

CEOs Removal and Bailed Out Banks in Nigeria: Does Absence of Good Corporate Governance Practices Responsible?

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The recent financial crisis in the Nigerian banking sector which has been adduced to the abuse of corporate governance practices have been identified as one of the factors that led to the removal of some CEOs. Therefore, this study examined the impact of corporate governance on the financial performance of bailed-out banks in Nigeria. The corporate governance variables include: board size, CEO duality, non-executive directors in audit committee, percentage of women on the board and board independence while return on assets was used to measure financial performance. Data were collected from the annual reports of the six bailed-out banks in Nigeria from 2003 - 2009. The data were analysed using the Ordinary Least Square (OLS). The results showed that there was no significant positive relationship between audit committee, board size, board independence and return on assets. It was also established that though the removal of the CEOs could have a political undertone (outside the scope of this study), the CEOs and the management of the affected banks flagrantly flayed some provisions in the SEC Code, especially in terms of compositions. It is, therefore, recommended that banks should be made to adhere strictly to the existing code of corporate governance for the provisions (especially in terms of composition) to have a maximum and significant impact on the firm financial performance.

Keywords: Corporate governance Characteristics, Financial Performance, CEOs, Banks, Nigeria

INTRODUCTION

On August 14, 2009, the Governor of the Central Bank of Nigeria (hereafter CBN) in exercising his powers as contained in Sections 33 and 35 of the Banks and Other Financial Institutions (BOFI) Act 1991, as amended, announced the firing of the Chief Executive Officers (CEOs) and the board of directors of five commercial banks. Forty-eight days later, on October 2, 2009 to be precise, the CBN announced additional sack of three bank

CEOs and their respective boards of directors and in their stead placed CBN-appointed CEOs and directors. In total, eight bank CEOs and their respective board of directors were fired from their jobs. The affected banks were Afribank Plc, Platinum Habib Bank (PHB) Plc, Equatorial Trust Bank Plc, Finland Plc, Intercontinental Bank Plc, Oceanic Bank Plc, Spring Bank Plc and Union Bank Plc (Chiejine, 2010).

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Babatunde (2009) in viewing the issue of personal interest, asserted that lack of commitment to high ethical standards on the part of the board of directors, mismanagement of banks' funds (that is, where managers of the banks engaged in money laundering of about 60% of the total funds to foreign accounts) as some of the factors that brought the financial sector to near collapse. This assertion was supported by Quadri (2010) that the recent insider trading, massive and prevalent frauds, mandatory retirement of banks CEOs due to corrupt practices and inefficient rubber-stamped boards, were all combined to signal the absence of or failure of existing corporate governance structure in Nigeria. Sanusi (2010) agreed that the weak corporate governance and unbridled corruption in financial institutions were at the root of the banking sector crisis that almost led to the collapse of the system in 2009. Thus, the question still remains: what are the extent of abuse and weakness of the corporate governance practice and the resultant consequences on the performance of the affected banks in isolation? Secondly, this study considered whether the removal of the CEOs was purely because of abuse of corporate governance practices as claimed by the CBN governor or politically motivated as maintained in some quarters. The objective of this study, therefore, is to examine the relationship between the internal corporate governance mechanisms in terms of board independence, audit committee independence, CEO duality, percentage of women on the board, board size and firm performance in the context of Nigeria, while performance is captured by Return on Assets (ROA).

The remaining part of the paper is separated into four parts. Part 2 discusses the literature and hypotheses development and part 3 the methodology, part 4 discusses the analysis and implication of findings while part 5 is the conclusion and recommendation.

LITERATURE REVIEW

Corporate Governance: Case of Eight Bailed out Banks (with CEOs removed) in Nigeria.

The corporate governance practices in Nigeria have been a subject of abuse over time.

