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Corporate governance; what impact does corporate governance mechanisms have on firm's performance? Case study of Microfinance Banks

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Abstract

Corporate governance is recognized as an important element of corporate organizations. This is because good corporate governance practices enhance firms' value and shareholder's confidence. As a component of corporate governance, the board of directors plays a crucial role in the actualization of organizational goals and objectives. Over the years, corporate governance practices, especially in the Nigerian Microfinance banking sector, have come under a sharp focus as candidate for investigation, both by regulators and researchers. This is because, despite the Central Bank of Nigeria (CBN) control measures in the Nigerian Microfinance banking sector, the industry still shows symptoms of financial instability. In view of the aforementioned challenge, the study was motivated to examine the effect of corporate governance on corporate financial performance using the stakeholder's theory in the context of selected Microfinance banks in Nigeria. The study's objectives were to examine the influence of corporate governance mechanisms such as board independence, board size, board effectiveness and board gender diversity on financial performance measures, like Return on Equity (ROE) and Return on Assets (ROA). The study adopted the quantitative research method. Data were also obtained from annual reports of the selected Microfinance banks from 2017 to 2021. Multiple regression model was adopted to analyze data obtained from the field. The findings of the study revealed that corporate governance mechanisms such as; board independence, board size, board gender diversity, have an insignificant relationship with corporate financial performance (ROA and ROE), however. board effectiveness have a significant relationship with corporate financial performance (ROA and ROE). Based on the research findings, the study recommends, that corporate governance should be examined from a broader perspective, in all areas, in other to realize the main essence of corporate governance vis-à-vis day to day performance, in order to lend credence to matters that boost maximum corporate performance, without necessarily focusing on how the board is composed - its gender diversity, its independence, and its size.

Declaration

I do hereby affirm that I am the sole author of this thesis on The Impact of Corporate Governance Mechanisms on the performance of Microfinance Banks. The contents in this thesis are the result of the research that I have done on the topic and my experience in the industry. The research submitted for the degree of Doctorate in Accounting, Finance and Management at Selinus University is my original work. The material, articles and data referred in the dissertation have been cited in the thesis.

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List of Abbreviations

Corporate Governance	(CG)
Corporate Governance Mechanism	(CGM)
Return on Assets	(ROA)
Return on Equity	(ROE)
Microfinance Banks	(MFBs)

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Recent global events concerning high-profile corporate failures have put back on the policy agenda and intensified debate on the efficacy of corporate governance mechanisms as a means of increasing firm financial performance. Corporate governance and its relationship with firm performance over the years have proven to be an essential area of empirical and theoretical study in the corporate world. The fast growth of privatizations, the recent global financial crises, and financial institutions development have reinforced the improvement of corporate governance practices. Well-managed corporate governance mechanisms play an important role in improving corporate performance. Good corporate governance is fundamental for a firm in different ways; it improves company image, increases shareholders' confidence, and reduces the risk of fraudulent activities (Tolossa, 2021).

Various academic treatises concerning the subject of corporate governance and firm performance have been propounded in the last couple of decades (Obembe and Soetan, 2015). The rationale behind these expositions is obviously related to the examination of extant corporate governance framework's inability to safeguard the interest of stakeholders given the spate of various corporate shenanigans, scandals and fraudulent practices that bedeviled so many big corporations around the world in the first few years of the 21st century, notable organizations like Enron, Kmart, Arthur Anderson, Parmalat, Adelphia Communications and WorldCom to mention just a few (Evans and Letza, 2017). The crisis did not spare business institutions and organizations in Nigeria, which affected numerous organizations such as Cadbury Nigeria, Intercontinental Bank, Oceanic Bank, amongst others, thereby creating a negative economic climate in Nigeria (Olayiwola, 2018). Given the above-mentioned global financial crisis, the issue of corporate governance and its operations became a debatable topic.

According to Bhatt and Bhatt (2017), the notion of corporate governance relates to all processes, procedures and systems that are designed to allocate corporate resources to interested parties in a manner that mirrors transparency and responsibility, and also the maximization of shareholders' wealth.

The significance of corporate governance in today's corporate business setting cannot be stressed too far, because it allows claimants to a firm's prosperity to develop the ways that ensure that their personal and group interests are protected. (Liem, 2016).

As a central point of this study, the activities of the board of directors are crucial to the performance of the organization, especially organizational financial performance. The board of directors according to Olayiwola (2018), are responsible for the control and direction of management activities in the organization and are answerable to shareholders and other stakeholders. The board assesses policies, frameworks, goals, objectives, budgets and also monitors and supervises operations of the enterprise for organizational performance (Zabri et al. 2016).

For effectiveness and efficiency, the board of director is divided into executive directors and non-executive directors. The composition of the board of directors is very critical to the performance and profit level of any organizational setting. According to Usman and Yakubu (2019), the need for the company's separation of ownership from the management necessitates corporate governance theoretically. Those entrusted with the company's management are required to utilize their delegated powers to make sure that the company's financial returns absolutely flow from the organization to its owners.

Financial performance can be assessed in terms of the level of profit that is generated by an organization as a result of effective and judicious utilization of scarce resources by the management (Aman et al, 2018). According to Yusuf et al (2016), the over-riding objective of shareholders and other stakeholders of an organization is to maximize profit. Financial performance of an organization guarantees timely payment of salaries to employees, interest to lenders, dividend to shareholders, and taxes to government revenue authorities (Usman and Yakubu, 2019). Therefore, given an atmosphere of a well-structured corporate governance, the profitability margin of the organization tends to improve (Mardnly et al., 2018), thereby leading to the achievement of the company's obligation to its owners; this undoubtedly helps to minimize financial crisis and increase in organizational sustainability and growth (Shao, 2019). The significance of a solid governance practice has necessitated the development of a standard corporate governance codes in most developed and emerging market economies, which should be complied with, mostly by publicly quoted companies. Nigeria, as a frontier market economy, has accordingly prioritized it as a prerequisite for ensuring financial stability, especially in her banking sector.

Microfinance institutions' need for better governance standards has intensified in recent years as they have developed and specialized. Microfinance banks (MFBs) are experiencing increasing challenges and risks, including changes in market conditions, competitiveness, and technological advances, as well as the privileges that come with such developments, necessitating the development of appropriate institutional arrangements to supervise and mitigate risk (Consultative Group to Assist the Poor, CGAP 2018). Sound risk management and governance require a dynamic, innovative board of directors as well as strong internal processes. The friction created by the MFB's double-bottom line of social impact and profitability can be managed with well-structured governance mechanisms.

The mechanisms by which organizations are controlled and regulated are referred to as corporate governance. Corporate governance aids organizations in operating more efficiently and increasing access to capital, mitigating risk and preventing wasteful management (CGAP, 2018). It is concerned with striking a balance between economic and social objectives, as well as between individual and societal goals, while also fostering resource efficiency and increasing efficiency (Kansime, 2009). Governance, according to Helms (2006), is about fulfilling corporate goals and making corporations more transparent and accessible to investors. The term "governance" was used by CGAP in 1997 to describe a constitutional framework in a microfinance institution where a board serves as the coordinating body. In the settling of agency conflicts, the field of corporate governance emerges. According to agency theory, Kumar (2010) posited that managers are the firm's controllers, while shareholders are the owners. However, their interests are in conflict. Corporate governance is a way to solve problems that arise from agency conflicts and is defined as the system that forces managers to operate in the best interests of shareholders.

Corporate financial malfeasance by bank officials has been a serious issue in the profitability and efficiency of banks around the world, especially in Nigeria. Because of agency problems, Vives (2011) claims that the financial industry suffers from significant market failure as a result of excessive risk-taking. Poor corporate governance, according to Kasum and Etudaiye-Muthar (2014), has been the primary source of problems in Nigeria's banking sector in recent decades. According to Adeyemi (2014), the banking industry's problems are frequently attributable to unsatisfactory corporate governance. The author concluded that CEO ineptitude, organizational misconduct, and boardroom conflicts arising from issues with ownership structure and insufficient internal control had an adverse effect on corporate governance procedures in the Nigerian banking sector.

Moreover, the current wave of crises in Nigeria's microfinance sector has highlighted the need to enhance MFBs' governance processes. The Nigerian Deposit Insurance Commission, in partnership with the Central Bank of Nigeria, examined 731 microfinance banks in 2013 and found that they had serious corporate governance problems (NDIC, 2015). In addition, the Central Bank of Nigeria has acknowledged that unqualified and incompetent boards of directors, high rates of non-performing insider-related credits, insider dealings, fraud, and unethical practices by some directors and management staff have resulted in corporate failures in some MFBs (CBN, 2014). As a result of the ineptitude of board committees, non-adherence to the Central Bank of Nigeria and inadequate ethical standards, some MFBs have been liquidated (NDIC, 2015). However, because of the high level of competition in the sector and MFB's objective to serve the poor while also being profitable, the board's capacity to direct the company toward success is even more crucial. As a result, the research work aims to investigate the effect of corporate governance on MFBs' performance in Nigeria.

Microfinance is the provision of loans and other financial services to the entrepreneurial poor. MFBs emerged to alleviate poverty in mostly rural areas by encouraging self-employment and entrepreneurship. MFBs belong to a vast and rapidly expanding industry that strives to create a double bottom line by providing financial services to the underprivileged (outreach) while also covering its expenditures (sustainability). MFBs have particular issues such as weak internal controls, poor corporate governance, inept boards, and a high rate of insider credit facility misuse (Sanusi, 2010).

Although microfinance operators believe that good corporate governance is critical for MFBs' success (CBN, 2014; NDIC, 2015), few studies on microfinance legislation have focused on governance concerns. Because MFBs' managers make choices, a more thorough examination of the various governance structures' roles is required. This is owing to the likelihood of a conflict of interest among corporate structure participants (shareholders) due to their disparate aims and interests on the one hand, and limited understanding of each other's activities, views, and inclinations on the other hand (Imam & Malik, 2007). As a result, research into MFBs' corporate governance is required, as both stewardship and agency theory advocate the need for a good relationship with management, shareholders, and other stakeholders (Jensen & Meckling, 1976; Kumar, 2010).

Furthermore, few researchers look into the relationship between corporate governance and MFB performance, particularly in Nigeria. The majority of these studies have been conducted in advanced countries, with an emphasis on large and publicly traded companies. Prior studies highlighted the significance of innovative lending processes in improving

accessibility and profitability, loan repayment pattern factors, MFBs challenges, MFBs and their impact on borrowers (Abiola & Salami, 2010; Abubakar et al., 2015; Taiwo et al., 2016; Ademola et al., 2020; Ademola & Adegoke, 2021). To close this gap, this study aims to examine the effect of corporate governance on MFBs' performance in order to enhance their performance and promote their long-term sustainability. Generally, the objective of this study is to examine the effect of corporate governance on the performance of MFBs in Nigeria. However, the study specifically seeks to; examine the effect of board size on the performance of MFBs in Nigeria; investigate the influence of board composition on MFBs' performance in Nigeria; and determine the effect of the audit committee on the performance of MFBs in Nigeria.

1.2 The Context of the Study

The banking sector plays a key role in the growth of an emerging market economy, of which Nigeria is one. With the evolution of Nigerian banking Sector reforms from 1982 to present, stages of capitalization have featured prominently in the commercial and trade polices of Nigeria (Adeoye, 2015). Apart from the recapitalization phases, the banking sector has over the years gone through structural adjustments, which are attributed to various factors like advancement in information and communication technology, deregulation, and other innovative changes. These forces have sharpened the way and manner Microfinance banks especially in Nigeria operate and are being managed over the years (Saleh, 2016).

The importance and role the banking sector plays in the development of the Nigerian economy germane to the development of other sectors of the economy. Acknowledging the strategic role of the banking institution in Nigeria and its statutory framework which revolves round the board of directors and their mode of operations, the activities of the banks are further strengthen by various laws and regulations since the '80s (Saleh, 2016). These laws and regulations include, Nigerian Stock Exchange(NSE), the Company and Allied Matters Act (CAMA) of 1990, the Central Bank of Nigeria (CBN) Act of 1991, the Banks and Other Financial Institutions (BOFIA) Acts of 1991 and the Investment and Security Act (ISA) of 1999 and the Nigeria Deposit Insurance Corporation (NDIC) Act of 1988 (Ozili, 2020).

Financial analysts claim that the introduction of microfinance banking to ease financial access for the active poor is one of the strategies holding enormous promise for poverty reduction. However, for microfinance to bridge the credit gap, the institutions have to be structural, operational and functionally sound.

Imagine a three-legged stool with each leg representing the structural, operational and functional components; all three legs must be working individually and collectively for the stool to be sturdy and achieve balance. In like manner, the structure of microfinance institutions depends on the Board of Directors (BOD) to provide guidance and oversight, management to implement the vision of the organization, and support staff to make it happen.

However, the very nature of microfinance institutions, most of which are managed as an extension of the household, preclude them from having robust structures spearheaded by BODs with optimal effectiveness. This is one apparent weakness which has hampered the microfinance sector from empowering the society (Ademu, 2012: 67).

After a decade in the limelight, some challenges have surfaced in these institutions. Many microfinance institutions in both developed and developing countries are collapsing, and the reasons for the failure continue to be evasive. One area which has come to light is the perception that the guidance and oversight of microfinance institutions have been treated in a perfunctory manner; this has led to renewed attention on corporate governance as a requirement in running these institutions (Silva, 2015: 200). Corporate governance borders on rules, practices, and processes which are expected to govern the management of these establishments.

Among other things, corporate governance ensures that balance is maintained between all stakeholders in these institutions, thereby ensuring that its role is optimized in the quest for global poverty reduction. The focus on the role of corporate governance in microfinance institutions has extended the debate to its effect on the performance of microfinance institutions. The recurrent questions are: Can the impact be measured? Are they attributable wholly or in part to corporate governance practice?

1.3 Statement of the Problem

Informal banking introduced has bridged the credit gap in developing countries. Globalization and financial interconnectedness have added a new reality, where financial access and change are at a crossroads. We live in that world now and need to understand how the linkages between financial inclusion, in particular for the poor, the performance of microfinance institutions, and corporate governance play out. A high positive correlation between these variables will lead to a rebirth of the microfinance industry in Nigeria.

One of the deliverables of the microfinance sub-Sector, launched in the early 1990s in Nigeria as community banking, was to formalize the infrastructure for deposits, loans, insurance, fund transfer and other ancillary non-financial services or products targeting the active poor (Ayadi, 2012; Lawal, 2014). The private sector-led initiative replaced informal financial networks which were run by traditional money lenders who offered limited services at disproportionately high fees. Subsequently, the Central Bank of Nigeria (CBN) released the Microfinance Policy and Supervisory Framework (MPRSF, 2005; 2011) to create an enabling environment for the Microfinance Sub-sector in Nigeria to flourish.

