THE EFFECT OF POOR CORPORATE GOVERNANCE ON THE PERFORMANCE OF NIGERIAN BANKS

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Published by: African Journal of Innovative Research and Advanced Studies, vol.3, no. 1, 2015. ISSN: 2204-012x

ABSTRACT

In today's ever-competitive banking environment, poor corporate governance has been identified as a powerful negative force against the performance and profitability of banks operating in Nigeria. This study examined the problems militating against effective corporate governance in the Nigerian banking industry. Thus, the aim of this study was to understand the problems and challenges responsible for persistent poor corporate governance in Nigerian banking sector. In the course of the research study, six (6) commercial banks in Nigeria were chosen. The stakeholders interviewed included senior executives and some middle level managers including a broad spectrum of bank customers. Data for the study were gathered over three-month period using unstructured set of interview questions and data analysis was carried out through thematic evidences arising from the data analyzed. Corporate governance has to do with the management of banks profitably so that they can increase the wealth of shareholders and serve the purpose of other stakeholders. Over the last two decades, corporate governance in the Nigerian banking sector had suffered poor management culminating in distress and bankruptcy of many banks. There was unbridled corruption and financial malpractices in the rank and file of the banks' staff. The Federal Government through the Central Bank of Nigeria (CBN) had to introduce various fiscal and monetary policies including recapitalization and consolidation policies to *restore sanity in the banking sector. In recognition of the fact that the banking sector is essential for the growth and survival of any nation, this study recommends that CEO duality should not be encouraged any longer in banks. Furthermore, persons to be appointed to high positions of authority and responsibility should be of proven integrity with adequate professional qualification and experience to manage the banks to success.*

Key words: Performance, Productivity, Financial malpractices, Management

INTRODUCTION

Generally speaking, corporate governance can be seen as the way an organization is governed or managed. In other words, it is the system by which a bank or any corporate organization is directed or controlled (Genmax, 2008). Corporate governance in a financial institution refers to the way the bank is managed to enable it operate profitably to increase the wealth of its owners. An organization is usually managed by its top management. The ultimate aim is to lead that organization towards achieving its set goals and objectives. To a profit-making organization such as a bank, the objective is to maximize profitability and also to render superior customer service. One of the main objectives of effective corporate governance is to eliminate conflict of interest between the company directors and senior managers on the one hand and the company owners (the shareholders) and management on the other hand (Dean, 2001). Unless there are qualified and experienced people at the helm of affair doing the right thing at the right time, the goals and objectives of the organization will not be achieved. Therefore, effective and action-oriented corporate governance is the key to performance and profitability in a bank. Effective corporate governance is that which aligns top management interests with the interest of the shareholders thereby producing competitive advantage for the firm.

CONCEPTUAL CLARIFICATION

Definition of Corporate Governance by the Encyclopedia

In its definition, the encyclopedia emphasized the importance of corporate governance for both business and economic development. It also highlights how to secure and motivate efficient management of organizations by the use of incentive mechanisms, organizational designs and legislation. By so doing, corporate managers will be motivated to work harder in order to improve financial performance of the corporate body and deliver a competitive rate of returns and attractive dividend payment to shareholders.

Oxelheim and Randoy (2001), gave the definition of corporate governance through investment-returns perspective. They stated that corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. The authors argued that corporate governance deals with the way in which suppliers of finance to a corporation can sleep with their two eyes closed and be rest assured that they will get a return on their investment. But in corporate governance, how do we make sure that Managers do not steal the capital invested in the business or put the invested funds in a bad project that will yield no returns? How do suppliers of finance control Managers? These questions have not been answered, and this is why the concept of corporate governance continues to generate debate and controversy in international circle.

The issue of corporate governance is further compounded by the fact that there is no technological invention yet in existence that can help us determine the construction of the mind while looking at the face of the individual. It is a big frustration in corporate governance because the executive you are engaging to run a firm may have all the shines and glitters of honesty on his face but in his mind lies a pool of bile and evil plot to ruin the business (Obi, 2016).

The International Chamber of Commerce provides a corporate-specific definition of corporate governance: It is of the view that corporate governance is the relationship between Corporate Managers, Directors and providers of equity capital and other stakeholders who supply materials and invest their capital to earn a return.