Practitioners have failed to follow the spirit of the Securities and Exchange Commission Codes (referring to SEC Code 2003) put in place to ensure businesses run well and the interest of various stakeholders are adequately protected have not been strictly adhered to especially when banks were asked to re-consolidate with N25 billion minimum capital. The result was the institutional failures in the Nigerian banking sector as witnessed recently. The consolidation exercise made some banks officials who were obviously not prepared intellectually as to how to manage the found judiciously for improved performance, began to flout, subvert and manipulate the corporate governance practices as enshrined and stipulated in the SEC code 2003 which was termed weak. The weakness observed in the SEC code 2003 necessitated the birth of SEC code 2011. The 2011 code of corporate governance was an improvement over the 2003 SEC code to cater for some lapses observed in the previous code. However, before the introduction of the SEC code 2011, according to Sanusi (2010), some banks had already enmeshed themselves in unethical dealings which the Central Bank of Nigeria (CBN) documented in the various examinations carried out on commercial banks in Nigeria. Therefore, corporate governance can be seen as the major factor contributed to the near collapse of the banking sector in Nigeria.

As a result, few 'powerful' individuals continued to have benefits in term of obtaining loans and other related facilities sometimes with little or no securities to match to the detriment of genuine borrowers who would have channelled same funds to the productive sector of the economy. To further worsen the situation, some members of the board that could have served as independent persons to monitor and provide oversight functions over the affairs of the management, were compromised by the executives. It was reported according to Sanusi (2010) that, some board members were found securing credits without adequate collateral which made impossible for them to enshrine sound corporate governance practices in the banks and to also challenge the executives. It was discovered from the finding of the CBN audit report that, most of the loans given out were unsecured and no

adequate provision for bad debts was made. Hence,

to Sanusi further opined, that, corporate governance in many banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining un-secured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. In addition, the audit process at all banks appeared not to have taken fully into account the rapid deterioration of the economy and hence of the need for aggressive provisioning against risk assets.

As banks grew in size and complexity, bank boards often did not fulfil their functions and were lulled into a sense of well-being by the apparent year-over year growth in assets and profits. In hindsight, boards and executive management in some major banks were not equipped to run their institutions. Some banks' chairmen/CEOs were seen often to have an overbearing influence on the board, and some boards lacked independence; directors often failed to make meaningful contributions to safeguard the growth and development of the bank and had weak ethical standards; the board committees were also often ineffective or dormant.

The Central Bank of Nigeria (CBN) published details of the extent of insider abuse in several of the banks and it was revealed that CEOs set up Special Purpose Vehicles to lend money to themselves for stock price manipulation or the purchase of estates all over the world. For instance, one bank borrowed money and purchased private jets which the Apex bank later discovered were registered in the name of the CEO's son. In another bank, the management set up 100 fake companies for the purpose of perpetrating fraud. The various insider trading and abuse of corporate governance as published in the CBN/NDIC special audit report are considered below

TABLE 1 HERE

The table was came by as a result of special audit jointly conducted by CBN and Nigerian Deposit Insurance Company (NDIC) in 2009 after the replacement of Prof. Charles Soludo with Sanusi

Lamido Sanusi in the face of uncertainty which beclouded the financial sector throughout the period of the credit crunch and the global financial crisis. Certain parameters were used e.g. capital adequacy, corporate governance and liquidity. The total number of banks audited was 24 and according to the CBN announcement, 14 banks passed on all parameters. One bank was found wanting on two grounds while the remaining nine were found to be in a grave situation.

The result of the special audit prompted the CBN to take the decisions as presented in the table below

TABLE 2 HERE

To save the banks from total collapse, the CBN had to inject a total of N620billion of tax payers' money in nine of the banks with liquidity and capital adequacy issues in order to stabilize their operations, and removed and replaced the executive management in eight of the banks. However, two banks were given June 2010 as a deadline for recapitalization.

In addition, some of the banks that were bailed out as a result of illiquidity and poor corporate governance engaged in some insider related abuses that led to their abysmal performance. This is shown below.

TABLE 3 HERE

Table 2.3 shows the total insider related loans that took place between 2006 and 2009. That is the years that preceded the period some banks executives were removed in the Nigerian banking sector. From the table, there was a significant increase of insider related loans over 2006 as a result of the then just concluded consolidation exercise that made all the banks assessed billions of dollars of shareholders fund. The unpreparedness of the boards and particularly the CEOs as to how to engage the fund coupled with weak corporate governance as reported by CBN suggested the rise up till 2008. However, in 2009, a significant drop in the insider related loans as a result of CBN special audit that took place during the year was witnessed.