However, in 2010, the sub-sector witnessed its worst crisis when the Central Bank of Nigeria revoked 224 Microfinance bank licenses due to insolvency (Kanu and Isu 2015: 318), that is 25% of the total number of microfinance banks in the country. This came as an aftershock of the 2008 global financial crisis, and although the CBN had good intentions to sanitize the sub-sector and protect depositors' funds, the unintended consequences of the action were enormous. In sum, the loss of public confidence in microfinance banking called to question the classical philosophy of "protecting big banks from failing," and pivoted towards the neoclassical philosophy of "too small to be ignored" in financial circles.

Despite efforts by the CBN to strengthen MFIs and promote market expansion of microfinance banking to close the credit gap to spur development at the grass roots level. These institutions are still struggling with poor asset quality, high risk, weak institutional frameworks, lack of source funds from development partners and international organizations, poor government support, and socio-cultural resistance to ultra-modern Information, Communication, and Technology (ICT) systems. (Ayayi & Sene, 2010)

As the demand for Inclusive Financial services at the grass-roots level grows, issues unique to the microfinance industry must be clearly understood. One of such matters is corporate governance practice. This research intends to take a deep look at how corporate governance practice will improve the performance of MFIs. Specifically, the study investigates the relationship between board size, gender diversity, and frequency of meetings and the performance of MFIs (Bassem, 2009; Bakker et al., 2014:123).

MFIs are globally recognized as the engine of economic growth at the grassroots level. However, Nigerian MFIs have not filled the void perpetuated by exclusive financial policies of the past. Most of them are sole proprietors and are run by households. They treat institutional capacity predicated on BODs to advice and set direction in a pecuniary manner. Also, the role those socio-cultural dynamics play in changing mindsets in the microfinance sub-Sector is not entirely understood. Based on all of the above, this study is both relevant and timely. A better understanding of the key obstacles that microfinance institutions face in Nigeria will go a long way in deepening their absorptive reach and contribution to development at the grass-roots level.

More recently, studies have been undertaken to analyze the role of corporate governance practice in the microfinance industry. However, none has been unique to Nigeria's embryonic microfinance industry. (Pistelli et al., 2012) Were motivated by the economic downturn leading to the risk exposure for MFIs and subsequent bailouts to take a deep look at good governance as the primary differentiating factor between MFIs that overcome crises and those that do not. None of these studies have been unique to Nigeria's embryonic microfinance industry. Therefore, findings from this study will be valuable to the Central Bank of Nigeria (CBN) which has tried to maintain a stronghold on the activities of MFBs.

1.4 Objective of the Study

The aim of this research is to examine the impact of corporate governance on a firm's financial performance with focus on Microfinance Banks in Nigeria. To achieve this aim, these listed objectives will be examined-

1. To determine if board size impacts the financial performance of Microfinance Banks in Nigeria.
2. To determine if the independence of board of directors affects the financial performance of Microfinance Banks in Nigeria.
3. To determine the extent to which the Board diversity affects the financial performance of Microfinance Banks in Nigeria.
4. To evaluate how board effectiveness affects the financial performance of Microfinance Banks in Nigeria.

1.5 Research Questions

1. Does Board size affect financial performance of Microfinance Banks in Nigeria?
2. Does the independence of board of directors affect the financial performance of Microfinance Banks in Nigeria?
3. To what extent has board diversity impacted organizational financial performance in the Nigerian Banking Industry?
4. Does board effectiveness affect the financial performance of Microfinance Banks in Nigeria?

1.6 Research Hypotheses

The formulation of my research objectives and questions has led to the development of four key hypotheses for this research. During the course of this study, the following hypothesis shall be tested;

H_0: There is no significant relationship between board size and corporate financial performance.

H_1: There is significant relationship between board size and corporate financial performance.

H_0: There is no significant relationship between board diversity and corporate financial performance.

H_2: There is significant relationship between board diversity and corporate financial performance.

H_0: There is no significant relationship between board Independence and corporate financial performance.

H_3: There is significant relationship between board Independence and corporate financial performance.

H_4: There is no significant relationship between board effectiveness and corporate financial performance.

H_4: There is significant relationship between board effectiveness and corporate financial performance.

1.7 Scope of the Study

The scope of this study is limited to four Microfinance Banks which were carefully and constructively selected to capture the 4 cardinal points/geographical locations of Nigeria. In the North, Albasu Microfinance Bank, Kano was selected, in the South, Bishopgate Microfinance Bank, Lagos, in the West, Brightway Microfinance Bank, Kwara while in the East, Achina Microfinance Bank, Anambra as well as their 5 years (2017 - 2021) annual Financial Statement.

1.8 **Significance of the Study**

This study is valuable and of huge significance to both the industry world and academia. Generally, this research will create awareness as to the impact of Corporate Governance on the financial performance of financial institutions.

The findings and recommendations of this study will assist Board of directors in making informed/better decisions so as to improve their organization's financial performance therefore ameliorating the confidence of investors and other stakeholders.

Policy makers who are saddled with the responsibility of formulating corporate governance codes will find this study of immense value. This is because the study will help policy makers in understanding the dynamics of corporate governance structure and how to improve the existing structure for better performance.

1.9 Study Structure

This study consists of 5 main chapters -

Chapter One – This covers the introductory part of the study outlining the main issues to be addressed and which are corporate governance and organizational financial performance, Nigerian Microfinance banking industry overview, the core problem/gap the study intends to fill, research questions and objectives, amongst others.

Chapter Two – This constitutes numerous literatures relating to the study by several scholars derived from journals and academics.

Chapter Three – This section provides a thorough review of the methodology consisting of research design, strategy, method of analysis that will enable the study with a reliable and valid data for analysis and discussion as it affects corporate governance and financial performance in the Nigerian Microfinance banking industry.

Chapter Four – This gives a complete analyses of the responses obtained from relevant respondents of the study as well as interpretation and discussion of findings.

Chapter Five- This is the final part of the study which showcases relevant conclusions, reflective learning and possible recommendations.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.0 INTRODUCTION

Literature review offers an essential building block for a research work. This background enables researchers to obtain a firm grasp of any relevant previous investigations and also pinpoints trends that have been observed in the subject matter. (Saunders et al, 2009). In connection with this topic, the literature review attempts to analyze the prevailing orthodoxy on corporate governance and corporate financial performance, so as to enable the researcher attain a global perspective. In addition, earlier studies on the subject will be summarized and arranged seriatim, thereby identifying any knowledge vacuum pertaining to the studies reviewed.

Understanding the Concept of Corporate Governance: A Conceptual Review

The global financial crisis of the 21^{st} century that affected numerous companies and organizations negatively have compelled stakeholders to reevaluate and reinvent corporate governance structure and operations (Saleh, 2016). According to Robinett, Anantevrasilpa and Hickey (2013), corporate governance is a process by which business corporations are managed, organized and directed to achieve desired organizational goals. It brings to focus a real sense of engagement and operation of the business organization. (Brown, Beekes and Verhoeven, 2011). Fauzi and Locke (2012); Chancharat and Chancharat (2019), were of the view that the functionality of the corporate governance is apt to navigate and institute a sense of ownership and coordinated governance, which is geared towards enabling managers conduct themselves in an ethical manner and also, make excellent decisions that will increase the developmental agenda of the business corporation and benefit to stakeholders.

In the same vein, Irine and Indah (2017); Babatunji, Tze, Md and Abu (2020) recognized the fundamentality of corporate governance. Based on their study, they observed that corporate governance is the connection that holds together policy making, formulation and implementation of the business policy which gives direction and purpose to the organization and optimization for stakeholders' benefit. It represents a fundamental apparatus that correlates the various dealings and operations of the business with the concern of stakeholders in an organization (Ajala, Amuda and Arulogun, 2012; Akinleye, Olarewayu and Fajuyagbe, 2019).

In the views of Udeh, Abiahu and Tambou (2017), corporate governance in companies is the establishment of an equilibrium between social, economic objectives, as well as between communal and individual aims. In achieving the aforementioned variable balance, Odunayo (2019), explained that in the deployment of resources, transparency and accountability of executive and managerial power and an inclusive arrangement of stakeholders' interest is key to achieving this. Holistically, Akingunola, Adekunle, and Adedipe, (2013), conceptualized corporate governance as a structural framework of an organization involving its operations, processes and codes of conducts including ethics that give the organization a clear direction towards optimizing its resources and achieving organizational goals for the greater good and benefit of its stakeholders. Positive performance, progress, effective and efficient goal achievement can be obtained when business corporations place corporate governance as top priority which involves adherence to formulated rules, regulations and policy standards (Olayiwola, 2018). Arinze (2013) also concurs with Olayiwola, when he argued that corporate accountability, transparency, effective and efficient utilization of resources are enhanced by good corporate governance which ultimately leads to better competitive advantage of the firm and improvement in both financial and non-financial performance which increases stakeholders confidence.

The concept of corporate governance as observed by Uwuigbe (2011), has been accorded much attention in developed economies over the years, but has been overlooked in developing economies until recently. With the numerous financial crisis faced in the world especially in developing countries, scholars (Irine and Indah, 2017; Ajala, Amuda, and Arulogun, 2012; Karam and Sonia, 2015; Khurshed and Shahid, 2016; Osundina, Olayinka, and Chukwuma, 2016; Odunayo, 2019; Babatunji et al., 2020) now see the need to properly engage in research of corporate governance in emerging economies. In spite of a plethora of recent studies on corporate governance in developing countries, these studies still observed a lack of full attention to corporate governance structure most especially among financial institutions as compared to corporate governance in advanced countries. This obvious gap hence leads us to the review of corporate governance in the Nigerian banking system.

Corporate governance in Less Developing and emerging economies

This section critically examines corporate governance practices in less developing economies. As a result, these are the studies and findings of various authors. Tsamenyi and Uddin (2008) argue that adoption is becoming a main issue in less developed and emerging economies. Some factors such as Asian financial crisis, the adoption of international donor led reforms, and globalisation of capital market are factors that are moving corporate governance reforms forward in less developed and emerging economies. Adu-Amoah et.al (2008) revealed empirical evidence on corporate governance practices of rural banks in Ghana.

The authors posited that corporate governance practices in rural banks are with social and political relations thereby questioning the reason for adoption of western corporate governance model without any adjustment to the system. The purpose of their study is that the design and implementation of corporate governance in these types of firms should consider the local, social cultural and political context. Ndiweni (2008) examines corporate governance in South Africa in social and cultural context. The author found the same evidence from Ghana by Adu-Ahmoah et.al (2008) with corporate governance in South Africa.

In addition, Edward et.al (2008) build up this paper on a number of previous studies of corporate governance in Nigeria such as Oyejide and Soyibo, 2001; Yakasai,2001; Ahunman, 2002; Okike 2007) As a result the authors examined the effect of ethnicity, gender, and power, and power relationships on corporate practices in Nigeria. The author found that the corporate governance practices in Nigeria are based on developed world.

However; there are inadequacies in Nigerian regulatory system and lack of mechanism for implementation and enforcement of corporate regulation in Nigeria. Furthermore, Akisi (2008) examines the relationship between the inflow of foreign direct investment (FDI) and its determinants in 27 emerging markets between 1997 and 2005, the author focus on the role of accounting standard and corporate governance. The author found that high-quality accounting standard and effective corporate governance may leads to increase in foreign direct investment. As a result of this, the author concludes that emerging markets can attract foreign investment (FDI) through improvement in the quality of financial reporting and corporate governance. Liew (2008) revealed that appropriate corporate governance system will play a significant role in resolving the problems that link with the interlocking and concentrated ownership structure of Malaysian corporations. The author also argues that internal politics and family relations influence the ownership, management and corporate governance of Malaysian corporation. Othman and Zeaghal (2008) claimed that the impact on corporate governance disclosure depend on the emerging market country's legal system. The authors found that common law emerging markets have a higher level of corporate governance disclosure than civil law ones.

Also corporate governance disclosure has a positive significant effect on the size of the capital market for emerging market and for common law and civil countries. Moreover, Soobaroyen and Mahadeo (2008) show the level of compliance with corporate governance code in Mauritius in African developing economy. The author found that a reasonable level of compliance with more visible requirements of the code. However there is no non-compliance particularly in relation to the low number of company boards being chaired by independent directors. In addition, there is non-compliance to uncertainties on the actual operation of board committee, and to the widespread non-disclosure of directors' remuneration. They also found that compliance statements are inconsistent with extent of compliance disclosure in the reports, and this suggests that many of the companies are into selective compliance.

In Uganda, CMA (2006), found that there are difference effort that have been made by various organisation like bank of Uganda, the institute of corporate governance of Uganda, and the Capital Market Authority (CMA) to improve the corporate governance system. The CMA designed the guideline in a minimum standard for sound corporate governance practice by public companies and issuers of corporate debt in Uganda. This development in the regulatory frame work of the CMA is very important at this period as a result of awareness the importance of governance in both emerging and developing economies for improvement of domestic and regional capital market growth. It was based on this, that CMA conducted a survey of compliance level of seven listed companies by using the data from annual report of those companies. The organisation found that there are needs for better clarity when providing for corporate information, and there is need for improvement in degree of reporting and most companies provide generic information.

Furthermore, in the Middle East and North African region Sourial (2007) overviewed the governance model of the corporate sector and securities market of eleven countries in the region out of eighteen countries. The author revealed that recently the region has undergone some reforms and restructuring on legislative, but the main issue is the gap between legislative framework and enforcement. In addition he found that Middle East and North Africa (MEND) market corporate sector is fully with block holder (insider) and they depend on banks for sources of financing. In the region banking sector are having burdened with non-perform loan (NPLs), resulting from over lending couple with conflict of interest, and international fraud and over value of collaterals. Market disciplines with various guideline and tools are yet to developed to extent of improving corporate governance practices and markets are either inefficient or mainly weakly efficient. Moreover, the family business in the region has a foundation, and is the backbone of the regional countries' economies, and it was like that for long period of time. The author recommended that the tradition and cultures should be allowed to choose their acquaintance measure with number of reforms measures that will bring better corporate governance practices. The new innovation might bring resistance to reforms and it may collapse. Finally, the author suggested that the banks should play their role properly, as the main stakeholders as they are far developed in compared with securities market in the region.

In Nigeria, Ahunwan (2002) provided the account of the system of corporate governance in Nigeria and examined the prospect for recent reform and how it will contribute to more governance. The author found that the judiciary system is weak, and the economy is made of underdeveloped market institution, a high level of information asymmetries, deeply rooted with corruption and disregard for rule of law. As a result, the majority of the shareholders expropriated the benefit of control without taking the interest of the minority shareholders into consideration. However, the author revealed that although the reforms have brought some progress, the reform has to address the deeper causes of the problem for example an ineffective legal system, ownership structure and capital market. In addition, the author claimed that ultimately, the successes of corporate governance reforms are associated with broader government reforms of Nigeria state and this will make the country to compete in the global economy.