Corporate governance ensures that top Management and the Board of Directors remain accountable in the pursuit of corporate objectives. The corporation itself must operate in conformity with the laws and regulations of the government.

Authors are yet to agree on a universally accepted definition of corporate governance. Different definitions have been put forward by different authors even though they are all talking about organizational leadership and being at the helm of affairs in a bank and other corporate entities. However, the most widely used definition is the one given by Organization for Economic Cooperation and Development (OECD) which states that "Corporate governance is the system by which corporate organizations are directed and controlled. The corporate governance structure specifies the rights and responsibilities of different participants in a corporate organization, such as, the Board of Directors, Managers, Shareholders and other Stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the objectives of the firm are set and the means through which these objectives are to be attained (Nor, 2009). An up-date document issued by the OECD in 2004, clearly stated that Corporate Governance stands for the following:

"Corporate Governance involves a set of relationships between the management of a corporate entity, its board, its shareholders and other stakeholders in the organization. Corporate governance also provides the structure through which the set goals and objectives of the organization are to be achieved.

It therefore follows that good corporate governance should provide proper incentives for the Board and Management of the organization to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring of activities. When there is good corporate governance within an organization and across the national economy, it helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital will be lower and the firm will be encouraged to use resources more efficiently thereby impacting positively on corporate profitability (Bhagat, 2007).

From the definition given by the OECD, we can clearly see that corporate governance includes the relationship of a company to its shareholders and to society, the promotion of fairness, transparency and accountability. It shows that managers are required to ensure that the actions they take are consistent with the interests of shareholders and other stakeholder. The key points of interest in corporate governance therefore include issues of transparency and accountability, meeting the legal and regulatory conditions of the government, taking appropriate risk management measures, maintaining smooth and accurate information flow across the organization. When the above issues are correctly dealt with in an organization, it leads to increased profitability (Oman, 2003).

THEORETICAL FRAMEWORK

Corporate Governance and its Diverse Concepts (Theories)

Various authors and scholars have different concepts of Corporate Governance but this article concentrated on four major concepts or four scholarly theories of corporate governance.

These four concepts are: (a) Agency Concept of Corporate Governance, (b) Stewardship Concept (c) Resource Dependency Concept, and (d) Stakeholder Concept.

(1) Agency Concept of Corporate Governance

One of the conceptual principles underlying the issue of corporate governance is the Agency Concept developed by Oman (2003) resulting out of the separation of ownership and control. Investors have surplus funds to invest but due to technical constraints, such as, inadequate managerial expertise and time to manage the funds, employ the services of managers.

The investors thus assume the responsibility of investing their funds in profitable ventures to generate good returns and to adequately reward the managers for their services.

There is a problem with agency concept arising from the fact that the actions of managers are not always in consonance with the interest of the financiers. Some of their actions are even completely detrimental to the fortunes of the financiers. Thus Agency problem as described by Oman (2003) focuses on the consumption of perquisites by managers and other types of empire building. It is interesting that these managers often tend to entrench themselves in power. According to Klapper and Love (2002), managers can expropriate shareholders' funds by entrenching themselves and staying on the job even if they are no longer competent or qualified to run the firm. Managerial expropriation of funds can also take more elaborate forms than just taking cash out, such as transfer pricing (Klapper and Love, 2002). Such practices as transfer pricing, asset stripping, and investor dilution, though often legal, have largely the same effect as theft. Additionally, managerial expropriation could also take the form of diversion of corporate opportunities from the firm, installing possibly unqualified family members in key managerial positions, or over-paying executives, using the profits of the firm to benefit themselves rather than returning the money to the investors (La Porta, 2000). As a result of the interest of the opportunistic, selfish managers, there is sometimes agency loss which is the extent to which returns to the residual claimants, the owners fall below what they would be if the owners, exercised direct control over the company (Oman, 2003).

The remedies to this conception of the agency problem within corporate governance involves the acceptance of certain agency costs involved either in creating incentives or sanctions that will align executive personal interest with the interest of the shareholders (Roberts, 2004). Thus, the principles of corporate governance are meant to control the internal and external entrenchment practices of executives through internal and external control mechanisms.