TABLE 4 HERE

The table 2.4 shows the various insider abuses that took place especially among the rescued banks in Nigeria. Moses (2011) argues that the troubled banks represent over 32% of banks in the Nigerian banking sector and that these banks have about 35.6% of industry assets, 36.11% of total loans, 34.52% of total deposits and about 60.75% of the industry's non-performing loan. All the banks identified in table 2.7 participated significantly but most importantly, Oceanic and Wema bank in 2007. Although, the CBN special audit took place in 2009, Union bank still engaged in insider related loans amounting to over two billion naira. There is no surprise therefore that these banks failed the three tests of liquidity, capital adequacy and corporate governance tests.

The Central Bank of Nigeria also documented special cases of three banks that directly flouted the corporate governance during the course of their leadership and most especially during the recapitalization exercise. These cases are reported in the table below.

TABLE 5 HERE

The collapse of the capital market wiped out these customer deposits amounting to hundreds of billions of naira. Therefore, a lot of the capital supposedly raised by these so called "mega banks" was fake capital financed from depositors' funds. Based on this, it was concluded that the consolidation process was a sham and the banks never raised the capital they claimed they did (www.centbank.com).

The effect of these cases on the quality of financial reporting in the Banking sector was therefore negative. Little surprise why regulatory authorities and stakeholders were calling for the revisiting of corporate governance and how it can be made more effective with audit committee seen as the most veritable tool. Hence, reason the provision for audit committee was repackaged in SEC Code of 2011 and CBN Code of 2006 by making sure that audit committee members have the financial and accounting skills, independence and knowledge of the industry to be able to effectively provide adequate oversight functions over the activities of the management and the system of internal control in ensuring quality financial reporting in Nigeria.

HYPOTHESES DEVELOPMENT

Audit Committee Independence and Financial performance

Audit committee represents the most reliable guardians of publicly quoted company. It has been established that audit committee is far more relevant to the organizational governance than other forms of committees (Owolabi and Dada, 2011). However, this study considers the independence of the audit committee as most germane to the financial performance of the organization which is measured by the numbers of non-executive. Klein (2002) found that the inclusion of outside directors on the board enhances corporate performance and the returns to shareholders. Similarly, independent directors are better monitors of management than are inside directors (DeFond and Francis, 2005). In like manner, the outside directors are seen as acting in the interest of shareholders in that the appointment of outside directors is accompanied by significantly positive excess returns (Sanda, Garba & Mikailu, 2011). Based on the foregoing, the following hypothesis is proposed

H1: there is no significant relationship between audit committee independence and Return on Asset of the bailed out banks in Nigeria

Board Independence and Financial performance

The board of directors is held responsible for every decision that is ever made in an organization and also ensures that top managers work effectively and efficiently daily (Fox and Opong, 1999; Adelegan, 2007). The independent directors play a role of a referee and implement the principles of corporate governance that protect the rights of shareholders (Bhagat and Jefferis, 2002). However, control by insiders may lead to transfer of wealth to managers at the expense of the shareholders (Beasley 1996; Fama 1980). Therefore, outside directors are appointed on the board mainly to obtain independent monitoring mechanism over the board process thereby reducing agency conflicts and improve performance (Craven & Wallace 2001). This study therefore hypothesized as follows

H1: there is no significant relationship between board independence and Return on Asset of the bailed out banks in Nigeria

CEO Duality and Financial performance

Yermack (1996) found that firms are more valuable when different persons occupy the offices of board chair and CEO. Kyereboah-Coleman (2007) posited that the fusion of the two offices negatively affects a firm's performance, as the firm has less access to debt finance. This was also argued by White and Ingrassia (1992) that CEO duality leads to worse performance as the board cannot fire an underperforming CEO and can create an agency cost if the CEO pursues his own interest at the cost of the shareholders. However, separation of these two officers is however not supported by Donaldson and Davis (1991) that shareholders' returns are maximized when there is duality. This hypothesis is therefore drawn

H1: there is no significant relationship between CEO Duality and Return on Asset of the bailed out banks in Nigeria