Furthermore, Rossouw, et al (2002) explained that since the publication of the Cadbury report that defined corporate governance as the system by which companies are directed and controlled. The King's report in South Africa used this definition as a base in formulation of corporate governance system in South Africa. The authors reviewed the corporate governance that currently exists in South Africa by looking at both financial and ethical dimensions of corporate governance. The authors posited that there are indications that corporate governance in South Africa is developing with confusion and the cause of this confusion makes the revision of corporate governance an on-going concern. For South African to participate in the global economy they have to meet the international corporate governance standards; however, they have to do this without separating themselves from the rest of the African continent. The authors found that confusion with South African corporate governance was noticed by the globalization of South Africa companies and their reliance on foreign capital flows. The situation in the country is also complicated as a result of insufficient statutory and legal backing on the broad corporate governance level for the directives that have developed on the narrow corporate governance level. The authors suggested that the companies have to solve local challenges such as economic empowerment of the black majority in South Africa, how to eliminate the crime such as fraud and money laundering, the reality of Acquired Immune Deficiency Syndrome (AIDS) and how to deal with poverty in the country.

Corporate Governance in Nigeria Banking Sector Perspective

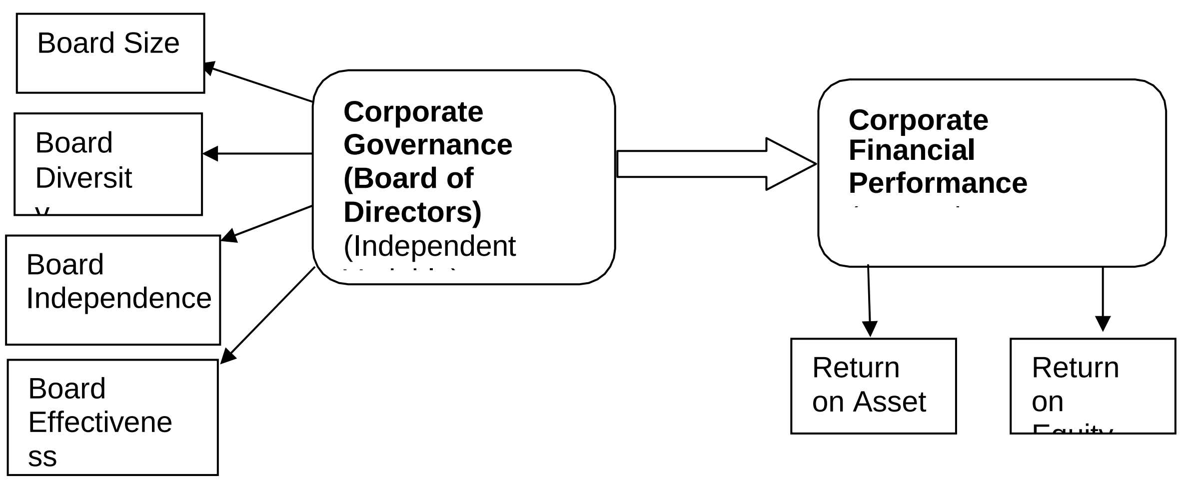
As a Sub-Saharan African country, Nigeria has been cited as a good destination for business due to its huge size and large population including its numerous natural resources and arable lands (Adeoye, 2015). But despite these natural endowments, good corporate governance has been an issue of considerable controversy in academic discourse. According to Ozili (2020), Nigeria has been on the international economic radar on issues regarding good and responsible corporate governance mechanism which will increase the confidence of investors.

The history of corporate governance in Nigeria can be traced to the era of colonization by the British which enacted an Anglo-Saxon structural mechanism of corporate governance in the country (Adegbite and Nakajima, 2011). But after independence in 1960, Nigerian government replaced the 1922 Companies Ordinance formulated by the colonial masters with the Companies Act of 1968 which is basically modeled on the 1948 British Companies Act (Adeoye, 2015).

In contemporary times, Nigeria has witnessed various evolutions in its code of corporate governance. For example, in 2003 there was the code of corporate governance codified by the Securities Exchange Commission (SEC); in 2006, the Central Bank of Nigeria (CBN) issued a post-consolidation corporate governance code for the banking sector (Adeoye, 2015). Also, in 2011, another code of corporate governance was issued by the SEC, and most recently the 2019 “new Code” of corporate governance was issued by the Financial Reporting Council of Nigeria for both private and public organizations, with monitoring and imposition of sanctions rights given to sectoral regulators (Ozili, 2020). According to Ozili (2020), "…the new Code is made up of 7 parts and contains 28 principles. It covers the 'Board of directors', 'audit', 'relationship with shareholders', 'business conduct with ethics', 'sustainability', 'transparency' and 'definitions'…" (p. 4). The new code has an "apply or explain" design which is principle-based. This means, according to Ozili (2020) that if a company, especially the banks fails to apply any of the principles or codes, management of such banks must be ready to give a clear and tangible explanation to the external regulators like the CBN and SEC. In order to enforce good corporate governance mechanism in Nigeria the "apply or explain" approach was formulated.

According to Omankhanlen, Taiwo and Okorie, (2013), a number of key corporate banking codes were issued in 2011 by CBN and SEC. But with the new code as formulated in 2019, improvement was made in three major areas which was highlighted by Ozili (2020). The current reality as argued by Ozili (2020), remains that, even with the compliance of most banks with the corporate governance codes, there are still indications of banking irregularities and institutional gap in monitoring and imposition of sanctions. However, there have been progress in the banking sector (Akpan and Riman, 2012; Ajala, Amuda, Arulogun, 2012; Jegede, Akingunola, Adekunle, and Adedipe, 2013; Gadi, Emesuanwu, and Shammah, 2015; Abdullahi, Rohami, and Kuwata, 2017; Olayiwola, 2018; Odunayo, 2019; Babatunji et al, 2020) which points to the optimum productivity of the corporate governance structure, viz board of directors and shareholders. These classes of stakeholders now confident in investing their resources in banks. Thus, given the significance of the Board of Directors' function to the success of the banks, their roles thus cannot be underestimated. The following schematic depicts the framework used in the study

Fig 1: Diagrammatic Representation of Concepts and Variables under Review



Source: Researcher's Construct

The diagram above shows a framework of the two main concepts of the study – Corporate Governance (Board of Directors) and Corporate Financial Performance. The board of directors is used as the independent variable and corporate financial performance as the dependent variable, (Ali, 2016; Egbunike and Abiahu, 2017; Abdullahi, Rohami, and Kuwata, 2017; Olayiwola, 2018; Assenga, Aly and Hussainey, 2018; Odunayo, 2019; Chancharat, Detthamrong and Chancharat, 2019; Babatunji et al, 2020), These concept were similarly used as independent and dependent variables in different areas of corporate research. The board of directors is further broken down into several components as depicted above. The corporate financial performance also has variables like ROA and ROE.

Corporate Governance Structure

The Board of Directors

The board of directors oversees the operations of companies, whose fundamental purpose is to steer the organization to greater heights and performance based on strategic policy guidelines. (Mohammad, Ibrahim, Md and Jamaliah, 2017). The role of the board of directors is derived from the lack of congruence between the interest of shareholders and managers evidenced by agency problem. The agency theory is founded on the idea that a business owner(s) employs a manager(s), with the aim of the agent acting for the benefit of the principal with delegated authority in decision making with a view to achieving the goals and objectives of the business (Miller and Sardais, 2011). Egbunike and Abiahu, (2017), argues that, the agency theory tends to give some insights about the monopoly of power by the agents in decision making. They contend that, as organizations expand in size and finances, principals gradually lose control of the business empire to the agents, due to information asymmetric between the agents and the principal leading to a dysfunctional by the former.

From the forging, the board of directors was instituted in businesses. From the concept of the agency theory, the board of directors plays a leading role in coordinating, controlling and monitoring of the business operations in order to align the interest of the managers and shareholders for the development and growth of the entity, leading to reduction in agency cost (Warrad and Khaddam, 2020). Thus, the link between the shareholders and the agents is the board of directors. The board in its capacity evaluates and examines management policy implementation, planning schemes for business growth, development, expansion, social interaction and the overall sustainability of the firm (Balachandran and Faff, 2015; OECD, 2015; Mohammad et al., 2017). The board of directors wields a moderating influence on irrational decision of managers (Chen and Huang, 2014) and they are considered a valuable mechanism that solves the agency problems which may arise due to control and ownership separation of the business (Fauzi and Locke, 2012). Julio and Babu (2020) argued that as a highest administrative body in an organization, their mandate is both external and internal involves regular supervision of top managers responsible for implementation of policies made by the board. Similarly, Banzato and Volpp (2016), acknowledged the board superiority in the organization but also distinguished them as a small group of individuals whose decision making has both direct and indirect effects on the organization.

According to Balc, Ilies, Cioban and Cuza (2013), the board members have an important mandate in ensuring good governance in the business, which relies heavily on different important board variables such as, the board diversity, the board size, the board independence, effectiveness, duality of CEO amongst others. Some of these aforementioned variables that concern the study will be discussed in detail in this section.

Board Size

The size of the board of directors is an important factor in corporate governance, and it is not the same in all business organizations whether private or public, and this is dependent on the business size, its cultural set-up, and business type (Chancharat, Detthamrong, and Chancharat, 2019). In trying to find out the appropriate number that constitutes a board size, Fauzi and Locke (2012); Chancharat et al., (2019), argued that there is no single standard format for board composition, they further stated that based on the significance of the board size on organization's performance, a widely constituted size is necessary. Gandia (2008) opined in favour of large board size. He stated that a largely -constituted board will to a great extents ensure efficiency and effectiveness of organizational functions, leading to an increase in information disclosure, accountability, and transparency of high level managers.

On agency dilemma, Chancharat et al., (2019) argued from an agency perspective that a large board would help eliminate the conflict. The implication is that, with vast experience, skilled and informed individuals in the helm of affairs over policy decisions in the organization, all levels of management will be adequately supervised and controlled mechanism. Similarly, Hidalgo, Garcia-Meca, and Martinez (2011); Vitolla, Raimo, and Rubino (2019), highlights the level of impact large board size has on the resources in the organization. These resources usually knowledge, skills, experiences and technical know-how which illustrate the composition of large board size are of great importance in ensuring greater performance and effective monitoring of operations and greater disclosure of information from top management (Gallego-Alvarez, Prado-Lorenzo ,and Garcia-Sanchez, 2011; Garcia-Sanchez et al, 2011; Vitolla et al., 2019).

However, Assenga, Aly, and Hussainey (2018), were of the opinion that, inputs from a smaller board perspective would increase the effectiveness of decision making. Jensen (1986), as cited in Chancharat et al. (2019), stated that communication, cooperation, and better organization are more characterized in small board composition, which will lead to effective supervision and monitoring of operations. Moreover, Ali (2016) opined that, with the operations of corporate governance, the size formation should not be too large, which will necessitate large financial implications and also increase agency cost. He also argued that the board should not be too small either, which may lead to lopsided decision making.

Board Diversity

Various explanations have been adduced to account for diversity in board composition. In the opinion of Rao and Tilt (2016); Naciti (2019), the diversity variable in the board of directors in an organization is characterized by a different set of attributes like the board composition, experiences of the members, their expertise in policy formulating for the organizations' progress. Naciti (2019) argued that gender and national diversity form a basic feature of board diversity. This study will use gender diversity as a proxy for board diversity.

Evidence from listed firms in the New York Stock Exchange according, to Wolfers (2015), reveals that amongst executive members, men outnumber women. This global trend is buttressed by the assertion of Joanna, Siri, and Jakub (2020).

But in recent times, there has been a growing advocacy for more females representation in a board (Hillman, Shropshire, and Cannell, 2007; Jurkus, Park, and Woodard, 2011; Bernasek and Shwiff, 2001; Carter et al., 2010; Charnessa and Gneezy, 2012; Chen et al., 2016; Cumming et al., 2015; Dohmen et al., 2011; Almor, Bazel-Shoham and Lee, 2019). Studies conducted by (Huang and Kisgen, 2013) concluded that women executives more circumspect than men in decision making in an organization.

The significance of gender diversity could be seen with regard to the variance between men and women in both cultural and social matters (Liao et al., 2015). Here, some studies (Buss, 2005;

Cumming et al., 2015; Vitolla et al., 2019) highlighted the diverse alteration as regards their mode of interaction, skill set, cognitive ability, experience and even educational attainments. Furthermore, other studies (Hofstede, Hofstede, and Minkov, 2010), have examined the value differences between both genders in the organization. More importantly, Huse and Solberg (2006), illustrated the significance of women in an organization. This importance according to them, range from full commitment to the vision of the business, diligence in work ethics, good sense of coordination, and an establishment of an amiable environment within the board, which tends to improve the process of the decision making.

Corroborating the role of women in the board of directors, Vitolla et al (2019) argued that diversity in gender highlights the different companies' mode of information disclosure. Disclosure as one of the elements of sustainability in a business is significantly related to gender diversity (Webb, 2004; Barako and Brown, 2008; Bear, Rahman, and Post, 2010), and with more women given the opportunity to take up board roles, their values as mothers in terms of care, enhancing values of life and sustaining best work climate could be harness for the organization progress (Barako and Brown, 2008; Prado-Lorenzo and Garcia-Sanchez, 2010; Frias-Aceituno et al., 2013a). For sustainability and transparency to be present in the board of directors, especially as its affects all diversity, including gender, independence the operations of the board members is critical.

Board Independence

Independence of the board is a very crucial and important element in corporate governance. According to Ali (2016), the independence of an organizational board will enhance the formulation of unprejudiced decisions, which will relieve the organization from financial troubles. The independence of the board is manifest in the composition of its non-executive. As stated by Liao, Luo, and Tang (2015), the composition of a board with a large number of non-executives is able to supervise and monitor organization with utmost effectiveness and efficiency. This is because non-executive board members are not in direct contact with daily activities of the organization since they do not hold any official positions (Donnelly and Mulcahy, 2008; de Villiers, Naiker, and Van Staden, 2011). In terms of information flow between management and performance, Liao et al., (2015) opined that non-executive on the board proposed more options for improved organizational management.

The independence of the board is primarily hinged on the inclusion of non-executive members. This is due to the notion that non-executives do not have a direct link with the CEOs and the executives whose operations do not depend on the activities of the later (Carter, Simkins and Simpson, 2003; Eng and Mak, 2003; Vitolla et al., 2019), hence, allowing them to be more independent in reviewing companies' financial and non-financial activities (Liao et al, 2015; Vitolla et al., 2019). On information disclosure and response, Prado-Lorenzo and Garcia-Sanchez, (2010); Garcia-Sanchez et al., (2011) noted that nonexecutive members are more open and pronto indiscreet leakage of information, compared to their executive counterparts. Substantiating the usefulness of the nonexecutives, the stakeholder theory reveals a crucial relationship that prohibits non-executives from espousing contrary views from his executive colleagues having related party affiliation to the firm (Wan and Dewhirst, 2002). Furthermore, according to Michelon and Parbanetti, (2012); Vitolla et al., (2019), the stakeholder theory shows a presence of nonexecutive members to not only balance the relationship of shareholders with the executive members but also to give a sense of belongings to other stakeholders in their dealings with the business organization. Hence, with an independent board of directors naturally begets board effectiveness.

