massive injection of N720 billion new funds by the Central Bank, which should have been invested in other economic activities send a signal that there is much to be done in the area of corporate governance in the Nigeria banking industry.

Objectives of the Study
The main objective of the study is to ascertain the implications of corporate governance on the performance of deposit money banks (DMBs) in Nigeria. Other specific objectives of the study include:

i. To determine the effectiveness of corporate governance in Nigeria deposit money banks.

ii. To ascertain the level of compliance to corporate governance by Nigeria deposit money banks with a view to assessing their performance.

Significance of the Study
The relevance of any study stems from its importance to respective users or beneficiaries of such research works. Hence, this study will be of immense significance to the following categories of people:

Policy makers in the banking industry will benefit immensely from the study as it will redirects and refocuses their attention to the significance of corporate governance in the financial service industry.
Government at all levels (federal, state and local government) will find this work very interesting as it reveals the extent of corporate governance code in Nigeria in relation to banking business. Corporate governance code was designed to ensure that banks operating within the shores of Nigeria have at the back of their mind, the interest of fund providers as well as militating against the agency problem.

Shareholders and all other stakeholders in the industry will be willing to commit their hard earnings into a conducive environment where it is safe and promises a desirable return. Hence, this study will reposition the confidence of all the parties in the banking industry against their investment. By extension, the potential investors will in no small way benefit as well. Finally, scholars, researchers and students will find the work useful as it adds to existing literature.

REVIEW OF RELATED LITERATURE

The review covers the implications of the corporate governance on the performance of money deposit banks in Nigeria. Issues discussed include conceptual definitions, empirical studies on Corporate Governance (CG) and bank performance and theoretical framework.

Conceptual Definitions

Corporate governance is not a concept that could be subjected to a watertight definition. The 1992 Cadbury Report defines it as “systems by which companies are directed and controlled,” (Committee on the Financial Aspects of Corporate Governance, 2002). Without disputing the validity of this definition, the concept extends beyond systems for directing and controlling a company and is also “concerned with holding the balance between economic and social goals and between individual and communal goals. The aim is to align as nearly as possible the interests of individuals, corporations and society” (Abdullahi, 2004).

Several definitions and perceptions of Corporate Governance proliferate academic literature. This is largely due to divergent economic, social and ethical world views about the concept of CG. Thus, scholars and governance pundits define the concept according to their economic, political, legal and cultural perceptions. Broadly, there are two views of CG. A narrow view commonly referred to as Anglo-Saxon sees corporate governance as dealing with the relationship between corporate managers and shareholders. A broad view, Franco-German paradigm takes a holistic approach to the concept. It considers the interest of stakeholders, i.e., shareholders, creditors, managers, directors, customers, society, government and legal regulatory or agencies.

Proponents of the narrow view posit that providers of finance (shareholders) bear unique relation to the firm. The whole of their investment is sunk and potentially placed at risk, (Dorgan and Smyth, 2002; Jensen and Meckling, 1976) while the productive assets financed by them normally remain the property of the corporation, (Schleifer and Vishny, 1997). It is therefore argued that in view of the risk faced by shareholders in the world of an incomplete contract and rent seeking by agents ex-post, fiduciary duties should be owed to shareholders to compensate for their risk. Consequently, Schleifer and Vishny, (1997:737) defined corporate governance “as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.”

The major limitation of the definition is that it reduces corporate governance to a single problem, namely; how the owners of capital are able to protect their investment. It does not address the interest of other stakeholders. Dechow and Dichev, (2002) argue in the same vein by defining corporate governance as a complex set of socially defined constraints that affect the
willingness to make corporate investments in exchange for promises. Grossman and Adams, (1993:235) define Corporate Governance as the

“Set of mechanisms both institutional and market based that induce the self interested controllers of a company (those that make decisions regarding how the company will be operated) to make decision that maximizes the value of the company to its owners (the suppliers of capital).”

This definition also centers on the maximization of firm value for suppliers of capital in isolation of the interest of other stakeholders. Gundfest (1993) defined CG from the perspective of the investor as both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently. These definitions also suggest a narrow view going by their emphasis on the payment of fair return on capital invested. It is silent on whose interest should the firm be managed. Yermack (1996) also subscribed to the Anglo-saxon view. He defines CG as the ways of bringing the interests of investors and managers into line ensuring that firms are run for the benefit of investors.

Hillegeiest and Penalva, (2004) propose a broader definition of the firm as a nexus of specific investments and a combination of mutually specialized assets and people as against the nexus of contract approach by Gundfest (1993).and property rights view expressed by Grossman and Adams (1993). The idea is to include other stakeholders in the quasi rents generated by firms. Hillegeiest and Penalva (2004) define corporate governance as the complex set of constraints that shape the ex-post bargaining over the quasi-rents generated by a firm. Although this definition recognizes the claim of other stakeholders over the quasi-rent. It is more or less legalistic as it also fails to address institutional issues in governance.