Board Size and Financial performance

Since the board of directors is the most important device to monitor the management, the independency of board members has become a significant issue (Abdullah 2004). The size of a large board results to a range of expertise that makes better decisions for the firm, and also because of the size of a large board the CEO cannot dominate it because of the collective strength and can resist the irrational decisions of a CEO (Zahra & Peace, 1989). The results of the study of Kyereboah-Coleman (2007) indicated that large boards enhanced shareholders' wealth more positively than smaller ones. However, Yermack (1996), Sanda, Mikailu and Garba (2005), Ojeka, Iyoha and Obigbemi (2013) differed and posited that small boards are more efficient in decision-making because there is less agency cost among the board members which is more associated positively with high firm performance. This study therefore hypothesized that:

H1: there is no significant relationship between Board Size and Return on Asset of the bailed out banks in Nigeria

Gender Diversity and Financial performance

Nowell and Tinkler (1994) found that women are more cooperative than men and they increase firm value. Hudson (2007) also add that the fact that women drive more than 80 % of consumer decisions in households indicates the depth of customer understanding that women can bring commercial needs. In addition, Nirosha and Stuart (2013) found a significant negative relationship between the proportion of women on boards and firm value along with an increase in company agency cost. A study by Jude (2003) however suggests that companies with female directors tend to perform less well than companies with all male boards. Bhagat and Black (1999) also posited that institutional investors may react negatively to firms that appoint women board members. Based on the foregoing, the following hypothesis is proposed:

H1: there is no significant relationship between gender diversity and return on asset of the bailed out banks in Nigeria

RESEARCH METHODS

This sampling technique was chosen based on the peculiarity of this study. The kind of non-probability sampling technique used was judgemental sampling. The sample size of this study is made up of the six listed bailed-out banks; the time frame considered for this study is from 2003 to 2009. The data was derived from the audited financial statements of the banks listed in the Nigerian Stock Exchange (NSE) between the seven years period of 2003 and 2009.

The firm performance was measured by Return on Asset (ROA) as the dependent variable while the independent variables were measured by four corporate governance characteristics namely: Chief Executive Officer Duality (CEOD), Board Independence (BOARDIN), Board Size (BSIZE), Audit Committee (ACMTEE) and Gender Diversity (GENDIVER)

TABLE 6 HERE

Model Specification

However, the following mathematical model was developed to analyze the relationship between financial performance and audit committee characteristics as represented below

$$Y = \beta_0 + \beta X_1 + \mu_{it} \quad (1)$$

Where, Y is the dependent variable. β_0 is constant, β is the coefficient of the explanatory variable (audit committee characteristics), βX_1 is the explanatory variable and μ_{it} is the error term.

By adopting the economic model as in equation (1) above specifically to this study, equation

(2 & 3) below evolved.

$$ROA_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 CEOD_{it} + \beta_3 BCOM_{it} + \beta_4 AUDCOMM_{it} + \beta_5 GENDIVER_{it} + \mu_{it} \quad (2)$$

Based on regression, the model specification is:

$$ROA_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 CEOD_{it} + \beta_3 BCOM_{it} + \beta_4 AUDCOMM_{it} + \beta_5 GENDIVER_{it} + \mu_{it} \quad (3)$$

Analysis and Presentation of Results

The data presented involved tables and figures which were used for the descriptive statistics and correlation analysis and regression analysis for the hypotheses testing level.

TABLE 7 HERE

The result in table 4.1 shows that on the average, the return on asset of the bailed out banks was 1.336%. This could be as a result of internal inefficiency of the management in managing the assets of the companies for maximum yield which was later resulted in the removal of the CEOs for non performance and abuse of corporate governance practices (Sanusi, 2010). The average board size of the banks was 15 members with just 2% non-executive directors that could safeguard the integrity and also promote the independence of the board from CEOs and the management. The implication of this is that, the board lacked independence and made it easy for the CEOs to have a free ride which ultimately led to account restatements of some of the affected banks.