Board Effectiveness

The effectiveness of the board of directors in corporate governance is designed to reduce agency cost considerably (Frias-Aceituno et al., 2013a). According to Ali (2016), the essence of corporate governance structure is to minimize the agency cost and its associated problems. The objectives of management in an organization are usually at cross- purposes with that of the shareholders. The board, as the apex decision making arm in the organization, has the responsibility of achieving a goal congruence between shareholders and management (Ali, 2016). The board is responsible for enhancing organizational performance by reconciling the interest of shareholders with the ultimate goal of management and other stakeholders. Hence, the fundamental goal of corporate governance is to ameliorate on both the financial and non-financial performance of the organization.

Organizational Performance

The imperative of sustaining organizational performance which is premised on the steady growth in the market value and profitability ratio of the organization speaks volume of how shareholders and investors will relate to the organization (Filippetti, 2011; Chen and Huang, 2012; Raposo et al., 2014). The performance factors are measured in both financial and non-financial terms. From the perceptive of this study, the financial performance measures of organizations have over the years engaged the attention of various scholars (Carter et al., 2010; Carter et al., 2003; Erhardt et al., 2003; García-Meca et al., 2015; Gregory-Smith et al., 2014; Miller and Triana, 2009; Ntim, 2015). Nonetheless, the non-financial performance measures are also evaluated as a crucial part in sustaining the organization in terms of values, culture and interactions with its external environment (Fernando et al., 2017).

Financial performance measurement indicators such as return on equity (ROE), return on capital employed, and return on assets (ROA) *inter-alia*, can be employed in the assessment of the output and profitability level of the business organization (Osisioma, Egbunike and Adeaga, 2015). Olayinka (2010), argued that the profitability of the business firm can greatly be affected by both net asset turnover and net profit margin. According to them, a significant increase in net asset turnover depicts a high level of the organization's assets utilization. Ntim (2015) further argued that a higher profit margin indicates a potent market influence of the organization on shareholders' investment.

But the prime financial measures used by financial analysts and past researchers (Bagudu et, al., 2015; Ihemeje, et, al., 2015; Shafique, et, al., 2014; Yawo and Mathew, 2018; Bukar et al., 2020 Puni and Anlesinya, 2020) in related researches, ROE, will be adopted by this study as one of the financial performance measures alongside the ROA. *Return* in ROE, as used here, refers to earnings accruing to an organization in a given financial year after corporate income tax and interest charges, but before dividends to shareholders (Yawo and Mathew, 2018). *Equity* in ROE on the other hand, refers to residual interest of shareholders of a company (Warrad and Khaddam, 2020). The ratio of these two components in a financial statement gives us the metric called Return on Equity (ROE). Mathematically, it is computed as follows (Warrad and Khaddam, 2020);

$$\frac{\text{Earnings after Taxation and Preference Dividend}}{\text{Total Shareholders' Equity}} \times \frac{100}{1}$$

If this ratio yields a consistently higher value, for a five-year period, it indicates that the policy formulation and implementation of the board of directors have achieved a greater level of effectiveness (Yawo and Mathew, 2018).

Secondly, another criterion used to gauge financial performance and effectiveness of the company's directors in the utilization of the entity's assets is return on Assets (ROA). *Assets* in ROA are economic resources controlled by an organization that is employed to generate revenue in the day to day operations of the business corporation (Puni and Anlesinya, 2020). Already, the term *Return* has been explained and it is expressed as a fraction of total Assets, which yields the metric ROA. Mathematically, ROA is expressed as (Puni and Anlesinya, 2020);

$$\frac{\text{Earnings after Taxation and Preference Dividend}}{\text{Total Assets}} \times \frac{100}{1}$$

A steadily rising (ROA) for a period of time usually five years, indicates the level of efficiency with which the company's assets were utilized by the directors within the period under review (Puni and Anlesinya, 2020). The forgoing ratios i.e. ROE and ROA are useful variables to assess a company's financial performance, although, there are not the only criteria that can be used to obtain a global picture of a company's financial performance at any given point in time. Consequently, in keeping with the main theme of this study, various indicators of corporate governance in relation to financial performance will be discussed next.

Board Size and Financial Performance

The size of the board is an important factor in the measurement of corporate governance in terms of the financial performance of the organization. Different studies have been conducted on the level of board size and how it affects organizational performance. Sanda et al., (2010) posited that business corporate performance, especially financial performance, is inversely significantly related to board size, as small board size is more likely to achieve improved financial performance against large board size. Similarly, Mak and Kusnadi (2005); Kajola (2012), also argued in favour small board size for improving organizational financial performance. Supporting the influence of small board size on organizational financial performance further, Dey and Chauhan (2009) argued that the business organization tends to perform poorly when board size increases ,thereby creating various communication gaps, different group dynamics and increase in organizational cost.

Conversely, other studies have shown a significant relationship between large boards and firm financial performance. Starting from earliest studies, Chen et al., (2006), Andres and Vallelado (2008), opined that, in monitoring and supervision of the operations and activities of the organization, larger board size is more effective and efficient. With reference to the banking industry, different studies (Busta, 2007; Zulkafli and Samad 2007; Shelash Al-Hawary 2011), reveals that the size of the board as corporate governance indicator do not have significant relationship with banks' performance. While other studies (Cornett et al, 2009; Romano et al, 2012; Ammar et al., 2013; Progress, Hlanganipai and Godfrey, 2014; Osundina et al., 2016; Xavier et al, 2015) indicate a significant relationship between board size and financial performance in the banking industry. Staikouras et al., (2007) and Trabelsi (2010), in their study contradicted their above result of an inverse connection between board size and corporate financial performance.

Board Diversity and Corporate Financial Performance

Various studies (Langdon McMenamin and Krolik, 2002; Vandergrift and Brown, 2005; Wei, 2007; Azmi and Barrett, 2013; Yasser, 2012) have been conducted on board gender diversity and organizational performance over the years as a result of the inclusion of the women folk in the board of directors. (Phondej, Kittisarn and Neck, 2010), acknowledged the importance of gender diversity on corporate boards as various countries policy makers and regulators have formulated different forms of gender equality initiatives. For example, in the United Kingdom, United States of America, Germany and Australia, listed corporations are mandated to give an annual statement and report on the state of gender diversity and equality on their board membership (Capezio and Mavisakalyan, 2015; Reguera-Alvarado, de Fuentes, and Laffarga, 2015; Bukar, Musa and Ahmed, 2020). Also, most European countries are statutorily required to have a minimum of 40% female directors as board members (Reguera-Alvarado, de Fuentes, and Laffarga, 2015; Bukar, Musa and Ahmed, 2020). However, in developing countries like Nigeria, the board room diversity is still void of effective and implementable policies as stated by Yap, Chan and Zainudin (2017), where societal values based on male domination affects the incorporation of more women in business corporations' board rooms. That notwithstanding, board diversity still places an important role in corporate financial performance.

An examination of existing studies relating to board diversity and firms' financial performance shows some interesting insights. While some studies show positive relationship, others reveal a negative relationship. According to Smith et al (2006), there is a significant relationship between firm's performance and gender diversity in the board of directors. A similar position was taken by Barako and Brown (2008) showing that gender diversity in the board of directors increases effective information disclosure, better decision making process which impacts the business organization favorably . Other studies (Galia and Zenou, 2012; Miller and Triana, 2009) also showed a positive relationship between gender diversity in the board room and financial performance of the organization.

However, Johl, Kaur and Cooper (2015) reveal a negative link between gender diversity and financial performance. Marinva, Plantenga and Remery, (2010), discovered that there exists no significant relationship between board room diversity and financial performance. Other empirical results that indicate a positive relationship between board diversity and organizational financial performance include; Dezso and Ross (2012) in the USA; Johl, Kaur and Cooper (2015) in Malaysia; Willows and Van der linde (2016) in South Africa; Akinyomi and Olutoye (2014), Oludele, Oloko and Tobiah (2016) in Nigeria. Concerning commercial banks in Nigeria, Ujunwa, (2012); Akpan, and Amran, (2014); Saleh, (2016), discovered a significant negative relationship between board diversity and financial performance. Studies by (Bianco, Ciavarella and Signoretti, 2011; Daunfeldt and Rudholm, 2012; Marinova, Plantenga and Remery, 2010; Rose 2007; Schwizer, Soana and Cucinelli 2012; Stigring and Lyxell, 2011; Shafique, Idress and Yousaf 2014; Alvarado, Briones and Ruiz, 2011; Yawo and Mathew, 2018) have been piloted in different Scandinavian countries on the relationship between gender diversity in the board of directors and corporate financial performance measures such as return on asset, return on equity and Tobin's Q. These studies show a lack of important correlation between gender diversity and corporate financial performance.

Board Independence and Corporate Financial Performance

The independence of the board of directors is one of the factors in corporate governance that enhances balance in the organizational process (Chancharat and Chancharat, 2019). Several studies (Xie et al., 2003; Choi et al, 2007, Abor and Adjasi, 2007; Fauzi and Locke, 2012) over the years have tended to examine the connection between board independence and corporate financial performance. From the positive relational studies, Awan (2012); Naveen and Singh (2012); Sharma (2013) asserted that there is a positive relationship between corporate financial performance and the independence of board members. Contrarily, studies like Adams and Ferreira (2009); Kajola (2012), show an insignificant relationship between outside directors (ie independent directors) and corporate financial performance. The negative relational studies between independence of the board is due to inadequacies in some key variables in the composition of a competent board membership such as, adequate capacity for the job, skills set, intellectual ability and astuteness in one's chosen career. Underlining the point, Rahman, Mohamed and Ali (2006), argued that corporate organizations most times experience low performance indicators especially in the financial sphere because of the absent of requisite skills, ability and knowledge on the part of both independent and executive board members.

Concept of Banks Performance

Good financial performances of the bank bring back good returns to the bondholders for their asset and attract more investors which will bring further economic development. Consequently, meagre routine of financial institutions may hint to their downfall and arrival of the capital disaster which will have negative ramifications on the company and economic development (Nuhiu, Hoti & Bektashi, 2017). "Banking industry is a very important sector because the development of finance, and particularly the banking system, promotes economic growth (Lipunga, 2014), the banking system plays a major role in transferring funds from the saving units to the investing units (Nshimiyimana & Zubeda, 2017), they are important for the economy and organizations in particular at the time of economic recession and money related crisis, industrial, agricultural and commercial development of a country is not imaginable without an efficient banking system, sometimes banks truly do not respond to crisis, by comparing the latest financial crisis of 2007-09, it made conditions more terrible for economic improvement, it is significant to observe the performance of banks with the administrative prerequisites (Babar & Zeb, 2011), the financial performance of the bank is affected by the function of internal and external factors, internal factors refer to the indicators derived from the financial statements of banks (balance sheet and income statement) and therefore can be regarded as specific factor of banks' profitability (Wahdan & Leithy 2017), external factors are variables that are not related to the management of the bank, but they reflect the economic and regulatory environment that affect indirectly in the operation and profitability of the banks (Tobias & Themba, 2011). Bank performance therefore, could be seen in terms of how the management operates or the result of their actions.

The regulatory, legal, and enforcement of corporate governance

The knowledge of the main concept of corporate governance is rule and procedure of transactions that can affect the implementation of corporate governance. This also can include the law, rules and regulation of appointment of auditors, the commitments on the part of government agencies that are responsible for enforcement. It includes issue of listed companies in compliance with corporate governance guidelines, law regarding to the protection of investors which can affect the dividend policy, and shareholders rights especially minority rights. This will not allow majority shareholder to exploit the minority.

In addition, procedure of board nomination and election process, rule and regulation related to disclosure and accountability. The level of legal protection of investors in any country is an important factor in determining the development of the financial market of company in that country. The systematic differences in structure of law and enforcement among various countries in area of historical trend of their laws, level of corruption, and the quality of their enforcement will surely determine the difference in financial development. As a result, these are the findings of authors toward the study of legal protection and enforcement in corporate governance of different countries. La Port. et.al (1998, 2008) posited that countries which their legal systems have origin in common law are more substantial shareholder protection than civil-law system. Also the authors claimed that greater shareholder protection increase the level of stock market development. In addition, Armour et.al (2009) revealed the same finding that common law system exhibits a higher level of shareholder protection than civil-law system. It may be that common law countries adopted corporate governance code rapidly than civil-law countries.

However, the authors found that civil-law system are experience more rapid increase in shareholder protection over the same period. Moreover, the authors found that the legal origin may affect the structure of legal rule; however the level of legal protection is not positively related with financial development, this may due to greater stringency in corporate governance.

La Porta et al. (1998) examined the legal rules covering protection of corporate shareholders and creditors, the origin of the rules and quality of enforcement in 49 countries.

Using empirical analysis the result revealed that common law countries have the strongest, French countries have the weakest, and the German-and Scandinavian-civil- law countries are at the middle. In addition, the authors found that concentration of ownership of shares in largest public companies was negatively related to investor protections, and the same with hypothesis that small, and diversified shareholders are not likely to be recognized in countries that cannot protect their right. Klapper and Love (2004) used current data on corporate governance (CG) ranking in firms across 14 developing markets. Using empirical evidence the authors found that there was variation in firm- level of governance in the sample and the firm-level of governance was lower in those countries that have weak legal systems and firm level of corporate governance should take seriously for countries with weaker legal system.

In addition, better corporate governance was correlated with higher operating performance. Johnson, et al. (1999) empirically used the Asian financial crises to revealed how legal institution affected corporate governance on the depreciation and stock market. The authors found that managerial agency problem can make countries with weak legal system loss the confidence of investor and in a cross-country regression, corporate governance variables enumerate more of the variation in exchange rate and stock market performance during the Asian crises than macroeconomic variables. The author found that the protection of minority shareholder right was one of the main reasons for depreciation and stock market declines during the crises.

La Porta, et al. (2000) examined the level of protection by law on investors, both shareholders and creditors from expropriation by the managers and controlling shareholders of firms. The authors explained the differences in law and how effective in implementation across countries, given the origin of these differences, enumerate their consequences, and examined the strategies of the corporate governance reform. The authors posited that legal approach was more meaningful way to understand corporate governance and its reform than the conventional differentiations between bank-centred and market-centred financial system.