Daily, Johnson, and Dalton, (1999) adopt a broad perspective to the concept. They describe CG as representing the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among myriad participants in organizations. Mannasoon, (2007) defines corporate governance from a stakeholder perspective as the study of the distribution of rights and responsibilities among different participants in the corporation such as managers, shareholders, the board of directors and other stakeholders e.g. Employees, suppliers and customers.” While the definition adopts a broad view of CG by incorporating other stakeholders in the distribution of Quasi rents. It ignores critical issues of management and social responsibility.

Sanda, Mikalu and Garba (2005) adopt stakeholder’s perspective to CG. According to them ‘‘CG is concerned with ways in which all parties interested in the well-being of the firm (the stakeholders) attempt to ensure that managers and other insiders take measures or adopt mechanisms that safeguard the interest of the stakeholders’’. This definition restricts CG to protecting the interest of outsiders based on the assumption of self interest by insiders under the agency theory. It does not address institutional issues. Organization Executive Chief Directors (1999) gives a broad view of the concept of CG as a set of relationship encapsulating various stakeholders that spells out the rules and procedures for making decision on corporate affairs. It also provides the structure through which the company’s objectives and monitoring performance are defined. The major limitation of this definition is that it considers CG within the framework of businesses enterprises only. The comprising seven characteristics; discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.
Adams and Mehran, (2005) canvases for an institutional and moral approach to CG to tackle quantitative and qualitative issue of efficiency in the complex decision process involving insiders and outsiders. They assert that CG has a major indirect effect on the socioeconomic growth and development nexus of a country due to the impact finance and investment decisions have in the development process and thus the quality of life of the people. Consequently, CG has to go beyond the functional framework of focusing on a rule-based environment or the quantitative aspects. This is germane because it is in the presence of his rules-based society that the recent corporate scandals of Enron and Lehman brothers have accrued. In other words, the rules-based system has not effectively blocked the self-interest tendencies inherent in human behaviour. The greatest challenge is to develop culture of qualitative governance anchored on moral and cultural values, history to ensure trust, honesty and integrity in running institutions. Consistent with this view we define CG as a system of governance which ensures that organizations are managed in an effective and transparent manner within the confines of the code, ethical standard and moral values.

**Empirical Studies on Corporate Governance (CG) and Bank Performance**

A number of studies have been carried out to examine the relationship between Corporate Governance and firm performance. Generally, the studies can be grouped into two: first, cross section studies that relate the corporate governance variable with some performance indicators across firms in various industries e.g. Baghat and Black (2001), Gompers, Ishii and Metrick (2003), Brown and Caylor (2004), Sanda, Mikalu and Garba (2005), second: country studies which analyzed specific governance indicators (variables) against selected performance measures in a given industry such as banking Adams and Mehran (2005), Millstein(1992). Most of these studies use board characteristics such as composition.

Bhagat and Black (2001) carried out a study on “non-correction between board independence and long-term firm performance” using cross sectional approach to conduct large-sample, long-horizon study of 957 large American public corporations to establish whether the degree of board independence (proxy by the fraction of independent directors minus the fraction of inside directors on a company’s board) correlates with various measures of the long-term performance of large American firms (Tobin’s return on assets, Ratio of sales to assets and market adjusted stock price return). They found evidence that low profitability of firms increased the independence of their boards of directors confirming the view that directors are more effective during periods of low performance.

Another study carried out by Gompers, Ishii and Metrick, (2003) titled “Corporate Governance and Equity Price.” The authors employed time series data expanding through the 1990’s for about 1500 firms per year. They reported a striking relationship between CG and stock returns. Their evidence shows that firms with strongest shareholder right out perform their counterpart with poor shareholder right by 8.5% in terms of share valuation.

La Portra; Lopez-de-Silanes; Shleifer and Vishny (1998) carried out research on “Corporate Ownership Around the World”. They examined the effect of corporate value of shareholder protection in the context of controlling shareholders”. They studied a sample of 539 large firms in 27 economies using Tobin’s as a dependent variable. Their results suggest that poor shareholders protection is associated with lower valuations and that high cash flow ownership by the controlling shareholder improves valuation especially where shareholder protection is poor. Though the finding of this study underscores the importance of good
governance, it is cross sectional and cannot be used to generalize on specific industries such as banking.