(2) Stewardship Concept of Corporate Governance

The stewardship concept of corporate governance emerged as a result of the seminal work by Demsetz and Lehn (1985). The concept is based on the assumption that the interest of shareholders and the interest of management are aligned therefore management is motivated to take decisions that would maximize performance and the total value of the company. The concept believes that there is greater utility in cooperative than individualistic behavior and therefore recommends a mutual-result approach where the action of management will be maximizing shareholders wealth, it will, at the same time, be meeting their personal, needs.
The managers protect and maximize shareholders wealth through firm performance, because by so doing, their utility functions are maximized (Demsetz et al., 1985). To achieve this goal congruence, the shareholders must put in place appropriate empowering governance structures and mechanisms, information and authority to facilitate the autonomy of management to take decisions that would maximize their utility as they achieve organizational rather than self-serving objectives. For Chief Executive Officers who are stewards, their pro-organizational actions are best facilitated when the corporate governance structures give them high authority and discretion (Demsetz and Lehn, 1985). The two authors identified five components of the management philosophy of stewardship as trust, open communication, empowerment, long-term orientation and performance enhancement.

(3) Resource Dependency Theory of Corporate Governance

Resource Dependency Theory of Corporate Governance was developed by Grosfeld and Metrick (2002) with the objective of emphasizing the important role played by board of directors in providing access to resources that would enhance the company's performance and protect it against externalities. Companies require resources in areas of finance, human resources, technical, information, communication and technology to function properly and to achieve their corporate objectives.

Emenuga, (2006) posit that the accessibility to resources enhances organizational functioning, performance and survival. Estrin, (2001) argued that resource dependency theory focuses on the crucial role that the directors play in providing or securing essential resources for the company through their linkages to the external environment. They contended that directors bring resources to the company in the form of information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Organizations depend on each other for business because they form the largest proportion of the organization's customer base, meaning that the actions of one organization can greatly influence the financial performance of the other either positively or negatively. Therefore, there is the need for organizations to establish relationships at board levels (Jensen, 2001). Dependency theory provides focus on the appointment of representatives of independent organizations as a means of gaining accessibility to resources critical to the organization's success (Jensen, 2001).

According to Oman (2003) boards provide advice, counsel and know-how, legitimacy and reputation, channel of communicating information with external organizations, and preferential access to commitments or support from important factors outside the firm. The board's perform these functions through social and professional networking (Jensen, 2001). Abdullah and Valentine (2009) classified directors into four categories, namely; insiders, business experts, support specialists, and community leaders of thought. Zahra and Pearce (2009) posit that the diverse background of the directors enhance the quality of their advice. The theory favours larger boards (Dalton, 2009).

(4) Stakeholder Theory of corporate Governance

Stakeholder Theory of Corporate Governance was developed by Freeman (1984) with emphasis on the need for managers to have corporate accountability to stakeholders instead of shareholders. Stakeholders are any group or individual that can affect or is affected by the achievement of a corporation's purpose (Freeman, 1984). John and Senbet, (1998) defined stakeholders as identifiable groups or persons who have legitimate interest in an organization and these interests have intrinsic value.

Stakeholder theory is interested in how managerial decision making affect all the stakeholders and no one interest should be able to dominate the others. Stakeholder theory like the resource dependency theory, also proposed for the representation of the various interest groups on the organization's board in order to ensure consensus building and to avoid conflicts. The board therefore serves as arbitration over the conflicting interests of the stakeholders and brings about cohesion needed for the achievement of the organizational objectives (John and Senbet, 2012). In spite of the good intentions of the theory, it has been criticized for putting too much burden on managers by making them accountable to many stakeholders without specific guidelines for solving problems resulting from conflicting interests. This situation has given managers the discretionary powers to decide on whose interest to serve (Jensen, 2001). Managers should pursue objectives that would lead to increasing the long-term value of the firm since this would not be attained by ignoring the interest of some of the stakeholders.

Jensen (2001) also criticized the theory for adopting a single-valued objective of maximizing the wealth of its stakeholders. According to him, the performance of an organization is not only measured by returns to the stakeholders but equally important is the management of information in the organization with particular reference to vertical communication, inter-personal relationships in the organization and the working environment.