Furthermore, the table showed that, on the average, there was a presence of CEO in the audit

committee coupled with 40% non-executive directors in the audit committee as against 50% minimum specified in the Securities and Exchange Commission Code 2003 and 100% specified in the Securities and Exchange Commission Code 2013. The result made the audit committee a rubber stamp to whatever the management of the affected banks present instead of carrying out their duties of ensuring sound corporate governance, internal control and putting the management on their toes to do the right thing. In addition, the table showed that, on the average, 5 women were on the board and also averagely, there was a CEO duality which means, the same person occupying the position of Chairman and Chief Executive Officer as against the stipulated policy of separation as specified in the SEC Code.

TABLE 8 HERE

The table shows the mean result of each of the six bailed banks sampled in this study. While Afribank recorded the highest return on asset (ROA) for the period studied, First Inland Bank recorded negative in its ROA followed by Oceanic Bank and Union Bank. Interestingly, Oceanic, First Inland and Plantinum Bank with mean score of 13, 15 and 18 members on the audit committee board respectively, showed that 60%, 50% and 50% of audit committee members of these banks were non-executive directors which mean the audit committee was relatively independent. Whereas, Afri and Intercontinental bank showed displayed less than 20% of non-executive directors which means the audit committee lacked independence. But surprisingly, both Oceanic and Intercontinental bank audit committee also showed that the CEOs of these banks were members of the audit committee which makes it difficult for the committee to bite. Board duality was also recorded in the case of Oceanic and Intercontinental bank during the period of study though the mean score was low.

Test of Correlation and Multicollinearity between independent variables and ROA

Pearson Moment Correlation was performed on both the dependent and independent variables to check for multicollinearity and relationship between the various variables in the study. Hair,

Black, Babin and Anderson (2010); Gujarati and Porter (2009) suggested 0.8 as the threshold at which multicollinearity concerns may harm the regression analysis and make the reliability or the positive power of the model as a whole to be reduced.

TABLE 9 HERE

The correlation matrix as shown in table 4.3 indicates that the assumption of multi collinearity has not been violated because none of the variables is greater than 0.7 and 0.8. Where this assumption was violated, this has been taken care of though the table not shown in this study. All the variables were positively negatively correlated to one another.

TABLE 10 HERE

From the results in Table 4.3.2, the board size (BSIZE) was positive and insignificant against return on asset (ROA). This indicates that, large board size increases financial performance. This result is in line with Cheng (2008), who posited that larger boards have lower variability of corporate performance. That is, larger boards are less risk-taking and more conservative, and, as such, appear to be an effective corporate governance mechanism. The result is however significant which could mean that the board were less effective to impact positively on ROA in the bailed out banks. In addition, the board independence (BINDP) and audit committee independence (ACINDP) had positive coefficients but insignificants. This could mean that, even though, the non- executive directors looked independent in term of composition but in reality, they CEOs presence in some of the audit committee and the power they wielded mitigate the benefits of board independence in the bailed out banks. However, percentage of women on the board (GENDIVER) was significantly negative. This result is in line with Renee and Daniel (2009) that addition of women to the board generally shows no effect, or negative effects. In addition, Renee and Daniel (2009) further established a negative effect of women board members using both Tobin's q and ROA and conclude that firms that are having good runs are more likely to

appoint women, but that once appointed, women have neutral or negative effects on performance.

CONCLUSION AND RECOMMENDATIONS

This study therefore concludes that, though, the corporate governance mechanisms in the bailed out banks showed a positive signs, they were however not significant to boost financial performance of the affected banks. This could be as a result of the composition of some of the boards which clearly violate the provision in the Securities and Exchange Commission Code. Secondly, the non significant of the result could also be a result of CEOs and the management overbearing influence on the activities of other parties which the Central Bank Governor alluded to in 2010. Therefore, the removals of the CEOs could have a political undertone as claimed in some quarters (though outside the purview of this study), our results however demonstrated that, the corporate governance practices in the affected banks were largely not in conformity with the provisions in the Securities and Exchange Commission Code which the Central Bank of Nigeria governor leverage on as basis for their removals (Sanusi, 2010).

