The Role of Corporate Governance in the Growth of Nigerian Banks

Omankhanlen Alex Ehimare, PhD[1]

Taiwo Niyan Joseph PhD[2]

Okorie Uche[3]

Abstract

This study investigates the role of corporate governance in the growth of Nigerian Banks. A critical review of the situation in the Nigerian corporate environment shows that there have been several cases of abuse of trust by board of directors in some banks, which can be reduced through corporate governance. A multiple linear regression analysis involving ordinary least square was employed to test the hypothesis to examine the extent which corporate governance has improved the growth of Nigeria banks. The statistical significance of the variables was first determined using ANOVA statistics. The findings reveal that the problems of corporate governance in the Nigerian banking sector include: instability of board tenures, board squabbles, ownership crises, high level of insider dealings. While the weaknesses of corporate governance have been identified to include ineffective board oversight functions, disagreement between boards and management giving rise to board squabbles, lack of experience on the part of the Board of director's members and weak internal control. It is therefore recommended that issues bordering on poor corporate governance which come to notice should be promptly tackled while customers should report such issues to regulatory authorities.

Key words: Corporate, Governance, Banks, Trust

1. Introduction

Financial scandals around the world and the recent collapse of major corporate institutions in the USA, Europe such as Lehman Brothers, Merrill Lynch, American International Group (AIG), have brought to the fore, once again, the need for the practice of good corporate governance, which is a system by which corporations are governed and controlled with a view to increasing shareholder's value and meeting the expectations of the other stakeholders.

In the last two decades, developments in the Nigeria financial sector have reinforced the need for greater concern for corporate governance in financial institutions in the country.

Chow (1999) explained that the objectives of corporate governance are to ensure transparency, accountability, adequate disclosure and effectiveness of reporting systems. He asserted that the need for good corporate governance originate from what he termed "expectation gap" problem which arises when the behaviour of companies falls short of shareholders and other stakeholders expectations.

Turnbull (1997) describes corporate governance as all the influences affecting the institutional processes, including those for appointing the controllers and or regulators, involved in organizing the production and sale of goods and services.

[1&2]Department of Banking and Finance, Covenant University, Ota, Ogun State,Nigeria.

[3] Department of Economics, Covenant University,Ota, Ogun State,Nigeria.

In this sense, corporate governance is applicable to all types of firms and industries such as companies, partnerships, joint ventures, trading trusts, etc, whether or not they are incorporated under the civil law.

Although corporate governance in the private sector is of general interest to the Nigerian public, that of banking industry is of particular interest because of the catalytic roles of banks in any economy. Their corporate governance is of prime interest to government, depositors, shareholders and the public at large. While depositors are more interested in the safety and returns on their deposits as well as quality of services rendered by their banks, government and the public want a safe, sound and stable banking industry. Shareholders (owners) are more interested in their banks' profitability, soundness and good health; workers are interested in their sustained employment through the continued existence and profitability of their employer-banks. The banking industry itself is after the retention of public confidence through the enthronement of good corporate governance which remains of utmost importance given the role of the industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement system and the implementation of monetary policy.

The core issues in corporate governance in any country are the composition of board of directors, activities of the members, role of nominal directors and the use of independent auditors.

For the banking institutions, the chances of success improve substantially when the banks practice good corporate governance. Equally when the principles of good governance are not observed, the chances of failure become very significant and inevitable. The level of success which a bank may claim with justification is directly related to the effectiveness of the board in corporate governance.

As noted by Seballos and Thomson (1990), the ultimate determinant of whether or not a bank fails is the ability of its management to operate the institution efficiently and to evaluate and manage risk.

Legislation on corporate governance in Nigeria has followed the pattern laid down several decades ago in England following the collapse of enterprises due to fraudulent manipulation by corporate managers. The various laws are made to regulate the practice of a particular trade or profession in order to protect investors and ensure a stable business environment.