Furthermore, La Porta, et al. (2002) formulated a model of the effects of legal protection of minority shareholders and of cash-flow ownership by controlling shareholder on the valuation of firms. The model was tested empirically using sample of 539 large firms from 27 developed economic countries. The results revealed that, higher valuation of firms in countries with well protection of minority shareholders, and firms with higher cash-flow ownership by controlling shareholders. The finding of this study was consistent with DeAngelo and DeAngelo (1985). The study also contributed to the theoretical framework on the effects of corporate ownership structure on valuation (Demsetz and Lehn (1985) and Morck, et.al (1988).

Shleifer and Vishny, (1997) examined the corporate governance with special focused to the importance of legal protection of investor, and ownership concentration in corporation around the world. According to the authors, corporate governance deals with agency problem, the separation of management and finance, the question of corporate governance was how to assure the supplier of capital that they get return on their investment. The authors proceed forward, by posited that agency problem gives an opportunity for the managers to run away with suppliers of capital fund or used them on irrelevant project with well documented. In the absent of governance it will be failure, as a result of the above, legal protection of investors rights, was one of important element of corporate governance. The concentration ownership through large shareholders, takeover, and bank financing are general method of control that can help investors to get back their money. Even though large investors can be assist effectively in providing solution to agency problem, but they may be inefficient in redistribution of the wealth from other investor to themselves.

OECD (2004) explained the important of legal regulatory, supervisory, and enforcement agencies so that corporate governance framework will be effective in a firm. The organization revealed that corporate governance framework should enhance transparency, consistent with rule of law, and there should be division of responsibility for supervisory regulator and enforcement agency in each country in which the firm operate. The organisation further explained that the bodies in charge of setting the principle of corporate governance in each of the country must make sure that there is no conflict between the codes or principle and the existing law of each of the country. In case if there is conflict appropriate legislation will be enacted. Although, when there is no conflict the legislation is required to support some area of corporate governance.

OECD (2004) principles also suggest that supervisory, regulatory and enforcement authorities must have the power, integrity, and resources needed to carry out their duties in a professional and objectives miner, however the rulings of these authorities should always be at appropriate time, transparent, and should be explain clearly. In addition, ECA (2002) explained that separating the government's policy making and regulatory roles through establishing independent regulatory mechanisms and increase the development of regulatory DeAngelo and DeAngelo (1985). The study also contributed to the theoretical framework on the effects of corporate ownership structure on valuation (Demsetz and Lehn (1985) and Morck, et.al (1988).

Shleifer and Vishny, (1997) examined the corporate governance with special focused to the importance of legal protection of investor, and ownership concentration in corporation around the world. According to the authors, corporate governance deals with agency problem, the separation of management and finance, the question of corporate governance was how to assure the supplier of capital that they get return on their investment. The authors proceed forward, by posited that agency problem gives an opportunity for the managers to run away with suppliers of capital fund or used them on irrelevant project with well documented. In the absent of governance it will be failure, as a result of the above, legal protection of investors rights, was one of important element of corporate governance. The concentration ownership through large shareholders, takeover, and bank financing are general method of control that can help investors to get back their money. Even though large investors can be assist effectively in providing solution to agency problem, but they may be inefficient in redistribution of the wealth from other investor to themselves.

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Moreover, La Porta, et al. (2000) examined the level of protection by law on investors, both shareholders and creditors from expropriation by the managers and controlling shareholders of firms. The authors explained the differences in law and how effective in implementation across countries, given the origin of these differences, enumerate their consequences, and examined the strategies of the corporate governance reform. The authors posited that legal approach is more meaningful way to understand corporate governance and its reform than the conventional differentiations between bank-centred and market-centred financial system.

In addition, Arun and Turner (2004) revealed that there is need for appropriate laws to protect investors, increase financial disclosure, and putting fiduciary duties on directors and company executives. Doidge et.al (2007) distinguish between the investor protection by the state and investor protection adopted by firm, the authors claimed that in a countries with weak development, it is very costly to improve investors protection because institutional infrastructure is lacking and sound governance has political cost. The authors revealed that in such countries an opportunity of improving corporate governance is not too much as a result of weak capital market and this indicate such countries have poor investor protection. They explained further that there is evidence of interrelationship between country-level of investor protection and firm-level of governance.

Empirical Review

Belete (2015) examined the impact of corporate governance on Ethiopian MFBs' performance. Return on Assets was the financial performance metric. Results showed that the profitability of microfinance institutions is influenced by board size, board competency, board experience in the financial industry, and board meeting frequency. Moreover, in Cameroon, Léopold et al. (2017) investigated the impact of governance measures on MFB performance. Following their investigation, the researchers discovered two major findings. First, relatively few governance methods had a substantial impact on MFBs' performance at the worldwide level. Secondly, comparative analysis revealed that differentiating governance procedures based on MFBs' legal status (cooperative and mutual benefit companies; nonprofit NGOs; private companies; and profit-seeking NGOs) increases their effectiveness.

Eyob (2016) also investigated the impact of corporate governance frameworks on Ethiopian MFBs' performance. Findings revealed that board size, gender diversity, and audit committee size all have a negative and significant impact on MFB's financial performance. In addition, the impact of corporate governance on the performance of listed financial institutions in Sri Lanka was explored by Danoshana and Ravivathani (2015). From 2008 through 2012, a total of 25 financial institutions were reviewed. It was discovered that corporate governance factors have a considerable impact on firm performance, with board size and audit committee size having a beneficial impact. Meeting frequency, on the other hand, was found to have a detrimental impact on the firm's success.

Adeabah et al. (2018) analyzed the performance of 21 Ghanaian banks in the context of board gender diversity. Findings revealed that, up to a point, gender diversity enhances a bank's performance and board size boosts bank efficiency, whereas powerful chief executives have the reverse effect. Nonetheless, Nyarko et al. (2017) opined that board size, long-serving CEOs, audit committee size, audit committee independence, foreign ownership,

institutional ownership, annual general meeting, and dividend policy are all positively related and associated with bank financial performance. Frimpong et al. (2015) also investigated the effect of corporate governance on the performance of Ghanaian banks. Analysis revealed that ROA exhibits a strong and positive correlation with non-executive directors, bank size, and bank growth. Contrastingly, audit committee size, board genderdiversity, board business management, and board member education had a significant and negative association with ROA.

Okoye, Adedayo, Ahmed, and Isibor (2017) examined the relationship between corporate governance and financial sustainability of MFBs in Nigeria during the period from 2011 to 2015. Findings reveal that corporate governance mechanisms (board independence, gender diversity) have no relationship with financial sustainability. Only board size shows a positive relationship with financial sustainability. However, Aliu and Gakure (2014) found a significant relationship between corporate governance and MFBs' sustainability. Uwuigbe (2011) investigated the corporate governance and financial performance of 21 Nigerian banks. It was discovered that board size and return on equity have an adverse relationship. It was also shown that banks that publish more information about corporate governance issues do better than those that do not. Moreover, Isaac and Nkemdilim (2016) while investigating the relationship between corporate governance and the performance of Nigerian commercial banks found a strong negative association between board size, board composition, and bank financial performance, while directors' stock holding correlates positively and significantly with bank performance.

Theoretical Framework

Different theoretical propositions, for example, stewardship theory, resource dependent theory, agency theory, institutional theory and the stakeholder theory have over the years been used to explain the concept of corporate governance. But studies (Jackling and Johl, 2009; Ujunwa, 2012; Ntim, 2015) have shown that the most utilized theories are the agency and resource dependent theory. Arguments on these theories tend to fault the postulations on the grounds of narrowness and too much focus on the organization and its shareholders without possible consideration on other stakeholders (Gerwanski, Kordsachia and Velte, 2019).

In the light of the presiding views against the agency and resource based theories, this study thus adopts the *Stakeholder* theoretical framework in trying to explain and examine the divergent notions of all stakeholders involved in both the financial and non-financial performance of the organization in achieving the desired sustainability (Flower, 2015. Gerwanski, Kordsachia and Velte, 2019). The stakeholder theory was propounded by Friedman (1984) with the underlying objective of bridging this gap and addressing the criticism leveled against the agency theory. Hence, Friedman postulates an inclusive corporate governance of the various stakeholders in the organization. In a broader perspective, the stakeholder theory could be viewed from an input-output scenario where all stakeholders involved in the business operations and performance are involved in the activities of the business (Gerwanski et al, 2019). The stakeholders could be categorized in the form of customers, employees, shareholders, investors, suppliers, the government and the society, whose t actions and inactions can affect the performance of the company either positively or negatively (Fernando, 2009).

As opined by Friedman (1984, p. 49), the stakeholder theoretical framework advocates for management of the organization to involve "…all groups who can affect or are affected by the achievement of an organization's purpose". This shows that, board members and management of the organization have the primary responsibility of reconciling and balancing the interest between shareholders and various stakeholders for the improvement and progress of the organization (Jensen and Berg, 2012). Other studies like Steyn, (2014); Romero, Ruiz, and Fernandez Feijoo, (2018); Stubbs and Higgins, (2018), further buttress the importance of board members in representing all stakeholders both internally and externally with valuable information regarding the operations and successes of the organization. In the views of Horisch, Freeman and Schaltegger (2014), the stakeholder's theory shed light upon the correlation and reliance of the business shareholders with other stakeholders for the sustainability and growth of the business organization.

In contemporary times, the knowledge and perspective the stakeholder approach has introduced into business operations has equipped board members of business organizations in strategically planning policies and programs that will assist the business in achieving its goals and objectives (Aminu, Aisha and Mohammad, 2015). This perspective and knowledge have further helped business directors and managers in aligning corporate organizational goals with the activities of all stakeholders for the sustainability of the organization (Naciti, 2019). Hence, the banking industry in Nigeria has over the years, imbibed the stakeholder theory perspective by including all stakeholders related to the industry for effective and efficient performance growth and sustainability (Olayiwola, 2018, Odunayo, 2019).

All things considered, the stakeholder theoretical perspective tends to act as a linkage amongst all affected interests in the business organization for the effective and efficient maximization and the advancement of the goals and objectives of the business. Thus, according to the stakeholders' thesis, a careful and strategic organization and management of all the aforementioned stakeholders is key to the optimization and growth of the business's financial performance.

Stewardship theory

The assumptions that underpin agency theory and transaction cost economics theory are used in stewardship theory. This theory emphasizes the positive effects of facilitative power arrangements on shareholder returns, which unify command by having the CEO and Chair be the same person. Returns to shareholders may be safeguarded by empowering managers to take autonomous executive action (Mallin, 2010) rather than placing management under greater oversight by owners (Kumar, 2010). The stewardship idea supports the agency theory in that it allows management more flexibility and opportunities rather than tightening oversight on senior management, which may create a climate of subordination to the chief, with the company suffering as a result.

Agency Theory

When it comes to companies and concerns about corporate control, agency theory sees corporate governance systems, particularly the board of directors, as an important monitoring device that guarantees that any difficulties caused by the principal-agent relationship are mitigated (Kumar, 2010). Managers are likely to be the owners' agents, but they must be supervised, and institutional frameworks must provide certain checks and balances to ensure that they do not misuse their position. The costs of abusing their position, and also the costs associated with monitoring and regulating them to avoid exploitation, are referred to as agency costs (Kim, 2010).

The agency theory serves as the underpinning theory as it applies to corporate governance in the banking sector. This theory connotes how the alignment of the audit committees, board composition, and size successively improve MFB's performance (Grove et al., 2011). A gap in the literature was evident because little research has been conducted on the effect of corporate governance on Nigerian MFBs. This study entailed research that seeks to fill the void in the literature, thus contributing to the existing body of academic literature.

Summary

The synopsis of the literature begins with a proper understanding of the concept of corporate governance and its dynamics in an organizational settings. Various scholarly definitions and conceptualizations were reviewed, and their relationships to the study context. The banking industry and the dynamism involved in its operations as it relates to corporate governance were also examined. Various issues were highlighted, and recent corporate governance codes in the Nigerian banking industry were also reviewed.

Furthermore, the structural framework of corporate governance was critically discussed. This basically highlights the board of directors' mechanism and its underlying variables. The concept of organizational performance was also examined, which was later narrowed down to the performance scope of the study – financial performance. A relational critic was also reviewed, which involves the study's independent variables and the dependent variables. Finally, the theoretical framework of the study was also identified, which focus on the stakeholder theory. The reason for the adoption of the theory was discussed as well and its relevance to the present study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

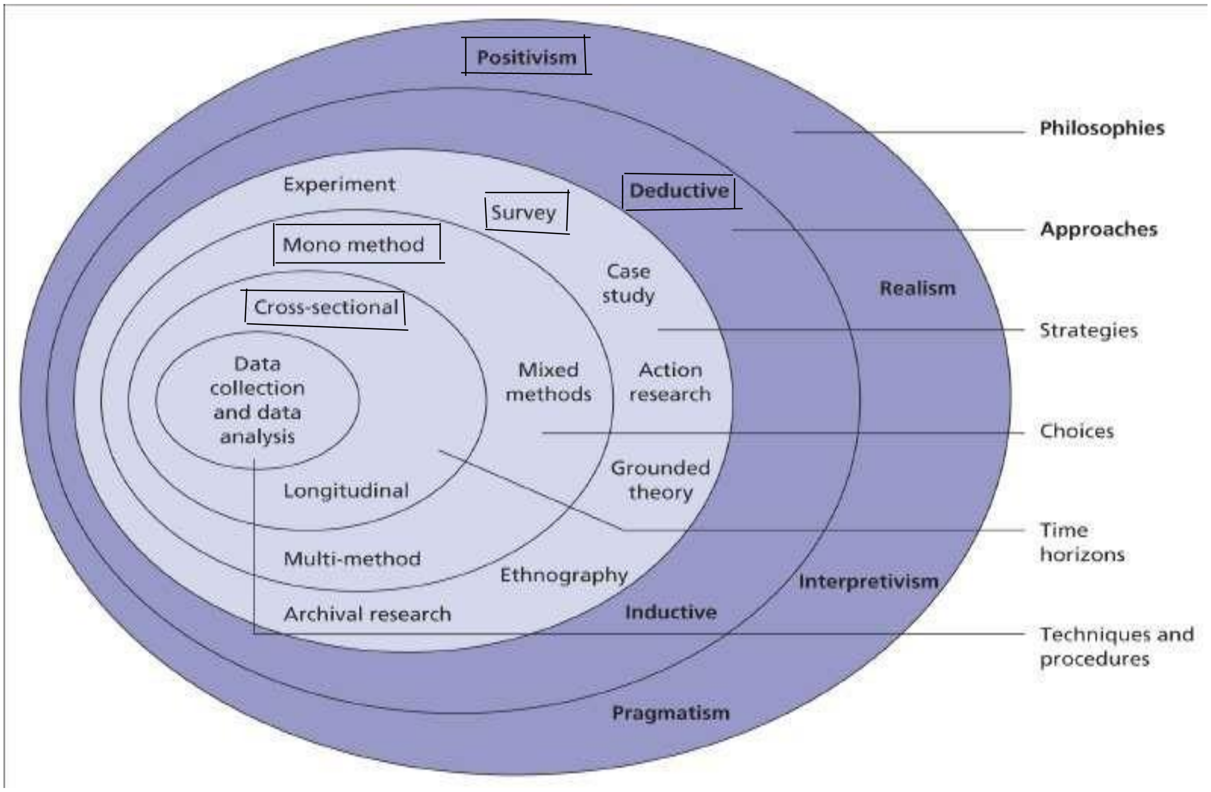
This chapter discusses the research design, formulation of hypothesis, study population, sample size, data collection method, instrumentation and method of data analysis adopted for this research.