The results suggest important implications for practitioners and policy makers in Nigeria. One important and major implication is that, the variables measured in this study are of great importance to boost financial performance of banks in Nigeria but they must be properly constituted. Therefore, Nigeria needs to strengthen policies by ensuring that the provision made in the Nigeria Securities and Exchange Commission Code of 2011 about the composition of both the board and the audit committee members is enforced particularly when new members are being considered. In addition, as postulated in Ojeka, Kanu and Owolabi (2013), the independence of audit committee members should be enhanced by ensuring that more of independent directors are introduced into the audit committee as against non-executive directors who still hold one form of interest or the other in the firm.

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APPENDIX

Table I: CBN/NDIC Special Audit Report

Source: CBN, Vetiva Research, 2009

AUDITED BANKS	LIQUIDITY	C/ADEQUACY	C/GOVERNANCE
First Bank of Nigeria Plc	✓	✓	✓
Zenith Bank Plc	✓	✓	✓
United Bank for Africa Plc	✓	✓	✓
Guaranty Trust Bank Plc	✓	✓	✓
Access Bank Plc	✓	✓	✓
Skye Bank Plc	✓	✓	✓
Diamond Bank Plc	✓	✓	✓
Fidelity Bank Plc	✓	✓	✓
First City Monument Bank Plc	✓	✓	✓
Stanbic IBTC Bank Plc	✓	✓	✓
Ecobank Nigeria Plc	✓	✓	✓
Sterling Bank Plc	✓	✓	✓
Citibank Nigeria Ltd.	✓	✓	✓
Standard Chartered Bank Ltd	✓	✓	✓
Unity Bank Plc	✓	X	✓
Oceanic Bank Int'l Plc	X	X	X
Intercontinental Bank Plc	X	X	X
Union Bank Plc	X	X	X
Afribank Plc	X	X	X
Finbank Plc	X	X	X
Bank PHB Plc	X	X	X
Equitorial Trust Bank Ltd.	X	X	X
Spring Bank Plc	X	X	X
Wema Bank Plc	X	X	X

Source: CBN, Vetiva Research

Table 2 Outcome of the CBN decision on the Report of the Special Audit Results

INDICTED BANKS	MD & EDs REMOVED	NON EXEC. DIR. REMOVED	JUNE 30 2010 RECAPITALISATION	CAPITAL INJECTION**
Oceanic Bank Int'l Plc	✓	-	-	✓
Intercontinental Bank Plc	✓	-	-	✓
Union Bank Plc	✓	-	-	✓
Afribank Plc	✓	-	-	✓
Finbank Plc	✓	-	-	✓
Bank PHB Plc	✓	-	-	✓
Equitorial Trust Bank Ltd.	✓	✓*	-	✓
Spring Bank Plc	✓	✓	-	✓
Wema Bank Plc	-	-	✓	✓
Unity Bank Plc	-	-	✓	-

*Dr. Mike Adenuga Jr. (CDN) was removed as Non-Executive Director of ETB, but later returned to the Board

**The CBN provided N620 billion as liquidity support and long term loans in the form of Tier 2 capital; N420 billion into the first 5 and N200 billion into the latter 4

Source: CBN, Vetiva Research

Table 3 Total Insider Related Loans

Source: Adapted from (Moses, 2011)

S/n	Year	Total Insider Related Loan
		N' Billion
1	2006	12.7
2	2007	44.75
3	2008	16.41
4	2009	2.21

Table 4 Breakdown of Total Insider Related Loans

Source: Adapted from (Moses, 2011)

BANK	2009	2008	2007	2006
N' Billion	N' Billion	N' Billion	N' Billion	N' Billion
FIN	-	4.43	0.86	-
INTERCONTINENTAL	-	7.67	1.05	-
OCEANIC	-	-	22.70	2.36
PHB	-	1.97	1.86	-
UNION	2.21	2.34	1.67	0.81
WEMA	-	-	16.61	9.53
TOTAL	2.21	16.41	44.75	12.7

Table 5 Cases of Corporate Governance Abuse

Source: www.centbank.com

S/n	Bank	Reported Cases
1	Intercontinental	1. 30% of the share capital purchased with customer deposits
2	Oceanic	1. CEO of Oceanic bank controlled over 35% of the bank through SPVs borrowing customer deposits
3	Afri Bank	1. Depositors' funds were used to purchase 80% of its Initial Public Offer (IPO) 2. N25 was paid per share as dividend when the shares were trading at ₦11 on the Nigerian Stock Exchange (NSE) and which later collapsed to under N3.