In Nigeria we have the Central Bank of Nigeria Act (1991), the Banks and Other Financial Institutions Act (BOFIA)1991 as amended, Investment and Securities Act (ISA)1999;the Nigeria Deposit Insurance Corporation Act (NDIC) 1985 as amended and other laws. The basic law governing all companies operating in Nigeria is the Companies and Allied Matters Act (CAMA) 1990.

This study basically attempts to examine the importance of corporate governance in the growth of the Nigerian banking sector.

2. Statement of the Problem

In Nigeria, a survey, by the Securities and Exchange Commission (SEC) reported in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only about 40% of quoted companies, including banks, had established codes of corporate governance in their firms. Specifically for the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country. (CBN 2006)

The complexity and trouble with most companies in Nigeria is that the directors work to the answer, mark their own examination scripts, score themselves high and initiate the applause.

The system is still fraught with unethical practices that are at variance with good corporate governance principles in terms of poor asset quality due to absence of risk management framework, use of spurious documents to purchase foreign exchange, and making inaccurate returns on financial and liquidity positions.

The main question that readily agitates the mind is the relationship between corporate governance and the growth of Nigeria banks, as well as the impact of corporate governance on the Nigeria banks.

3. Objective of the Study

The broad objective of this study is to examine the role of corporate governance in the growth of Nigerian banks, taking a critical look at how corporate governance has impacted and contributed to the growth of Nigerian Banks.

Other Objectives are:

- To highlight the major paths of corporate governance that would lead to effectiveness of the banks.
- To evaluate the need of corporate governance in the banking sector.
- To ascertain the contributions of corporate governance to the overall growth of the Nigerian banking sector.
- Make suggestions and policy recommendations based on the findings.

4. Research Hypothesis

The basic research hypothesis formulated for this study is:

H_0: Corporate governance has not significantly improved the growth of the Nigerian banking sector.
$H_{1:}$ Corporate governance has significantly improved the growth of the Nigerian banking sector.

5. Literature Review

The need for corporate governance arises because of the separation of management and ownership in the modern corporation, this separation of ownership from control implies a loss of effective control by shareholders over managerial decisions. Partly as a result of this separation between the two parties, a system of corporate governance is implemented to assist in aligning the incentives of managers with those of shareholders. With the significant increase in equity holdings of investors, there has been an opportunity for a reversal of the separation of ownership and control problems because ownership is not so diffused.

A critical review of the situation in the Nigerian corporate environment shows that there have been several cases of abuse of trust by board of directors in some banks, which can be reduced through corporate governance.

Corporate governance involves the balance of power with which the organization is directed, managed, supervised and held accountable .It facilitates and stimulates the performance of corporations -the principal generators of economic wealth and growth in society by creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firms' operational efficiency, returns on investment and long-term productivity growth. In response to the growing awareness of the importance for corporate survival, the international business communities have continued to support the development of guidelines and codes capable of promoting good corporate governance practices in business institutions.

After the publication in 1999, the Organization for Economic Co-operation and Development (OECD) Principles has become the most widely accepted corporate governance benchmark and has influenced the drafting of other codes issued by many countries in recent times.

Various opinions have been expressed on the objective and definition of corporate governance. Corporate governance encompasses the legal and regulatory framework governing the actions of firms, organizations, institutions, their internal policies and controls established by the institutions themselves. Oboh (2005). The objective of corporate governance is to ensure that the board and management act in the best interest of all stakeholders.

Zingales (1997) defines corporate governance as 'the set of constraints that shape the ex-post bargaining over the quasi-rents generated by the firm.

In the view of Stone, Hurley and Khemani (1998), corporate governance refers to the rules and incentives by which the management of a company is directed and controlled to maximize the profitability and long-term value of the firm for shareholders while taking into account the interests of other legitimate stakeholders.

Corporate governance refers to the private and public institutions, including laws, regulations and accepted business practices, which in market economy; govern the relationship between corporate managers and entrepreneurs ("corporate insiders") on one hand, and those who invest resources in corporations, on the other (Oman 2001).

The Code of Corporate Governance produced by The Committee on Corporate Governance or CGC and adopted by the Ministry of Finance, Singapore (CGC 2001) defines corporate governance as "the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance)."