Sanda, Mikalu and Garba (2005) conducted a study on “Corporate Governance’s Mechanism and Firm Financial Performance in Nigeria.” The study investigated the impact of three CG proxies that is board compositions, the size and power separation between chairman and CEO on three banks performance measures such as returns on equity, sales growth and Tobin’s Q. The study utilizes Ordinary Least Square Regression model on a sample size of 11 out 28 banks listed on the NSE as at 31st Dec, 2003. The study finds that CG variable have significant impact on ROE and Tobin’s Q. However, no significant was documented in relations to sales growth. The study recommends a maximum board size of ten (10), consistent with the view that large boards are less effective, (Yermark 1996; Lipton and Lorsch 1992; Jensen 1993 and Sanda, Mikalu and Garba 2005). The study assumes a straight linear relationship between the CG variable and selected performance measures. They observed that the linearity assumption, through simplistic, could lead to misleading conclusions as shown by some scholars, (Johnson, Daily and Elstrand (1996), Daily, Johnson and Dalton (1999). Their findings are contrary to that of Jensen (1993), who theorized that keeping boards small can help improve their performance. When boards get beyond seven or eight people, they are less likely to function effectively and are easier for the CEO to control. According to them, board sizes do not undermine performance in banking firms. In contrast, they documented evidence in favour of a positive relationship between board size and performance as measured by Tobin’s Q and ROA. They conclude that size performance relationship goes from board’s size to performance and that calls for the reduction in the number of directors in banks could have adverse effect on performance. Their findings also contradicted Sanda et al, (2005), whose document evidenced that board size negatively affects performance. Different methods employed by the two scholars may be responsible for the divergent results.

Main, Bruce and Buck, (1996) carried out a study on “Total Board Remuneration and Company Performances.” They used secondary data based on financial statement of all the eighteen Ghanaian banks over eleven years period (1990 to 2001) to determine the relationship between board variables (boards size, board composition. CEO duality and CEO tenure) and two performance variables (ROA and change in interest income). They found a significant relationship between dependent and independent variables.

In this paper, our analysis was based on corporate governance components or structures, which include: board size, board composition, audit committee, ownership structure and management.

**Theoretical Framework**

Smith (1776) appears to be the first economist to address the theoretical issue of the role of board of directors in the governance of a firm. He observed that because managers controlled people’s money rather than theirs, it cannot be expected that they should watch over it with anxious vigilance as negligence will prevail.

Negligence is the consequence of the separation of stakeholding from management (ownership from control) which is inherent in a modern corporation (Hermalin & Weisbach, 2003 and Sanda, Mikailu, & Garba, 2005).

The separation of ownership from management in a typical Nigerian bank necessitates a Principal-Agent relationship. Here, the board of directors, professional managers, employees and corporate insiders are the agents on the one hand and the equity holders, creditors’, clients and regulators are the principal on the other hand.
The agency theory states that in the presence of information asymmetry, the agent is likely to pursue interests that may be detrimental to the Principal (Sanda, Mikailu, and Garba, 2005).

The reason for this is because the pay-off structure of the claims of different classes of stakeholders (including board of directors) is fundamentally different. The process of aligning these interests and claims gives rise to potential conflicts among the stakeholders. Left alone, each class of stakeholder will pursue its own interest which may be at the expense of other stakeholders and hence the need for a moderating instrument-corporate governance in a modern firm.

Agency interactions in a firm can be classified on the basis of conflicts among particular parties to a firm. For example conflict between stockholders (principal) and management (agent) is referred to as managerial agency or Managerialism. Conflicts between the agents of the public sector (e.g., CBN) and the rest of the society is termed political agency, whereas, conflicts between the private sector and the public sector is known as social agency.

In recent times, the agency theory has been augmented to analyze the multiplicity of the agency relationships that exist among all stakeholders of a firm and it has come to be known as the stakeholder theory (Sanda, Mikailu, & Garba, 2005). Jensen (2001) recognizes the implicit weakness of the stakeholder theory which requires that managers optimize multiple objective functions. This condition violates the proposition that a single-value objective is a prerequisite for rational behavior by any firm. In search of a solution, Jensen (2001) proposes the s enlightened stakeholder theory, which specifies only one objective that managers should pursue: the maximization of the long-run value of the firm.

Hence, this study was based on agency – principal theory to ascertain implications of corporate governance on the performance of bank in Nigeria.

**DISCUSSION**

The Nigerian banking industry has been playing a major role in the Nigerian financial system. For it to carry out its primary objective, it needs some set of rules and regulation which does not only guarantee its efficient and effective operation but also reposes the customer’s confidence in higher deposit. This study was carried out within the ambit of descriptive research approach with the view that desired result would be achieved to determine the extent Nigerian banks adhere to corporate governance culture in carrying out their banking operations.

The corporate governance code covered the following areas: board structure, board size, board composition, audit committee and ownership structure. These proxies were used as the guiding principles and strategies by which the stated objectives will be achieved.