RESEARCH METHODOLOGY

To consummate this study, six (6) commercial banks in Nigeria were chosen. The stakeholders interviewed included members of top management, middle level managers and broad spectrum of bank customers. Data for the study were gathered over three-month period using unstructured set of interview questions and data analysis was carried out through thematic evidences arising from the data analyzed. The areas covered in the interview questions included; top management responsibilities, their remuneration, fringe benefits and bonuses. The interview questions also covered the appointment of directors, their powers and responsibilities as well as the issue of financial malpractices and insider abuses in banks (The six banks used for the study were; Union Bank of Nigeria Plc., First Bank of Nigeria Plc., Guaranty Trust Bank Plc., Zenith Bank Plc., United Bank for Africa Plc. and Wema Bank Plc.).

LITERATURE REVIEW

Corporate Governance and its Principles

With the increasing globalization of business activities and liberalization of trade among the nations of the world, there arose the need to ensure uniformity in the practice of corporate governance the world over. Following this need, the Hampel committee (1998) developed some basic principles of good corporate governance and sets out a code of best practices usually referred to as "Combined Code". Some of the major provisions in the code include the following:

1. Every listed company should be headed by an effective Board which should lead and control the company. The Board should meet regularly and should have a formal schedule of matters left for it for decision-making. Directors should bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct. Directors should receive appropriate training on first appointment.
2. There are two key tasks at the top of every public company – running of the Board by the Chairman of the Board of Directors, and the functions of the Chief Executive Officer who has the executive responsibility for the operation of the company's business. There should be clear division of responsibilities between the two top offices so as to ensure a balance of power and authority and thus prevent a situation where one person has unfettered powers of decision-making.
3. The Board of Directors should have a balance between Executive and Non-Executive

Directors with, at least, one-third of the members sitting as Non-Executive Directors. The Non-Executive Directors should be independent of the management of the business and free of any business relationships that could interfere with their independence.

4. There should be a formal and transparent procedure for the appointment of Directors and all Directors should offer themselves for re-election every three years.

5 Levels of remunerations should be sufficient to attract and retain the Directors to run the company successfully, but should not be excessive. Part of the payment to Directors should be in the form of performance-related element.

6. The Board of Directors should use the Annual General Meeting to communicate with the individual investors and encourage them to continue to identify with the company.

Corporate Governance and Organizational Profitability

Corporate Governance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, it keeps the organization in business and creates a greater prospect for future opportunities (Jensen, 2001). Good corporate governance is the key factor for achieving increased organizational profitability because top management and their subordinates agree to work in accord, pulling in the same direction to make the firm a success. Furthermore, good corporate governance is important because it promotes good leadership within the corporate sector. Corporate governance has the following attributes; leadership for accountability and transparency, leadership for efficiency, leadership for integrity and leadership that respects the rights of all stakeholders (Institute of Corporate Governance of Uganda, 2000). Under sound corporate governance, the organization is governed with a framework which provides an enabling environment within which its human resources can contribute maximally and bring to bear their full creative powers towards finding solutions to shared problems (Gupta, 1999).

Corporate Governance and the Strengthening of Global Financial Markets

Sound corporate governance practices have become critical to world-wide efforts to stabilize and strengthen global financial markets and protect investors and depositors. They help companies and banks in particular to improve their performance and attract investment.

Current preoccupation with corporate governance can be pinpointed at two events:

The East Asian Crisis of 1997 saw the economies of Thailand, Indonesia, South Korea, Malaysia and Philippines severely affected by the exit of foreign capital after property assets collapsed. The lack of corporate governance mechanisms in the corporate cultures of these countries highlighted the weaknesses of the institutions in their economies.

The second event was the American corporate crises 2001-2002 which was the collapse of two giant corporations: Enron and World-Com, and the ensuing scandals and collapses in other corporations such as Arthur Anderson, Global Crossing and Tyco**.**

Corporate Governance Principles and Codes

Corporate governance principles and codes have been developed in different countries and issued from stock exchanges, corporations, institutional investors, or associations (institutes) of Directors and managers with the support of governments and international organizations. As a rule, compliance with these governance recommendations is not mandated by law, although the codes linked in some instances to stock exchange listing requirements may have a coercive effect. For example, banks and other companies quoted on the London and Toronto Stock Exchanges formally need not follow the recommendations of their respective nation al codes. However, they must disclose whether they follow the recommendations in those documents and, where not, they should provide explanations concerning divergent practices. Such disclosure requirements exert a significant pressure on listed banks and other companies for compliance.