Madgi and Nadereh (2002) stress that corporate governance is about ensuring that the business is well and investors receive a fair return.

Corporate governance implies that companies not only maximize shareholders wealth, but balance up the interests of shareholders with those of other stakeholders, employees, customers, suppliers and investors so as to achieve long- run sustainable value.

5.1 Corporate Governance and the Nigerian Banking System

The Nigerian Financial system which consists of Banking institution and Non-Banking institution has undergone marked structural changes since the late 80s as a result of various forces including deregulation, technological advances in information processing and their application to banking and financial innovations. These factors have changed the environment in which banks operate and the ways in which their activities are undertaken.

Due to the vital role banks play in promoting economic growth and development, the conduct of their financial intermediation functions and the environment in which they operate remain particularly important.

In recognition of this strategic importance of banks, knowing full well that the governance of any banking institution in Nigeria is statutorily placed in hands of board of directors, appointment and activities of bank directors in Nigeria are governed by laws and regulations, which presumably, the implementing bodies rigorously enforce.

The guiding laws and regulations which contain provisions that address the issue of corporate governance include the Company and Allied Matters Act (CAMA) of 1990, the Prudential Guidelines, the Statement of Accounting Standards (SAS 10), the Banks and Other Financial Institutions (BOFI) Act of 1991, Central Bank of Nigeria (CBN) Act of 1991, CBN Circulars, the Nigeria Deposit Insurance Corporation (NDIC) Act of 1988, and the Investment and Securities Act (ISA) of 1999.

In the last two decades, developments in Nigeria's financial sector have reinforced the need for greater concern for corporate governance in financial institutions in the country. Professor Charles Chukuma Soludo in a special meeting of the Bankers' committee said that the fundamental problems of banks, particularly those classified as unsound, have been identified to include: persistent illiquidity, poor assets quality and unprofitable operations. For clarity he summarized the major problems of many Nigeria banks to be:

a. Weak corporate governance, evidenced by high turnover in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and de-marketing of other banks in the industry;
b. Late or non-publication of annual accounts that obviates the impact of market discipline in ensuring banking soundness;
c. Gross insider abuses, resulting in huge non-performing insider related credits;
d. Insolvency, as evidenced by negative capital adequacy ratios and shareholders' funds that had been completely eroded by operating losses;
e. Over-dependency on public sector deposits and neglect of small and medium class savers.

The upsurge in the number of financial intermediaries following deregulation and the failure of a significant number of the institutions with attendant agony suffered by many depositors, customers and the systematic threat to the economy, all underscore the imperative for greater concern for corporate governance in banking system.

5.2 Models of Corporate Governance

The mainstream economics regards corporate governance as being concerned with structures and processes for decision-making, accountability, control and behavior at the top of organisations that is, the exercise of power over and responsibilities for corporate entities. Hawley and Williams (1996) of the US identified four models of corporate control.

These are the stewardship model, the stakeholders' model, the simple finance or agency model and the political model.

5.3 Regulatory Framework of Corporate Governance

Prior to the introduction by the CBN of the new code of corporate governance there were in existence disparate codes of corporate governance regulating the activities of banks in Nigeria but as admitted by the CBN these codes were manifestly ineffective and inadequate. It cannot however be said that the new CBN code of corporate governance is sufficient in itself or in combination with other existing codes to address the issues of corporate governance that will inevitably arise in the post consolidation era. This is due mainly to weak legal, regulatory and institutional framework of the banking sector.

Governance of corporations has become a matter of great concern worldwide and bodies like the Organisation for Economic Co-operation and Development (OECD) and the Bank for International Settlements (BIS) have developed core principles of corporate governance which are viewed as representing the moral consensus of the international community.

From a banking industry perspective, good corporate governance demands that banks will operate in a safe and sound manner, and will comply with applicable laws and regulations and will protect the interests of depositors.

Interestingly, not many Nigerian banks are noted for their strict observance of corporate governance best practices and high ethical standards in their operations.