**Discussion on Strategies used in achieving the Objectives**

The paper adopted descriptive research design. Descriptive research is concerned with the collection of data for the purpose of describing and interpreting existing conditions, prevailing practices, beliefs, attitudes and an ongoing process while put in mind the nature of the study, the problem at hand and the desired objectives. It is therefore a research method which specifies the nature of a phenomenon. Descriptive research described what is really on the field. It involves the collection of first-hand information and data from primary sources by the researcher.
Determination of the effectiveness of corporate governance in Nigeria Deposit Money Bank (NDMB).

The Nigerian banking industry is widely recognized as an indisputable link in the process of economic development due to its role in financial intermediation process by mobilizing funds from surplus units and channeling same to the deficit units of the economy for productive activities. However, we observed that poor corporate governance was identified as one of the major factors responsible for the entire distress situation experienced in the Nigerian banking industry and the committant loss of about 75 banks. Also, there were corporate failures around the world as typified by the fall of Enron, WorldCom and others create the awareness of the corporate world to the importance of corporate governance.

The NDMB failed to observe effectively the underlying principle that guide the application of corporate governance in the industry. Banks still find it difficult to practice or embark on real banking business. The resultant effect was the poor performance of NDMBs as compared to their counterpart in developed economy.

Determination of the extent of corporate mechanism in Nigeria deposit money bank.

One consequence of the separation of ownership from management is that day-to-day decision making power rests majorly with persons other than the shareholders themselves. The separation of ownership and control has given rise to an agency problem whereby there is the tendency for management to operate the firm in their own interest, rather than those of shareholders. The above corporate governance mechanism failed because of the following reasons:

Some of the factors that this study found necessary for the mechanism of corporate governance procedures include: diffusion of shareholders, recognition of debt holders, competition in product market and takeover.

Ascertainment of the state of corporate governance in Nigeria deposit money bank.

This study found that owing to the unique nature of banking industry, there are adequate corporate governance rules and regulations in place to promote good corporate governance in Nigeria. They include: Central Bank of Nigeria (CBN) Act of 2004 and Securities and Exchange Commission (SEC). these are the two bodies regulating corporate governance in Nigeria.

Despite all these agencies, NDMBs are yet to comply with corporate governance codes. This resulted in the quantum of failed banks in the industry.

Critique of the Theoretical Framework

Agency theory tends to explicate alternative ways of controlling the behaviour of individuals whom have been delegated work by someone. The person delegating the work is called the principal, while the individual to whom task is assigned is referred to as the agent. The theory classically applies to study the relationship between owners of an organization and the managers who run those organizations. In practice, it has been used as a mechanism employed by owners to align CEO interest to those of the organization.

The issue here is that principals are risk averse because portfolios are not tied to one firm. However, agents, who cannot diversify their employment portfolios are considered to be risk neutral. Being risk averse, agents will make decisions that minimize risk in order to assure continued employment.
Critique of the Literature Review

Corporate governance code was designed to salvage the interest of shareholders who are the providers of fund. As identified in the literature guiding this work, the elaborate existence of corporate governance code does not seem to help matter about the cases of insider abuse, financial misconduct and incidence of failed banks both domestic and global level.

No studies have been conducted in Nigeria to ascertain the implications of corporate governance on the performance of Deposit Money Banks and this is the gap this study tends to bridge.

Issues Arising from the Study

A good corporate governance system goes beyond rhetoric or having the best code or structure. It is about making sure that the right questions are asked and the right checks and balance are in place to minimize self satisfying behaviour.

The study attempted to ascertain the implications of corporate governance in the Nigeria deposit money bank. Based on our findings the study conclude that owing to the fact that banks play a vital role in an economy, the development of a sound, reliable, market-oriented banking system is fundamental to good corporate governance culture.

Also the study shows that Nigeria banking industry is widely recognized as an indispensable link in the process of economic development due to its role in financial intermediation.

Conclusion

In the last decade, investor confidence in corporations was shaken particularly the outbreak of corporate scandals. Throughout the 1990s, many banks overstated their company’s ability to take advantage of the ‘Internet Revolution’, creating an over-investment problem at the expense of the interest of investors. As corporate scandals such as Enron became public, investors found that managers manipulated financial statements in order to cheat investors while enriching themselves through various avenues. This paper analyzed Deposit Money Banks performance amidst the corporate governance structure in Nigeria. It does this by determination of effective corporate governance in Deposit Money Bank, the extent of corporate governance mechanism and ascertainment of its application in Nigeria. The paper took a giant stride to examine critiques in the theoretical and literature issues.

Recommendations

It is obvious that trust has a significant impact on financial performance; given that transparency and disclosure boosts the trustworthiness of Deposit Money Banks.

Deposit Money Banks should enforce full disclosure practices and transparency practices of corporate governance thereby enhancing trust in order to survive in the competitive financial landscape.

Also, the existing banking ethics, rules and regulations need to be strengthened in order to develop sound, reliable and dependable banking systems as well as carrying out real banking business in Nigeria.
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