Premium for Good Corporate Governance

Research shows that investors from all over the world indicate that they will pay large premiums for companies with effective Corporate Governance. One of such study conducted by McKinsey quarterly found that institutional investors in emerging market companies will be willing to pay as much as 30% more for shares in companies with good corporate governance. Furthermore, it showed that companies with better Corporate Governance practices had higher price-to-book ratios, demonstrating that investors do indeed value good performance (Boulton, 2000).

Lower borrowing cost has also been associated with Corporate Governance. The importance of Corporate Governance has been recognized by the financial sector most recently. Corporate Governance practices are also being looked at by rating agencies, and they have an impact on the cost of capital in the United States of America.

Different Models of Corporate Governance around the World

(1) Anglo-American Model

There are different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The liberal model that is common in Anglo-American countries tends to give priority to the interests of shareholders. The coordinated model that one finds in Continental Europe and Japan also recognizes the interest of workers, managers, suppliers, customers, and the community.

Both models have distinct competitive advantages, but in different ways. The liberal model of corporate governance encourages radical innovation and cost competition, whereas the coordinated model of corporate governance facilitates incremental innovation and quality competition.

In the United States, a corporation is governed by a Board of Directors, which has the power to choose an executive officer, usually known as the Chief Executive Officer (CEO). The CEO has broad power to manage the corporation on a daily basis, but needs to get board approval for certain major actions, such as hiring immediate subordinates, raising money, acquiring another company, major capital expansions, or other expensive projects. Other duties of the board may include; policy setting, decision making, monitoring management performance and corporate control.

The Board of Directors is nominally selected by and responsible to the shareholders, but the bye-law of many companies makes it difficult for all but the largest shareholders to have any influence over the makeup of the board; normally, individual shareholders are not offered a choice of nominees among which to choose, but are merely asked to rubberstamp the nominees of the sitting board. Outrageous incentives have pervaded many corporate boards in the developed world, with board members beholden to the Chief Executive whose actions they are intended to oversee. Frequently, members of the Board of Directors are CEOs of other corporations, which some see as a conflict of interest.

(2) Non-Anglo-American Model

In East Asian Countries, family-owned companies dominate. A study by Claessens, Djankov and Lang (2000) investigated the top 15 families in East Asian countries and found that they dominated listed corporate assets. In countries such as Indonesia and the Philippines, the top 15 families controlled over 50% of publicly owned corporations through a system of family cross-holdings, thus dominating the capital markets. Family-owned companies also dominate the Latin model of corporate governance that is companies in Italy, France, Brazil, Mexico and other countries in South America.

An Overview of Corporate Governance and Organizational Performance

Opinions seem to be changing since many saw corporate governance as a further piece of bureaucracy to deal with, when the term came into widespread use early in the 1990s. In June, 2000, the management consultant McKinsey & Company published its investor survey opinion on Corporate Governance (CG). In collaboration with the World Bank, McKinsey obtained responses from over 200 institutional investors who between them managed US $3.25 trillion. Over 80% of these said they would pay 18% more for the shares of a well governed UK Company than one with similar performance but poor governance practices. These practices increased to 27% for shares in companies in Indonesia or Venezuela, countries which have generally poorer governance practices. Further evidence of opinion was obtained by a survey conducted by KPMG in South Africa. They surveyed Directors' perceptions of corporate governance. Directors from 146 of 510 listed companies surveyed responded, 83% believed that corporate governance was of utmost importance in contributing to an organization's performance. The KPMG survey suggests that, in South Africa at least, Directors see a strong link between good corporate governance and corporate performance. Recent company failures have further highlighted the importance of good corporate governance.

Until recently, Enron was the USA;s seventh largest company by stock market valuation, but in December, 2001, it filed for Bankruptcy. Smarter investors are aware of some of the governance weaknesses in Enron in particular the incomprehensibility of its annual report, but they invested any way with other investors joining the bandwagon.

Further Contributors to Corporate Governance Literature

A couple of other professionals and authors have made significant contributions on the subject of corporate governance and its effect on the performance of financial institutions and banks in particular.