According to Kothari (2004) research methodology involves proffering comprehensive solutions to current research problems. Thus, it is vital for the researchers to employ diverse strategies to investigate the problem and its justification. Supporting this view Greene (2006, cited in Onwuegbuzie and Frels, 2013) posited that evaluating the methodological framework of a research work constitutes four critical and distinct dimensions. These, include the logical presumptions and positions, independent reviews, standards for research ethics and ideological expectations that must be fully taken into consideration.

The research onion paradigm proposed by Saunders et al. (2009) is utilized in this research to portray the research process and also the choice of data collection techniques. Through the process of peeling each layer of the onion, the investigator adopts a sequential approach, discusses and elucidates any procedures employed to indicate those layers of the onion.

Furthermore, the research onion also provides a detailed insight on the research process that guides researchers accordingly by taking appropriate steps to accomplish a goal. It also offers a clear direction through which the methodology of a research can be well structured as it constitutes all categories of research procedures that can be applied in different contexts (Saunders et al, 2009). This approach will therefore be employed extensively to design the methodology of this study as it provides a workable path for the researcher to achieve the overall research aim. This chapter will further evaluate the research philosophies, approaches, strategies, designs, amongst others with their respective justifications for selection.

Research onion by Saunders et al, (2009)



3.1 Research Philosophy

Myers (1997, cited Knight and Cross, 2012) identified research philosophy as a coherent process used by researchers to examine how the world really works and evolve while reflecting their philosophical convictions of the world to a larger extent, along with its sequences and anomalies. Keightley (2010) equally added that the central focus of the research philosophy is basically to deal with the nature and source of knowledge development. It also provides the researcher with guidelines for choosing an effective data collection and analysis process.

The positivism research philosophy will be adopted as it relies greatly on quantitative data which can be statistically tested and analysed. Therefore, it will ensure that the research is independently carried out to further eliminate the possibilities of the researcher's bias during the data collection and analysis stage. This philosophy also guarantees that the research outcomes are not based on assumptions but are concrete and well detailed.

In addition, it will help the researcher to assess the impact of corporate governance on financial performance in a disinterested manner by primarily focusing on the board of directors of the four selected Microfinance banks in Nigeria.

3.2 Research Approach

Research approach covers the second stage of the research onion as proposed by Saunders et al, and this consists of the inductive and deductive method.

The latter method was selected for this study. Saunders *et al.*, (2009, p. 127) averred that the deductive approach recognizes 'the necessity to describe cause-effect associations, impacts, effects, between variables.' Also, the deductive approach has been chosen as it can contribute significantly towards developing the causal link between corporate governance and the financial performance in the context of the four selected Microfinance banks in Nigeria. The results will be assessed based on the prior knowledge that had been established to further determine whether they comply with the studies already done in the areas of corporate governance. The hypothesis outlined earlier, will later be subjected to empirical analysis in other to assess the effect of corporate governance on financial performance in the four selected Microfinance banks in Nigeria.

3.3 Research Strategy

A strategy is an action plan for achieving a specific objective. Research strategy can be described as the different phases a researcher can employ to adequately address the relevant research questions of the study. Hence, the various strategies that can be adopted by a researcher includes experiment, case study, and survey, amongst others. (Saunders et al., 2009)

The survey strategy is mostly connected to the deductive approach. It is a well-known strategy for business and organizational research that is used to questions on what, who, how many, where, on research problems. It also serves as the basis for collecting quantitative data to give logical answers to specific relationships amongst variables (Saunders *et al.*, 2009)

The aim of choosing a research strategy is to support the researcher in addressing the research questions thereby achieving the corresponding objectives. Likewise, the researcher's ultimate decision for selecting a research strategy is mostly centred on how the research objectives and questions have been designed, the degree of previous knowledge, time-limit of the study and the philosophical basis of the research. (Saunders *et al.*, 2009)

The Survey Strategy has been adopted for this research work following the aforementioned basis for adopting a research strategy has established by Saunders *et al.* The reason for adopting this strategy is that it is directly linked to the deductive approach which further strengthens the philosophical basis of this research. Also, it has been noted that the data gathered through the survey strategy could give logical answers to a number of variable relationships. Hence, going by the research objectives, it is evidently clear that this research work is centred on exploring the effect of independent variables on the dependent variables to establish variable connections.

3.4 Research Design

According to Saunders *et al.*, (2009) Research design is the overall layout of how the research questions should be addressed. It constitutes clear and well-defined objectives drawn from the research questions, reveals the sources of obtaining data and justifies how the data will be collected for the research. Also, it is a key component of a study that can further determine the trajectory of the research (Keightley, 2010). There are three vital research designs which include exploratory, descriptive, and explanatory studies. (Saunders *et al.*, 2009)

The explanatory research design is connected to quantitative research method that proffers practicable solutions to a research problem. Consideration the specific nature of this study, explanatory research design has been adopted because it allows for the collection of quantitative data and can further support the researcher for quantitative analysis. Also, the aim of thisresearch is to examine probable cause -and -effect relationship between variables. Thus, this research model design will adequately examine the effect of corporate governance on the company's' financial performance in the Nigerian banking sector.

3.5 Research choices

A mono-method will be adopted for this study. This will consist of a single quantitative data collection and analysis technique through the survey questionnaire which will be administered using an online channel. This technique has been chosen since it can support this study, essentially by addressing the research questions in order to achieve the objectives of this research.

3.6 Time Horizon

According to Saunders *et al.*, (2009) there are 2 types of time horizon which include cross-sectional studies and longitudinal studies.

The cross-sectional study will be adopted for this research, as it embraces the survey strategy.

3.7 Sources of Data Collection

There are 2 sources of data collection which are primary and secondary data.

***Primary Data* –** Primary data can be described as set of data collected by the researcher to gain deeper understanding in addressing the research questions. This will thus enable the researcher to obtain factual data from respondents to adequately answer the identified questions of the research. Primary data can be obtained through questionnaires, case studies, surveys, interviews and so on, Rabianski (2003) . As noted in the research choice, this study will adopt a single quantitative data collection technique. Since this technique constitutes planned observations and questionnaire, the *Survey-Questionnaire* has been selected as the primary method of data collection.

***Secondary Data* -** Johnston, (2017) proposed that there has been a growing use of established literature for review as the secondary data is based on previous studies. Saunders et al., (2009) identified three classes of secondary data which include documentaries, survey-based and multiple sources. Saunders et al., (2009) noted that the documentary secondary data is mostly used in research work that also collects primary data. These secondary data can be obtained from journals, books, magazines, companies reports, correspondence, conferences, and so on.

Therefore, for analysis purposes, the two sources of data collection will be employed. The primary data will be used to measure the independent variables of this study obtained via the *Survey Questionnaire***.** Whereas, the secondary data will be used to measure the dependent variable (Corporate Financial Performance), extracted from published audited *Financial Report*, other secondary sources of data for this study, will be gathered from peer-reviewed articles and online journals including Google Scholar, SAGE, EBSCO, and Research Gate.

3.8 Instruments for Data Collection

For this study, a close-ended survey questionnaire has been adopted. The data obtained from this method will further enable the researcher to get clear answers from the respondents regarding their views on the subject-matter of the research. Also, Google forms have been used to collect responses from respondents which were accessed through www.googleforms.com . The study was aimed at recruiting 100 respondents, primarily consisting of the four selected Nigerian banks. The use of a close-ended survey questionnaire as the instrument for data collection thus contributed immensely to the timely collection of responses from the sampled population. (Ellingsen et al, 2010)

3.9 Pilot Test

Before the distribution of questionnaires to respondents, the questionnaire was proof-read by my thesis supervisor who detected and corrected errors which may have hindered respondents from giving accurate response to questions contained in the questionnaire. Furthermore, a pilot test was also carried out. According to Baker (1994), a pilot test is used to test a research instrument. Connelly (2008), reveals that a pilot test should be carried out on 10% of the sample projected for the larger parent study. To this end, 20 questionnaires were administered to the relevant respondents in 4 Microfinance Banks in Nigeria.

According to Connelly (2008), the results of a pilot test carried out on the researcher's instrument reveals the feasibility of a proposed study. He stated that if the questionnaire is understandable and 70% of the sample fills the questionnaire appropriately with their response sufficient enough to provide answers to the research questions then the study is feasible.

The result of the pilot test conducted for this study revealed that:

- The respondents understood the questions contained in the questionnaire as no complain were received.
- 16 out of 20 respondents filled the questionnaire appropriately.
- Their response was sufficient enough to answer the research questions.

Using Connelly's criteria, the result of the pilot test reveals that the study was feasible. The questionnaire was understandable, over 70% of the questionnaires were appropriately filled and the responses provided were sufficient enough to answer the research questions.

3.10 Sample and Sampling techniques

(Saunders *et al.*, 2009) identified that the use of the sampling technique is more reliable than a census. This research will employ the use of purposive or judgmental sampling technique which is one of the methods in *Non-probability sampling techniques***.** The use of this technique gives the researcher meaningful insights in addressing the research questions based on the data collected, through selection of participants that are knowledgeable on the subject matter. It further enabled the researcher to select four notable banks in Nigeria, which were selected as top players in the Nigerian Banking System based on their geographical spread. Hence 100 respondents consisting of the selected Nigerian Banks' Management staff were purposely chosen as the sampled population for this study.

The generated web link from google forms were sent to the selected participants of the study through an established contacts in these banks. However, 80 out of the 100 targeted participants responded swiftly to the survey. This allowed for the collection of valuable responses from the targeted participants of the study within a short space of time.

3.11 Data Analysis Method

All studies are designed to deliver and contribute relevant information. Nonetheless, there is a distinction between information and data obtained. Therefore, it is essential to translate raw data into useful information, therefore the necessity for data processing and analysis. The primary data collected from respondents via the survey questionnaire coupled with the secondary data accessed via the financial report of the selected banks under-review will be coded and stored into the SPSS Package (Statistical Package for Social Sciences) to generate frequency tables, graph and charts. Also, this will be very useful to execute a number of inferential statistics rapidly and accurately. (Collis and Hussey, 2014)

Primarily, the first set of analysis to be carried out will be descriptive in nature. Zikmund (2003, cited in Coldwell, and Herbst, 2004) established that descriptive analysis involves converting raw data obtained to a form which can be properly accessed and interpreted. Therefore, as the analysis continues, inferential statistics using multiple regression will be employed to further explain variable relationships so that a valid conclusion or outcome can be achieved.

3.12 Validity and Reliability

According to Saunders *et al.*, (2009) measuring the validity of a research involves ensuring that the outcomes fit perfectly and appear like what it should be. This research employed face and content validity, through the guidance of my project supervisor who assessed the questionnaire in compliance with grammatical accuracy prior to the final approval.

Saunders *et al.*, (2009) noted that reliability involved the dependability of the research instrument used during the data collection process which in another context will deliver similar outcomes. This research adopted the survey questionnaire as the research instrument based on its acclaimed robustness, according to reputable researchers. This is proven in the research carried out by Rani, Yadav and Jain (2013) who also used the survey questionnaire as the instrument of research to access 155 companies in India on ‘The Impact of Corporate Governance Score on Abnormal Returns of Mergers and Acquisitions’. This is however partly consistent with this research work as they are both centered on corporate governance.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

A comprehensive analysis, discussion of the results and findings are the subjects of this chapter. The results presentation were given sequential in order of the research question .The sampled respondents, from the methodology section were 100, however responses from the questionnaires obtained from the field were 80. This now forms the new sample for the data analysis. Using SPSS (version 21), a descriptive statically analysis was conducted on the study's bio-data and responses from each of the questions in the questionnaire. Subsequently, a multiple regression analysis was conducted to the test the various hypotheses enumerated in the study.

The multiple regression model was chosen for this research because the model will give me an explicit impact of each of the independent variables on the dependent variables. It was also employed because of its utilization in various empirical diagnosis in corporate governance and organizational performance literatures (Shelash Al-Hawary 2011; Progress, Hlanganipai and Godfrey, 2014; Akinleye et al, 2018; Almor et al, 2019; Manyaga, Muturi and Oluoch, 2020).

4.1 Data Presentation and Analysis Social-

Demographic Profile of Respondents

Table 4.1: Gender of Respondents

	Respondents	Percentage	Valid Percentage	Cumulative Percentage
Male	45	56.3	56.3	56.3
Female	35	43.8	43.8	100.0
	80	100.0		

It could be gleaned from the above table that a greater proportion of the sample frame were male while the rest females. This implies that the bulk of the responses were male bank workers.

Table 4.2 Educational Qualifications of Respondents

	Respondents	**Percentage**	**Valid Percentage**	**Cumulative Percentage**
Bachelors	33	41.3	41.3	41.3
Masters	31	38.8	38.8	80.0
Doctorate	15	18.8	18.8	98.8
Others	1	1.3		100.0

Cursory look at the above table 4.2, indicates that the years of schooling is a major factor that shapes the opinions of respondents – for instance, Bachelor degree holders accounted for a moderate number of responses, Masters Holders still a smaller number while the least number of answers came from PHD holders. It could be validly referred therefore, that majority of the respondents have basic university degree.

Table 4.3 Years of Experience of Respondents in the Microfinance Bank

	Respondents	**Percentage**	**Valid Percentage**	**Cumulative Percentage**
Less than 1 year	2	2.5	2.5	2.5
1-2 years	15	18.8	18.8	21.3
2-5 years	25	31.3	31.3	52.5
More than 5 years	38	47.5		100.0

Table 4.3 shows the years of experience of respondents in MFBs. Length of years in service can be seen as a significant factor affecting the responses- for instance nearly half of the total sample size have spent upwards of 5 years in the banks , about a quarter of them 2-5 years, about 15% 1-2 years and the rest have just spent less 1 year in banks .

Table 4.4 Current Position in the Bank

	Respondents	Percentage	Valid Percentage	Cumulative Percentage
Board of Director	12	15.0	15.0	15.0
Senior Management	30	37.5	37.5	52.5
Middle Management	23	28.8	28.8	81.3
Branch Supervisor	15	18.8	18.8	100.0
Total	80	100.0		

Results show that senior management tops the chart, having the highest number of responses; followed by middle management; and at the bottom of the responses are both the board members and branch supervisors respectively.