Table 6 Summary of Variables Measurement/Description

Name of variables	Acronym	Measurement
Dependent Variable		
Return on Asset	ROA	PAT/Total Assets
Independent Variables		
Chief Executive Officer Duality	CEOD	This is a dummy variable that represents 1 if the CEO is the same as the chairman of the board and 0 if the two positions are separated
Board Independence	BOARDIN	This variable is measured as the ratio of independent board directors to the total numbers of directors on the board
Audit Committee	AUDCOMM	It is measured as the ratio of non-executive directors in the committee to the total audit committee members
Gender Diversity	GENDIVER	This measures the ratio of women on the board to the total number of board members

Table 7 Descriptive Statistics for all the selected Banks (2003-2009)

Variables	Year Observations	Mean	Standard Deviation	Minimum	Maximum
Return on Assets	38	.0133653	.0319492	-.1042801	.0433664
Board Size	41	14.65854	3.229627	9	20
Percentage of non-executive director on the audit committee	41	40.04065	18.08732	16.66667	75
CEO in audit committee	41	.2439024	.4347694	0	1
Percentage of women on the board	41	4.808417	4.83427	0	14.28571
Percentage of independent non-executive director on the board	41	1.650984	4.051403	0	16.66667
CEO duality	41	.195122	.4012177	0	1

Table 8 Descriptive Statistics

	B1	B2	B3	B4	B5	B6
Dependent/Independent Variables	Mean	Mean	Mean	Mean	Mean	Mean
Return on Assets	.231866	.007603	.189314	.02746	-.00348	.00952
Board Size	11.14286	13	14.57143	15.5	18.142	15.714
Percentage of non-executive director on the audit committee	16.66667	60.71429	50	16.6667	50	42.857
CEO in audit committee	0	.5714286	0	1	0	0
Percentage of women on the board	0	9.260037	1.785714	9	4.7292	4.6738
Percentage board independence	2.727273	3.221288	0	0	0	3.7214
CEO duality	0	.5714286	0	0.6667	0	0
Where: B1 - Afribank, B2 - Oceanic Bank, B3 - Plantinum Habib Bank, B4 - Intercontinental Bank, B5 - First Inland Bank, B6 - Union Bank						

Table 9 Test of Correlation between independent variables and ROA

VARIABLES	ROA	BOS	PONED	POWOB	POBIND	CEODUA
ROA	1					
BOS	-0.2738	1				
PONED	-0.1418	0.0471	1			
POWOB	-0.3008	0.2083	0.3273	1		
POBIND	-0.1881	0.0121	-0.01	0.2094	1	
CEODUA	0.2874	-0.375	0.0497	0.4198	-0.2228	1

Note: ROA in this table represents Return on Asset and it represents one of the financial performance variables for this study, BOS represents Board size, PONED represents Percentage of non-executive director in the audit committee, POWOB represents Percentage of women on the board, POBIND represents Percentage of board independence and CEODUA represents CEO duality.

Table 10 Regression Analysis

Independent Variables	Financial Performance Measurement
	ROA
	Coefficient
	(t-statistics)
	P-value
BSIZE	0.0004 (0.25) 0.806
CEOD	0.0423*** 2.54 0.016
BINDP	0.0003 0.29 0.772

ACINDP	0.0000 0.07 0.947
GENDIVER	-0.0037 -2.58 0.015*
CONSTANT	0.0146 0.49 0.631
P-value	0.0354
F-test	2.75
R²	0.3007
R² Adjusted	0.1914
No of Obs.	38
Note: ROA is Return on Asset used to measure financial performance in this study, BOS represents Board size, PONED represents Percentage of non-executive director in the audit committee, POWOB represents Percentage of women on the board, POBIND represents Percentage of board independence and CEODUA represents CEO duality. *= significant at 1%; **= significant at 5%; ***= significant at 10%	