In Nigeria, as in most developed countries, observance of the principles of corporate governance has been secured through a combination voluntary and mandatory mechanism. In 2003, the Atedo Peterside committee set up by the Securities and Exchange Commission (SEC), developed a code of best practice for public companies in Nigeria. The code is voluntary and is designed to entrench good business practices and standards for board and directors, CEOs, auditors and so on of listed companies, including banks.

Mandatory corporate governance provisions relating to banks are contained in the Companies and Allied Matters Act (CAMA) 1990, the Banks and Other Financial Institutions Act(BOFIA) 1991, the Investments and Securities Act (ISA) 1999, the Securities and Exchange Commission Act(SECA) 1988(and its accompanying rules and regulation).. Recently the CBN issued a Code of Conduct for Directors of licensed banks and financial institutions issued by the Central Bank of Nigeria and a Code of Corporate Governance for banks in post consolidation 2006. Compliance with the provisions of these codes is compulsory.

The key highlights of SEC and CBN codes include:

- Separating the roles of the CEO and the board chairman
- Prescription of non-executive and executive directors on the board
- Improving the quality and performance of board membership
- Introducing merit as criteria to hold top management positions
- Introducing transparency, due process and disclosure requirements
- Transparency on financial and non-financial reporting
- Protection of shareholder rights and privileges and
- Defining the composition, role and duties of the audit committee and so on.

It is obvious that good corporate governance in the present banking milieu will be best guaranteed by external institutions having regulatory oversight over the banks.

5.4 Corporate Governance Frameworks

The Key components of corporate governance frameworks include:

- Protection of shareholder rights to vote and influence critical corporate strategies
- Strengthened boards through appointment of more skilled independents
- Curbs on techniques that protect failing management teams
- Wider use of international accounting standards
- Greater disclosure of executive remuneration..

5.5 Weakness of Corporate Governance

The principal weakness of corporate governance today is the excessive concentration of power in the hands of top management.

The systematic problems at companies such as Enron, (An energy trading company), WorldCom, and Tyco International arose because of an imbalance of power in favour of top management in corporate organizations. The shift in power from shareholders to management started with the appearance of large corporations as a result of the Industrial Revolution, when small capitalists pooled their resources to finance bigger ventures that were operated by professional managers referred to subsequently as "managers for hire".

5.6 Benefits of Good Corporate Governance

The positive effect of corporate governance on different stakeholders ultimately is a strengthened economy and hence good corporate governance is a tool for socio-economic development and when corporate governance is fully implemented:

5.7 Principles and Practices That Promote Good Corporate Governance

- The establishment of strategic objectives and a set of corporate values, clear lines of responsibility and accountability.
- A focused Board of Directors which will exercise its oversight functions with a high degree of independence from management and individual shareholders should be put in place.
- A management team that is focused and committed.
- Procedures should be put in place to reasonably manage inevitable disagreements that may arise among the Board, Management and staff of the bank.

5.8 Corporate Governance of the Banking Sector

Given the important financial intermediation role of banks in an economy, their high degree of sensitivity to potential difficulties arising from ineffective corporate governance and the need to safeguard depositors' funds, corporate governance for banking organizations is a great importance to the international financial system and merits targeted supervisory guidance. The unique feature of the banking sector demands extensive attention on the quality of governance systems in firms.

Macey and O'hara (2003) suggests that banks should be treated specially and differently than other firms when considering their risk and governance mechanisms. The financial system also enhances growth by pooling risks and facilitating transactions (World Bank, 1989). Banks usually account for the lion share of a financial system in most economies and this dominance is overwhelming in case of a developing country in greater need of a sound financial system. Any turbulence or failures of the banking and financial sector would push the countries' economies of scale to serious problems. The undesirable banking practices such as poor risk diversification, inadequate loan evaluation, fraudulent activities are as much responsible as other macroeconomic factors in causing banking crises which shook financial systems of countries such as Argentina, Chile, Malaysia, Philippines, Spain, Thailand and so on.