Table 4.5 Descriptive Analysis of Variables

S/N	Descriptive Items	Strongly agree	Agree	Disagree	Strongly disagree
	Board Size/Structure				
1	Financial performance of the Nigerian Microfinance Banking Industry is improved by small boards of Directors	18.8%	50.0%	18.8%	12.5%
2	Larger Board sizes are more proficient in improving the financial performance in the Nigerian Microfinance Banking Industry	17.5%	60.0%	21.3%	1.3%
3	Larger Board Sizes are prone to more conflicts of interest amongst Board Members which cause delay in reaching unanimous agreement	17.5%	58.8%	13.8%	10.0%
4	Larger Boards conveys significant experience and professional skills in MicroFinance Banking Industry	12.5%	65.0%	17.5%	5.0%
	Board Diversity				

5	For the past 5 years, appointments and Elections of Board Members reflects diverse skills and	36.3%	40.0%	15.0%	8.8%
	expertise that are essential in the financial growth of the Banking Industry				
6	The Board composition considers both genders in their selection	28.8%	55.0%	10.0%	6.3%
7	Activities of the Board of Directors have largely contributed to the attainment of the Bank's overriding objectives	13.8%	58.8%	22.5%	5.0%
8	All stakeholders in the organization are well represented to attract a sense of belonging, thereby, leading to an improved financial Performance	31.3%	42.5%	23.8%	2.5%
	Board Independence				
9	The number of Non-Executive Board members are more than the Executive Board members	13.8%	46.3%)	35.0%	5.0%
10	Executives are better placed to make decision and formulate Strategies	17.5%)	55.0%	17.5%	10.0%
11	The Board is more independent when the ratio of outside Board members' rises	12.5%	48.8%	32.5%	6.3%
12	The involvement of independent Directors has influenced the financial performance of the Company Positively	13.8%	48.8%	30.0%	7.5%
	Board Effectiveness				
13	Board members should have skills and adequate time to carry out their responsibilities effectively.	26.3%	61.3 %	7.5%	5.0%
14	There is a proper induction, training and continuous professional development for Board members to carry out their duties efficiently	31.3%	38.8%	21.3%	8.8%
15	The Board of directors has a proper succession planning in place	22.5%	55.0%	16.3%	6.3%
16	Annually, the board undertakes a self-assessment evaluation of their performance and their respective committees	23.8%	55.0%	12.5%	8.8%

Table 4.5, gives a breakdown of responses obtained from the respondents on the variables under study.

As to whether financial performance has been improved by small board sizes, half of the respondents agreed, while the rest expressed opposing views. Therefore, small board sizes are obviously a decisive factor on the improvement of financial performance.

Responses to the question of whether larger board size more proficient in improving the financial performance in the banks show that 60% and 13% where in favor while 21.3% and 17.5% were not in favor. The likely upshot of this is that larger board sizes are more proficient in improving financial performance of banks.

On larger board sizes and susceptibility to conflict of interest among members, more than half agreed while others disagree and strongly disagreed respectively. This simply means that larger board sizes with the attendant bureaucracy tend to engender conflict of interest and delay in effective decision making.

Pertaining to the question of whether larger boards convey significant experience and skills in banks, a significant majority was in favor, while minority dissented. The obvious implication of this is that larger board sizes bring with it tremendous experience and skills to the sector

On board diversity, there was no consensus of opinion as to the presence of relevant skills and expertise, a moderate agreement on composition and gender mix, fairly sizable agreement about the board's activities' contribution to the financial objectives, and absence of a majority opinion on whether or not stakeholders are well represented in the boards to enhance financial performance. In other words, diversity is not a critical factor to the realization of financial Objectives.

Jointly considering board independence and effectiveness, the data analysis shows that majority of the sample respondents supported effectiveness since it's improves organizational performance more than the independence factor. This implies that effectiveness exerts greater influence on Organization financial performance

4.2 HYPOTHSES TESTING AND DICUSSION OF FINDINGS

In order to test the hypotheses, data collected on the corporate governance variables were subjected to multiple regression analysis using ROA and ROE as dependent variables and the results are presented in Table 4.6 to Table 4.9. The model specification is also stated below;

$CFP = c + \beta 1BSit + \beta_2 BDit + \beta_3 B1it + \beta_4 BEit + Uit$

Where:

CFP = corporate financial performance, the dependable variable

c = the intercept of the regression equation

BS = Board Size

BD = Board Diversity

BI = Board Independence

BE = Board Effectiveness

U: Error term

$\beta 1$, β_2, $\beta 3$, $\beta 4$= Regression co efficient attached to the independence variables board size, board diversity .board independence and Board effectiveness respectively,

Hypothesis One

H_1: There is no significant relationship between board size and corporate financial performance

Table 4.6: Multiple Regression Analysis of the relationship between board size and corporate financial performance

Tests of between-subjects effects						
Source	**Dependent Variable**	**Type III Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Corrected Model	ROA	7.635[a]	1	7.635	2.075	.167
	ROE	302.891[b]	1	302.891	2.730	.116
Intercept	ROA	42.193	1	42.193	11.465	.003
	ROE	1810.994	1	1810.994	16.321	.001
BS	ROA	7.635	1	7.635	2.075	.167
	ROE	302.891	1	302.891	2.730	.116
Error	ROA	66.242	18	3.680		
	ROE	1997.281	18	110.960		
Total	ROA	254.417	20			
	ROE	10466.224	20			
Corrected Total	ROA	73.877	19			
	ROE	2300.171	19			
a. R Squared = .103 (Adjusted R Squared = .054), b. R Squared = .132 (Adjusted R Squared = .083)						

a. Dependent Variables: ROA, ROE

b. Predictors: (Constant), Board Size

Results showed that there is no significant relationship between board size and corporate financial performance (ROA, F= 2.075, $p > 0.05$) and (ROE, F= 2.730, $p > 0.05$). Therefore, the null hypothesis which states that there is no significant relationship between board size and corporate financial performance is hereby not rejected. With R^2 = 0.103 for ROA and ROE, R^2 = 0.132 for board size, Therefore the conclusion is that there exists an insignificant positive relationship between board size and corporate financial performance.

Essentially, the responsibility of maintaining an effective oversight on management and staff in order to achieve the objective of an organization is the core function of the Board of directors. Over the years, numerous studies have been conducted in the area of corporate governance as shown in the studies literature, but considering the scope of this study, only a few investigations are conducted. With the study aims and objectives which are to examine the relationship between the variables of corporate governance and financial performance in the sampled banks in Nigeria, the study found some insightful conclusions.

Firstly, testing the relationship between board size and financial performance showed that there is no significant relationship between the board size and financial performances in the selected Microfinance banks in Nigeria. This accords with Thuraisingam (2013) done to determine t the relationship between corporate governance and performance of the banking industry in listed banks in Sri Lanka from 2008 – 2011. Using linear regression, it was shown that there is no significant relationship between board size and financial performance measures. In the same vein, Xavier et al (2015) in their study on the impact of corporate governance and financial performance on deposit banks in Rwanda, with a sample size of 92 respondents involving senior managers in the sampled banks, it was noted that board size did not significantly affect financial performance. Likewise, Ahmed and Hamdan (2015) investigated the relationship between Corporate Governance and firm performance as it affects 42 listed companies on the Bahrain Stock Exchange using ROA and ROE and found that elements of corporate governance such as board size haveno significant relationship with financial performance. Zabri, Ahmad and Wah (2015) also examined the relationship between corporate governance structure and organizational performance using ROE and ROA, and reported that relationship between board size and ROA were very weak, while board size and ROE showed a similar result.

Furthermore, a sizable number of studies (Busta, 2007; Zulkafli & Samad 2007; Shelash Al-Hawary 2011; Progress, Hlanganipai and Godfrey, 2014) has showed that there exists no significant relationship between board size and financial performance in the banking industry as investigated in different countries.

On the contrary, other studies conducted in the area of corporate governance and organizational financial performance have shown positive correlation. For example, Ammar et al (2013), employing the analytical method of regression conducted a study on the effect of corporate governance on firm's performance. Using a sample of 160 organizations from the Karachi Stock

Exchange (KSE) within the period 2007 – 2011, discovered that, there exists a significant link between board size and the listed firms' performance. Likewise, Osundina et al (2016) investigated the relationship between corporate governance variables or measures like board size on financial performance index (ROA). The study sampled 30 companies from listed manufacturing companies in Nigeria from the period 2010 – 2014. Results from the study indicates that corporate governance measures like board size positively affects financial performance in a significant manner.

Also, Kajola (2012), examined the link between measures of corporate governance (board size, chief executive status, board composition and audit committee) and financial performance indicators (return on equity and profit margin). The study employed panel data methodology and OLS as analytical tools with a sample of 20 firms listed on the Nigerian Stock Exchange from a timeline of 2000 – 2006. The findings of the study revealed that, there is a significant positive relationship between board size and organization's financial performance. In another study conducted by Danoshana and Ravivathani (2014) on the impact of corporate governance indicators and measures of business corporations' performance of 20 listed firms (financial institutions) in Sri Lanka covering a time frame of 5 years (2008 to 2012), Financial performance was measured using ROE and ROA, with a regression analytical technique. This study highlighted the fact that corporate governance indices like board size significantly affect financial performance of the organization. Again, Akinleye et al (2018), examined corporate governance and financial performance using data from listed annual reports of four (4) multinational firms in Nigeria within the period 2012 to 2016. The data were analyzed with the use of descriptive statistics, correlation and panel regression analysis. The finding from the study shows that board size significantly affects financial performance.

Hypothesis Two

H_2: There is no significant relationship between board diversity and corporate financial Performance.

Table 4.7: Multiple regression analysis of the relationship between board diversity and corporate financial performance

Tests of between-subjects effects						
Source	**Dependent variable**	**Type III sum of squares**	**df**	**Mean square**	**F**	**Sig.**
Corrected Model	ROA	1.267[a]	1	1.267	.314	.582
	ROE	88.805[b]	1	88.805	.723	.406
Intercept	ROA	38.784	1	38.784	9.615	.006
	ROE	1900.347	1	1900.347	15.468	.001
BD	ROA	1.267	1	1.267	.314	.582
	ROE	88.805	1	88.805	.723	.406
Error	ROA	72.610	18	4.034		
	ROE	2211.366	18	122.854		
Total	ROA	254.417	20			
	ROE	10466.224	20			
Corrected Total	ROA	73.877	19			
	ROE	2300.171	19			
a. R Squared = .017 (Adjusted R Squared = -.037), b. R Squared = .039 (Adjusted R Squared = -.015)						

a. Dependent Variables: ROA, ROE

b. Predictors: (Constant), Board Diversity

Results showed that there is no significant relationship between board diversity and Corporate Financial Performance (ROA, F= 0.314, $p > 0.05$) and (ROE, F= 0.723, $p > 0.05$). Therefore, the null hypothesis that states that there is no significant relationship between Board diversity and corporate Financial Performance fails to be rejected. The analysis therefore shows an insignificant positive relationship between board diversity and corporate financial performance ($R^2 = 0.017$ for ROA and ROE, $R^2 = 0.039$ for board diversity).

Supporting the finding of the study as regards the insignificant position of board diversity and corporate financial performance, Jegede, Akinlabi and Soyebo (2013), investigated the impact of corporate governance on financial institutions in Nigeria from 1999 to 2009, with a sample of 8 listed banks. The data for the study was analyzed with the use of regression estimation. The study reveals that corporate governance indicators like board diversity, bank board committee and age had a negative and insignificant relationship with organizational financial per0formance. Correspondingly, Karam and Sonia (2015) studied the effect of corporate governance and firms' profitability in the context of textile industry in India. Thirty (30) listed manufacturing firms were sampled within a timeframe of 2010 to 2013. The study analyzed its data employing correlation and multiple Ordinary Least Square (OLS) regression estimate. It was observed from the study that board gender diversity has a negative impact on organizational performance.

Subsequently, Alexander, David, Musibau and Adunola (2015), examined the effect of corporate governance and firms financial performance with a sample of 248 listed Nigerian firms. The data were analyzed with the use of panel regression estimate. The analysis of data from the study depicts that corporate governance indicators like board gender diversity and owner structure, have no significant relationship with organizational performance. Furthermore, Abdullahi, Rohami and Kuwata (2017), examined the effect of corporate governance on financial performance. The study consisted of 21 listed banks on the Nigerian Stock Exchange within the period 2006 to 2009. The data were analyzed using multiple regression analysis, with corporate governance measures like board size, board gender diversity and a performance measure, ROA. This Study concluded that there was no significant connection with corporate governance measures and corporate financial performance.

On the other hand, studies conducted by other researchers have shown a significant relationship between board gender diversity and organizational financial performance. For instance, Almor et al (2019), examined the effect of board gender diversity on research and development investment. Quantitative data from 44 countries were utilized which were mainly obtained from the BoardEx global leadership database from a period of 1999 to 2014. The statistics were analyzed with the use of descriptive method, correlation and regression analysis. The data results revealed that gender board diversity significantly affects performance and encourages investments on research and development. In a similar manner, Manyaga, Muturi and Oluoch (2020) investigated the relationship between board gender diversity and financial performance of commercial banks in Kenya. The study sampled 34 listed commercial banks, with performance indicator as return on equity. Secondary data from annual reports of the sampled banks were analyzed within the period 2008 to 2017. Descriptive and the fixed effect regression model were utilized. The study found out that board gender diversity has a significant negative relationship on financial performance. Again, Saleh (2016), examined the effect of gender board diversity and financial performance in selected listed commercial banks in Nigeria. They concluded that gender board diversity has a significant impact on organizational financial performance.

Hypothesis Three

Board independence and corporate financial performance (ROA and ROE) respectively.

H_3: There is no significant relationship between board Independence and corporate financial performance

Table 4.8: Multiple Regression analysis of the relationship between board independence and corporate financial performance

Tests of between-subjects effects						
Source	**Dependent variable**	**Type III sum of squares**	**Df**	**Mean square**	**F**	**Sig.**
Corrected Model	ROA	5.416[a]	1	5.416	1.424	.248
	ROE	101.508[b]	1	101.508	.831	.374
Intercept	ROA	50.066	1	50.066	13.163	.002
	ROE	1797.492	1	1797.492	14.716	.001
BI	ROA	5.416	1	5.416	1.424	.248
	ROE	101.508	1	101.508	.831	.374
Error	ROA	68.461	18	3.803		
	ROE	2198.663	18	122.148		
Total	ROA	254.417	20			
	ROE	10466.224	20			
Corrected Total	ROA	73.877	19			
	ROE	2300.171	19			
a. R Squared = .073 (Adjusted R Squared = .022), b. R Squared = .044 (Adjusted R Squared = -.009)						

a. Dependent Variables: ROA, ROE

b. Predictors: (Constant), Board Independence

Results showed that there is no significant relationship between board independence and corporate financial performance (ROA, F= 1.424, $p > 0.05$) and (ROE, F= 0. 831, $p > 0.05$). Therefore, the null hypothesis that states that there is no significant relationship between board Independence and corporate financial performance is hereby accepted. The data analysis also reveals a positive insignificant relationship between board independence and corporate financial performance which is depicted by $R^2 = 0.73$ for ROA and ROE, $R^2 = 0.044$ for board independence.

Numerous studies have been conducted related to the afore-mentioned findings. In agreement with the study's findings, Al-ahdal et al (2020), examined the relationship between corporate governance and financial performance of selected listed firms in India. The result of the findings indicates that corporate governance indices like board independence has an insignificant relationship with corporate financial performance. Likewise, Alexander, David, Musibau and Adenola (2015), investigated the effect corporate governance on firms financial performance. The study sampled 248 firms listed on the Nigerian Stock Exchange. The data were analyzed using the panel regression model. The result shows that board independence has no significant relationship with organizational performance. Babatunde and Olaniran (2009) examined the impact of corporate governance on firms' performance in 62 firms listed on the Nigerian Stock Exchange within the period 2002 to 2006. The study concluded that board independence does not affect firm's financial performance significantly.

Opponents of these view, on board independence and firm's financial performance also abound. Arora and Sharma (2016), examined the effect of board independence on firm's performance. The study admitted that independent directors positively and significantly affect organizational performance. Similarly, Mishra and Mohanty (2014) reported the same results. In their study, conducted on board independence influence on organizational performance, it was shown that independence of board members is positively related to organizational performance. The study conducted by Chancharat and Chancharat (2019) on board structure, ownership structure and performance of listed firms in Thailand also disclosed that board independence has a significant influence on an organizational performance indicator like return on assets.

Apadore and Zainol (2014) equally examined corporate governance and organizational performance. The result of the study indicated that, independent board members significantly influence the financial performance of the organization and also reduces agency cost and accelerates the growth and development of the organization.

Hypothesis Four

H_4: There is no significant relationship between board effectiveness and corporate financial Performance

Table 4.9: Multiple regression analysis of the relationship between board effectiveness and corporate financial performance

Tests of between-subjects effects						
Source	**Dependent Variable**	**Type III Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Corrected Model	ROA	19.248[a]	1	19.248	6.342	.021
	ROE	653.870[b]	1	653.870	7.149	.015
Intercept	ROA	105.701	1	105.701	34.828	.000
	ROE	4315.000	1	4315.000	47.178	.000
BE	ROA	19.248	1	19.248	6.342	.021
	ROE	653.870	1	653.870	7.149	.015
Error	ROA	54.629	18	3.035		
	ROE	1646.301	18	91.461		
Total	ROA	254.417	20			
	ROE	10466.224	20			
Corrected Total	ROA	73.877	19			
	ROE	2300.171	19			
a. R Squared = .261 (Adjusted R Squared = .219), b. R Squared = .284 (Adjusted R Squared = .245)						

a. Dependent Variables: ROA, ROE

b. Predictors: (Constant), Board Effectiveness

The results show that there is significant connection between board effectiveness and corporate financial Performance (ROA, F= 6.342, $p < 0.05$) and (ROE, F= 7.149, $p < 0.05$). Therefore, the null hypothesis that there is no significant link between Board Effectiveness and Corporate Financial Performance is hereby rejected. With $R^2 = 0.261$ for ROA and ROE, $R^2 = 0.284$ for board effectiveness, it therefore shows that, there is a positive significant relationship between board effectiveness and corporate financial performance.

Corroborating the study‘s findings in relation to board effectiveness and organizational performance, Baulkaran and Bhattarai (2020) examined board effectiveness and its impact on firm’s risk. The study utilized the Board Shareholder Confidence Index (BSCI) in analyzing selected sampled firms. The existence of a strong relationship between board effectiveness and a firm’s risk reduction was the outcome of the study. Conheady, Mcllkenny, Opong and Pignatel (2014), also examined the relationship between board effectiveness and organizational performance in selected listed firms in Canada. The study sampled 888 firms from the period 2003 to 2009. The data were analyzed using the descriptive model and regression method. It was realized from the study that there was an important connection between board effectiveness and organizational performance. Bebchuk et al (2009), researched on the effect of board effectiveness and firm’s performance, the analysis showed that a well governed organization positively and significantly affected performance.

The studies like Arcot and Bruno (2007), employed the quality of disclosure practice as an indicator of board effectiveness. The study sampled listed non-financial firms in the UK, and it was realized that, there exist a significant relationship between effective disclosure practice and firms performance. Ntim et al (2011) showed that a firm’s financial performance improvement is connected to its effective board compliance and disclosure practices as prescribed in the corporate governance code. Hence, there is a positive significant relationship between board effectiveness and corporate performance.

Conversely, other studies (Klien et al, 2005; Gupta et al, 2009; Bozec et al, 2010) have also disclosed a weak association between board effectiveness with different measurement like board disclosure, risk rating, etc. and organizational performance.

In conclusion, the findings of this study therefore contribute to the number of mixed empirical discoveries in the of field corporate governance literature. The insignificant relationship between the board of directors' indictors such as board size, board independence and board gender diversity and corporate financial performance shows that, the composition of the board of directors in the sampled Nigerian banks does not necessarily influence their financial performance measured in terms of ROA and ROE. However, the board effectiveness as one of the board of director's indices shows a significant positive relationship, which imply that, the effective activities of the board of members, irrespective of their composition, have a strong influence on the financial performance of the sampled Microfinance banks, hence ensuring corporate financial sustainability.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the research findings by way of conclusion and recommendations.

5.1 Conclusion

Sustainable development and progress of any economy are predicated on the ability of decision-makers to fashion and execute good judgments, which improve the performance of industries (Bansal and Singh, 2019). Corporate governance is one of the vital instruments for ensuring long-term sustainability and positive performance in the organization. The issue of corporate governance has, over time become an interesting discussion in both developed and developing economies (Tsai et al., 2013). According to Bhatt and Bhattacharya (2015), engaging in solid corporate governance practices is pertinent to restoring and improving investors and shareholder’s confidence, especially when there is a downturn of the firm’s fortune as witnessed in the Nigerian banking sector some years ago. As an important institution and instrument in the organization, the board of directors plays a crucial role by helping to reduce or remove the agency cost and challenges ,which most time often occur to the struggle and tussles in terms of decision making between the owners of the business (principals) and the agent (managers) (Bansal and Singh, 2019).

The board of directors as the highest decision making body in the organization is measured by different indices like the board size, board independence, board gender diversity, board effectiveness amongst others. In constituting the board of directors, the size of the board is linked with the structure and magnitude of the firm (Arora and Sharma, 2016). A small firm most times constitute a small board size while a large firm with *all things being equal* operates a large board size. According to Bansal and Singh (2019), strategic decisions and changes are associated with the size of the board in an organization. While bearing in mind the indicator of board size, Coles et al., (2008), argued that independence and outside directors constitute larger boards in the case of big firms. Hence, outside directors are instrumental in bridging the gap between managers’ interest and the interest of shareholders (Arora and Sharma, 2016). Notwithstanding the study findings on board size and board independence in relation to organizational financial performance, which reveals an insignificant positive relationship, Ramano et al (2012) in alignment to the findings argued that, as board size and board independence increases as witnessed with big firms like the sampled banks of the study, they develop into functioning less effectively and become more bureaucratic. And likewise, a small board size and lack of board independence might lack the capacity to monitor and supervise activities of management in the organization.

The study also concludes that there is an insignificant relationship between board gender diversity and corporate financial performance in the selected sampled banks in Nigeria. The study confirms the findings of Jegede et al. (2013), which reveals an insignificant relationship between board gender diversity and financial organizational performance. That is to say, irrespective of board gender arrangement and structure, the financial performance of the organization is not affected by the board gender diversity. Other studies (Alexander et al., 2015; Karam and Sonia, 2015; Abullahi et al., 2017) also supported the hypothetical statement that, board gender diversity does not significantly affect financial performance.

In terms of board effectiveness and corporate financial performance, the study concludes that there is a significant relationship between the variables. This posit that the effectiveness of the board of directors has a positive significant influence on the financial performance (ROA and ROE) of selected sampled Nigerian banks. Confirming the study concluded findings, Baulkaran and Bhattarai (2020), argued that board effectiveness positively effects organizational performance by reducing firm's rick and cost of doing business. Conheady et al (2014) also supported the study concluded findings in relation to board effectiveness and corporate financial performance by revealing in their study that, board effectiveness significantly influences organizational performance. However, with the study's findings, a lot is needed, especially in developing economies to improve the performance of corporate governance structure towards organizational profitability and sustainability.

5.2 Recommendations

Firstly, the study recommends that, the issue of corporate governance should be examined from a wider perspective which in all sense capture the main essence of corporate governance in relation to day to day performance, so as to give credence to matters that boost maximum corporate performance, without necessarily focusing on how the board is composed, its size, its independence and its gender diversity. Thus, the sampled MFBs should make sure that they focus more on organizational matters that explain their corporate governance activities towards corporate financial performance other than just issues bordering on the composition and structure of the board of directors, like strict adherence to well-established internal control.

Also, the study recommends that the board of directors should increase their efforts in addressing issues that are tantamount to a diminution of corporate financial performance, like tight bureaucratic process in making an organizational decision, and also ensures effective disclosure measures for the benefit of the business owners, investors, shareholders and other stakeholders. Lastly, since Nigeria is an emerging market economy, it is also recommended that listed companies in Nigeria should attempt to imitate their counterparts in developed market economies where the codes of corporate governance are religiously complied with; this implies that Nigerian companies should embrace global best practices.

There should be a greater number of independent directors' in order to ensure transparency and adequate representation of the interest of the shareholders without bias.

Microfinance banks should turn their attention to the value-adding potential of gender diversity by been gender sensitive while employing staff and appointing directors'. This is because a gender diversified board can expose the banks to a broader knowledge base, creativity and innovation in decision making processes thereby enhancing the banks performance.

Finally, the study found that corporate governance mechanisms such as board effectiveness have a significant impact on the performance of MFBs in Nigeria. This implies that corporate governance ameliorates the achievement of corporate objectives and makes firms more accountable and transparent to investors.

As a result, this study suggests that a functional audit committee be established if MFBs' accountability, transparency, profitability, and growth are to be ensured. MFBs should also maintain a fair and balanced board composition to ensure proper strategic direction and long-term profit maximization.

5.3 Limitation of the Study

With the systematic process undertaken by this study, it can be agreed that the research investigation has contributed significantly to the body of knowledge in the area of corporate governance. However, the study was not without some challenges and limitations. First and foremost, the study sample size was restricted to 4 states in Nigeria. Four Microfinance Banks were carefully and constructively selected to capture the 4 cardinal points/geographical locations of Nigeria. In the North, Albasu Microfinance Bank, Kano was selected, in the South, Bishopgate Microfinance Bank, Lagos, in the West, Brightway Microfinance Bank, Kwara while in the East, Achina Microfinance Bank, Anambra as well as their 5 years (2017 - 2021) annual Financial Statement. But in a broader sense, the study would have benefited from a larger sampled area that covers the whole states in the country.

Secondly, due to the short period of time allocated to completing this study and the prevalent Covid'19 pandemic, a larger sample size from the selected Microfinance banks would have been appreciated in the research community because bigger sampled size gives more reliability and validity in quantitative research.

5.4 Contribution to the Knowledge

The study added to the body of knowledge by investigating the effect of corporate governance on MFBs' performance in Nigeria, a topic to which past studies had paid little attention over the years.

5.5 Recommendations for Further Research

With the establishment of an insignificant relationship between major indices of the board of directors (a component of corporate governance) and corporate financial performance in the context of selected banks in Nigeria, the study findings therefore shows support to previous empirical studies. However, with the high number of mixed empirical findings in the area of corporate governance, there is still need for further inquiry especially on how corporate governance affects non-financial performance measures, and also the impact of corporate governance on financial performance of other financial institutions and other industries/sectors in Nigeria.

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APPENDIX I

Due to the large volume of the financial statements of the Microfinance Banks in view, the links to the statements are attached bellow to save space and time.

Albasu MFB, Financial Statements (2017-2021)

https://ab-mfbnigeria.com/financials.php

Bishopgate MFB, Financial Statements (2017 – 2021)

https://www.bishopgatemfb.com/index.html/financialreport

Brightway MFB, Financial Statements (2017 – 2021)

https://brightwaymfb.com/financialstatements

Achina MFB, Financial Statements (2017 – 2021)

https://achinamfb.com/financialreports

APPENDIX II

The purpose of this research is to evaluate the impact of Corporate Governance on the financial performance of Microfinance Banks.

This study is carried out by myself; Adeyemi Babawale Oloyede, a student of Selinus University, in partial fulfillment for obtaining a P.hD degree in Accounting, Finance and Management. I humbly solicit your assistance in filling this questionnaire appropriately.

It should take about 4 minutes to complete this questionnaire. Please note, this questionnaire is purely for academic purpose. Your truthful and accurate responses will be treated with utmost confidentiality.

Thank you.

PART A Demographic Information

1. Gender (Please Specify)

- Male
- Female

2. Educational Qualification

- BSc/HND
- MSc
- Doctorate
- Others

3. How long have you been working with the Bank

- Less than 1 year
- 1 -2 years
- 2-5 years
- More than 5 years

4. What is your current Position in the Bank?

Board of Director

Senior Management

Middle Management

Branch Supervisor

		Strongly agree	**Agree**	**Disagree**	**Strongly disagree**
	Board Size/Structure				
1	Financial performance of the Nigerian Banking Industry is improved by small boards of Directors				
2	Larger Board sizes are more proficient in improving the financial performance in the Nigerian Banking Industry				
3	Larger Board Sizes are susceptible to more conflicts of interest amongst Board Members which causes delay in reaching a unified agreement				
4	Larger Boards conveys significant experience and professional skills in Banking Industry				
	Board Diversity				
5	For the past 5 years, appointments and Elections of Board Members reflects diverse skills and expertise that are essential in the financial growth of the Banking Industry				

6	The Board composition considers both genders in their selection				
7	Activities of the Board of Directors have largely contributed to the attainment of the Bank's overriding objectives				
8	All stakeholders in the organization are well represented to attract a sense of belonging, thereby, leading to an improved financial Performance				
	Board Independence				
9	The number of non-executive board members are more than the executive board members				
10	Executives are better placed to make decision and formulate Strategies				
11	The Board is more independent when the ratio of outside Board members' rises				
12	The involvement of independent Directors has influenced the financial performance of the Company Positively				
	Board Effectiveness				
13	Board members should have skills and adequate time to carry out their responsibilities effectively.				
14	There is a proper induction, training and continuous professional development for Board members to carry out their duties efficiently				
15	The Board of directors has a proper succession planning in place				

16	Annually, the board undertakes a self-assessment evaluation of their performance and their respective committees				