Because of the weak corporate culture in these banks, the nation witnessed a very high incidence of corporate failure and distress. To regain the confidence of the public the Securities and Exchange Commission set up a committee in 2000 whose report was the first to articulate a code of best practices for public companies in Nigeria. This was followed by a similar code by the Central Bank of Nigeria (CBN) in 2006 to address corporate governance practices in Nigerian banks. And ever since there have been unending discussions on corporate governance practices in Nigeria.

Avenues through which Corporate Governance might affect growth are:

- Increased access to external financing by firms, which can lead to greater investment, higher growth and more employment creation.
- Lower cost of capital and the associated higher firm valuation, which makes investment more attractive and again furthers growth and employment.
- Better operational performance through better allocation of resources and better management, which creates and adds to wealth
- Reduction in the risk of financial crisis and just as important in the large economic and social costs that they usually entail
- Better relationships with all stakeholders, which helps to improve social and labour relationships and deal more favorably with issues such as environmental protection and so on. .

Apart from the above channels, an important feature that has been revealed to enhance good corporate governance and furthers its favourable growth implications is more competitive markets.

Equally important is the fact that without a properly functioning financial system these positive effects arising from good corporate governance would not be attained.

6.0 Methodological Approach

This study focused on impact of corporate governance on the growth of Nigerian banks. It utilized the survey study of the commercial banks in Lagos state and Ota in Ogun State Nigeria as its case study. A multiple linear regression analysis involving ordinary least square was employed to test the hypothesis to examine the extent which corporate governance has improved the growth of Nigeria banks. The statistical significance of the variables was first determined using ANOVA statistics. The results of computed F-statistics were evaluated to determine whether the included variables were significantly different from zero. Following this procedure the probability value for committing type error was set to 1% and 5% significance level. This implies that values outside this critical region will be considered irrelevant for purpose of this study. The major source of data was primary data from the constructed questionnaire designed to obtain responses from the target respondents. Thus data was of qualitative nature coded into numerical values for the purpose of the analysis using a five point linkert scale ranging from strongly disagree to strongly agree. The mean variation in the dependent variable is being accounted for through the changes arising from the exogenous while the significance of the individual independent variables are evaluated using inferential statistics.

The analysis of the study was conducted by employing a least square linear regression estimator. This analytical process employs ANOVA to measure the goodness of fit test to determine the performance of explanatory variables from the observation and test that all these variables contribute significantly to the changes in the specified phenomenon. The least square estimators utilizes the best line of fit within linear equation involving at least one independent variable that best describe the variations in the dependent variable expressed as banking industry growth in this study and it best predicts with more precision the estimated value of the dependent variable. Consequently, our decision for this method was anchored on bases of the arguments as stressed in Iganiga (2010). On the first note, the premise on Gaus-Markor theorem portends that the least square techniques is the best linear unbiased estimator (BLUE) with which straight line trend model could be estimated. Also this approach which involves straight line trend model as employed in earlier studies by Ike (1984), Omole (1993) and Adam (1998) with convincing empirical evidence to carry out a financial appraisal of the financial market in Nigeria.

The variables to be analyzed for the present study is therefore enlisted as follows; Corporate governance is applied in all aspects of the banking operations in the Nigerian banking industry, Corporate governance has been effectively adopted in the Nigeria banking sector, Corporate governance is crucial to building a just and corrupt free banking sector, Corporate governance will help to further reform the banking industry in Nigeria, All banks have a code of corporate governance, Banks are aware of the new code of corporate governance, Many banks organize training concerning Corporate governance, The level of corporate governance in many banks after consolidation is a major issue, Corporate governance will help to grow the banking sector, Infringements on corporate governance rules are well noted in the banks.

(i) Population: The study population involves the commercial banks in Nigeria quoted on the Nigeria stock exchange that have successfully emerged from the bank consolidation exercise and are currently involved in daily transactions with the public.

(ii) Sample and sampling Technique: Since it will practically difficult and cumbersome for the study to cover the entire population study given the constraint of time and effort required, the sample size for the study comprises of cross section of some commercial banks located within Lagos state and

Ota in Ogun State. For the purpose of the objectives set out for this study, a random sampling procedure was used to determine the number of respondents whom the questionnaires were given to express their opinion among a range of options with varying weights accorded to it. Out of 130 questionnaires distributed 100 were returned. This gives a response rate of 76.92%. These are the certified members, staff and management executives of the selected banks with proven record of active engagement in the industry. These were carefully selected for the survey in order to achieve the major aim and essence of this study as intended by the researcher.

7.0 Presentation of Data According to Response to the Research

7.1 Research Hypothesis

The null hypotheses were designed to examine the role of corporate governance and bank growth employing a two tail test statistics. The hypotheses were analyzed by employing using a multivariate linear regression procedure. The basic research hypothesis formulated for this study is:

H_0: Corporate governance has not significantly improved the growth of the Nigerian banking sector.
$H_{1:}$ Corporate governance has significantly improved the growth of the Nigerian banking sector

7.2 Table 1 Descriptive Results

	Minimum	Maximum	Mean	Std. Deviation	Variance
Corporate governance is applied in all aspects of the banking operations in the Nigerian banking industry.	1	5	3.62	1.196	1.430
Corporate governance has been effectively adopted in the Nigeria banking sector	2	5	3.54	1.058	1.120
Corporate governance is crucial to building a just and corrupt free banking sector	2	5	4.35	.702	.492
Corporate governance will help to further reform the banking industry in Nigeria	2	5	4.27	.874	.765
All banks have a code of corporate governance	1	5	4.09	1.026	1.052
Banks are aware of the new code of corporate governance	1	5	4.17	.922	.850
Many banks organize training concerning Corporate governance	1	5	3.46	1.184	1.402
The level of corporate governance in many banks after consolidation is a major issue	1	5	3.76	1.102	1.215
Corporate governance will help to grow the banking sector	1	5	4.50	.798	.636
Infringements on corporate governance rules are well noted in the banks.	1	5	3.12	1.249	1.561

The descriptive statistics showed in table 1 reveals the minimum, maximum, means and standard deviation of the cumulated frequency responses of the hundred (100) sampled observations of the questionnaire. The responses to the analyzed variables obtained a maximum mean score of 4.5 with the standard deviation of 0.798 while the minimum mean score of the responses was at the value of 1.12 with the standard deviation of 1.249. A closer observation of the standard deviations showed that the responses revolve around the mean. Thus, on average the responses to the questions relating to the hypothesis were answered with a affirmative disposition by the respondents.

7.3 Empirical Results

I. Adoption of corporate governance by Nigerian Banks

The result of the ANOVA in table1 shows that all the included variables of the model cannot be equated with zero. Hence, all the variables play significant role in explaining the impact of corporate governance on the growth of the banking industry. Further evidence from the R-square (0.819) showed that the model explained over 81 percent of the changes in bank growth as supported with the adjusted R-squared result (0.813).

Table 2: Test of significance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.589	3	17.196	144.674	.000[a]
	Residual	11.411	96	.119		
	Total	63.000	99			

Table 3 Result

Model: Corporate governance will help to grow the banking sector	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.193		8.741	.000
Corporate governance is applied in all aspects of the banking operations in the Nigerian banking industry.	.085	.756	5.946	.000
Corporate governance has been effectively adopted in the Nigeria banking sector	.086	-.323	-2.845	.005
Corporate governance will help to further reform the banking industry in Nigeria	.079	.475	5.485	.000

The table 2 result above indicates that all the variables are statistically significant and adequate explains the variations in banking industry growth. It reveals that the application of corporate governance in all aspects of the banking operations in Nigeria banking industry has a direct relationship rate of growth of the banking sector at 75.6 percent which was highly significant at 1% significance level. It also implies that lapses in effective implementation of corporate governance accounts for 32.3 percent shortfall in the growth of banking industries in Nigeria, at same time corporate governance has helped in reforming the banking industry which could be traceable for over 47 percent increase in the growth of the sector as shown in the estimated coefficient result of table 2

II. Contribution of corporate governance in the growth of Nigerian banking industry

The basic research hypothesis formulated for this study is stated in its affirmative form as:
$H_{1:}$ Corporate governance has significantly improved the growth of the Nigerian banking sector

Table 4: Test of significance

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.464	6	8.744	77.181	.000[a]
	Residual	10.536	93	.113		
	Total	63.000	99			

The ANOVA result in table4 indicates that the model for the test of the research hypothesis was statistically acceptable and suitable for the analysis of the estimated coefficients and the tested hypothesis of this study. The F-statistic (77.18) was confirmed to be greater than its critical value with significance level below 1% which suggests the probability of the occurrence of type 1 error in 1000 repeated tests. Therefore the result was fit for the model and we could rely on it for an effective policy recommendation and suggestions as proffered in this study. Also we proceed to accept the hypothesis that corporate governance has significantly improved the growth of the Nigerian banking sector as implied by these empirical results of the regression table (see table5 below).

Table 5: Result

Model: Corporate governance will help to grow the banking sector		Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.275		6.171	.000
	Corporate governance is crucial to building a just and corrupt free banking sector	.139	-.281	-2.292	.024
	All banks have a code of corporate governance	.124	.577	3.613	.000
	Banks are aware of the new code of corporate governance	.124	.476	3.312	.001
	Many banks organize training concerning Corporate governance	.084	.372	2.972	.004
	The level of corporate governance in many banks after consolidation is a major issue	.095	.314	2.405	.018
	Infringements on corporate governance rules are well noted in the banks.	.090	-.545	-3.861	.000

Analysis of the above result shows that corporate governance is crucial to building a true banking sector free of corruption in which this limitation as applicable to Nigerian banking industry accounted for 28.1 percent retarded growth of banks industry of the financial sector in the country. This therefore has revealed a significant effect on the banks at 5 percent level of significance. The availability and awareness of new code of corporate governance has shown significant impact in the growth of banks at 57.7 and 47.6 percent, both p-values significant below 1% acceptable region.

This also emphasizes the importance and need for banks to be highly ICT compliant for easy access to information that are vital for essential growth and improvement. We could also observe that banks that organize training concerning corporate governance have the chances of growing at a faster rate of 37.2 percent than others that do not participate in such practice. The handling and treatment of corporate governance as a matter of concern since the post consolidation era cannot be over emphasized and has shown significant impact for increasing bank growth at over 31 percent. Contrarily, infringements on corporate governance rules result indicates an adverse effect of slowing the banking industries elasticity for growth by 54.5 percent, especially when no adequate measures have been put in place to guard against such violations. This therefore stresses the need for proper monitoring and supervision for the full implementation of corporate governance rules by the monetary and regulatory authorities

8.0 Summary of Findings

This study is focused on the corporate governance and growth of the banking industry in Nigeria using a cross sectional observation of some banks located in Lagos and Ogun State. The analysis of the results was conducted using multivariate regression techniques involving essential inferential statistics for decision making process. Following the result of the investigation the study observed that;

i. The result of the analysis provided empirical evidence of the adoption of corporate governance code of conduct and ethics by majority of the banks in Nigeria as a means of growing the banking industry.
ii. For effective reformation of the Nigerian banking industry following the consolidation exercise, it therefore requires conscious effort in integration of corporate governance practices in all aspect of the banking industry as this will enhance further reformation process within the financial system in general.
iii. It could be adduced from result of the study that in the fight for a corrupt free banking sector, corporate governance ethics and codes of conduct must be prioritized in the current banking system operations
iv. The analysis of the result of this study further demonstrates that frequent training and orientation programmes organized by banks concerning corporate governance have significant impact in increasing the level of corporate governance in the banks.
v. There is significant evidence that infringements on corporate governance rules are well noted and handled by the banks. This further indicates the extent in which the corporate governance codes have implemented in the present day banking system.
vi. Finally, the study revealed that majority of the respondents is in agreement that corporate governance will continue to help to grow the Nigerian banking sector.

9.0 Recommendations

Customers should ensure that all actions by their banks bordering on poor corporate governance which come to their notice should be promptly reported to regulatory authorities, customers should wake up from their slumber and demand for more information covering the way and manner in which their banks are being managed, there should be a cordial relationship between the bank and its customers. There should also be a regular forum for continuous dialogue between customers and bank management for the purpose of bridging information gap. Customers are expected to ask pertinent questions about the bank and be satisfied that the bank is being professionally managed, customers should know the financial status of the bank and carry out preliminary investigation of a bank and be satisfied with the outcome before dealing with such bank, and customers should also attend annual general meetings.

Finally, there is the importance and need for banks to be highly ICT compliant for easy access to information that are vital for essential growth and improvement.

10.0 Conclusions

The result of the test conducted revealed that corporate governance has significantly improved the growth of the Nigeria banking sector. It can be concluded that there is need for regulatory authorities to intensify efforts at enhancing information integrity and its flow in the interest of sound corporate governance in the Nigeria banking sector. It should also be noted that there is no shortage of legal provisions in Nigeria, what is lacking is effective enforcement and consequent divergence between intentions and actual practice.

11.0 References

A comprehensive structure of corporate governance in post Enron corporate America, The Online CPA journal, retrieved on September 20, 2013, from http://www.nysscpa.org/cpajournal/2004/1204/essentialp46.htm

Adam J.A (1998), Financial Intermediation and Economic Growth, Journal of Economic Management, 5:20

CBN Code of Corporate Governance for Banks in Nigeria Post Consolidation, retrieved on September 20, 2013, from http://www.cenbank.org/OUT/publication/bsd/2006/corpgove-postconso.pdf

CBN's second phase reform to focus on bank categorisation (2010 February 12-14, Businessday weekend).

Chow, Edward K.F., (1999) 'Effective Transparency and Disclosure Systems for

Corporate Governance', paper presented at the Asian Development Bank Institute Workshop on Corporate Governance, Manilla, 23 November.

Hawley, J. P., Williams, A. T. (1996) *Corporate governance in the United States: The Rise of Fiduciary Capitalism* – a review of the literature. The first prize of Lens 1996 Corporate Governance Paper Competition. www.lenslibrary.com/info/competition.html

Iganiga B.O (2010), Evaluation of the Nigerian Financial Sector Reforms Using Behavioral Models, Journal of Economics 1, (2): 65-75.

Ike D.M (1984) A Financial Appraisal of the Nigerian capital Market, Nigerian Journal of Financial Management3:2

Macey, J.& M.O'Hara (2003), ' The Corporate Governance of Banks'. FRBNY Economic Policy Review. April

Magdi, R and R, Nadareh (2002), "Corporate governance: A Framework for Implementation", *Britain World Group Journal*, Vol. 20, pp 123- 132.

Nam,S.(2004), 'Corporate Governance of Banks: Review of Issues', Asian Development Bank Institute.

Oboh G.A.T., (2005), *Challenges of Corporate Governance in Nigerian Banking Industry*. Selected Essay On Contemporary Issues In The Nigeria Financial System. Ibadan: University Press Plc.

OECD (1999): "*Principles of Corporate Governance*", retrieved on July 28, 2013, from http://www.encycogov.com/

Oman, CP. (2001), Corporate Governance and National Development." An outgrowth of the OECD Development Centres Experts Workshop in 2000 and Informal Policy Dialogue in 2001 sponsored in part by CIPE.

Omole D.A (1993) Impact of Financial Reforms on the Nigeria Stock Exchange, NISER Monograph Series N0.7

Seballos, L.D., and J.B. Thomson (1990); 'Underlying Causes of Commercial Bank Failures in the 1980s' *Federal Reserve Bank of Cleveland Economic Commentary,* September, 1990.

Soludo C., (2004), *Consolidating the Nigeria Banking Industry to meet the Development Challenges of the 21st Century*, An address delivered on the special meeting of Bankers' Committee at the CBN Headquarters, Abuja.

Stone, Andrew, Hurley Kristin and Khemani R.Shyam(1998), 'The Business Environment and Corporate Governance: Strengthening Incentives for Private Sector Performance.' *Background paper for the World Bank's 1998 Annual Meetings Program of seminars.*