These views are as follows:

Corporate Governance is the set of mechanisms that translate signals from product and input markets into corporate behavior. (Oman, 2003). This definition focuses on two elements, one, the signals generated from outside the organization and control structures within the organization.

Corporate Governance refers to the process and structures by which the business and the affairs of an institution are directed in order to improve long-term shareholding. Corporate Governance is therefore about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance (Unegbu, 2003)

Corporate Governance refers to the concept concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000)

In his view, corporate governance should be viewed in terms of issues relating to shareholders' protection, management control and the popular principal-agent problems of economic theory. Lemo (2004) examines corporate governance involvement as a relationship between an institution's board and management its shareholders and customers. He said generally that the concept of corporate governance embraces such issues as:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with law and regulations
- Safeguarding of assets
- Executive remuneration

Sullivan, (2000) believes that corporate governance is the heart of both a market economy and a democratic society.

Corporate Governance in Nigerian Banks

It is no news that most instances of financial distresses and corporate failures are attributable to poor corporate governance. It is therefore pertinent for banks to observe a strong corporate governance ethics given their opaqueness and strategic importance to economic development. The collapse of many companies and in particular banks in Nigeria caused the lack of confidence which was perceived in financial reporting and in the ability of auditors to provide the assurances required by the users of financial statements. The main difficulties were considered to be in the relationship between Auditors and Board s of Directors. Specifically, the commercial pressures to be brought to bear on auditors by the board and the auditors often capitulated.

There was also the perceived problem of the ability of Boards of Directors to control their organizations. These problems have been debated for a while, but recent company collapses, usually sudden and unexpected intensified the worries of regulatory bodies, the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC).

Several efforts have been made towards entrenching corporate governancve in our corporate structures especially the financial system of which banks are indispensable parts. The Security and Exchange Commission (SEC) and the Corporate Affairs Commission (CAC) set up a 17 member committee, inaugurated on 15th of June, 2000,headed by Atedo Peterside (OON). The terms of reference of the committee were:

- To examine practices in other jurisdictions with a view to the adoption of international practices in corporate governance in Nigeria.
- To make recommendations on necessary changes to current practices.
- To examine any other issues relating to corporate governance in Nigeria.
- To identify weaknesses in the current corporate governance practices in Nigeria and fashion out necessary changes that will improve the practices.

In the course of its work, the Committee found that "the system of corporate governance in Nigeria is still in its developmental stage", noting that principles of corporate governance are not well appreciated in the country. The Committee's survey revealed that only 40% of the public quoted companies had codes of corporate governance. It pointed out that those without codes were willing to embrace one, emphasizing the urgent need for the development of a code for

Nigeria. The code addresses three broad areas of corporate governance: The board of directors, the shareholders and the audit committee.

The findings of the Peterside Atedo led committee is justified by the number of failed banks in Nigeria between 1993 and 2004.

Corporate Governance in Nigerian Organizations

Corporate Governance is of crucial importance in a developing country such as Nigeria.

In recent memory in this country, the lack of good corporate governance led to economic upheavals. Let us use two examples to illustrate this point. In the late 1980s and early 1990s, the country witnessed a near collapse of the financial sector through the phenomenon of failed banks and other financial institutions. In consequence, the failed banks (Recovery of Debt) and Financial Malpractice in Banks Act was promulgated to facilitate the prosecution of those who contributed to the failure of banks and to recover the debt owed to the failed banks.

Secondly, the privatization and commercialization programme of the Nigerian Government was a reactionto the failure of corporate governance in state-owned enterprises. Data obtained from government departments revealed that in 1998, Nigerian public enterprises enjoyed about N265 billion in transfers, subsidies and waivers, which could have been better invested in our education, health and other social sectors. There is virtually no public enterprise in Nigeria today that functions well. While they were created to alleviate the shortcomings of the private sector and spearhead the development of Nigeria, many of them have stifled entrepreneurial development and fostered economic stagnation. Public enterprises have served as forms of patronage and the promotion of political objectives, and consequently suffer from operational interference from civil servants and political appointees. Our experience in the last four years has shown many examples that clearly establish the poor levels of corporate governance in public enterprises, including the banking industry (El-Rufai, 1998)

2.2.1 The importance of Hard-Skills and Soft-Skills in Corporate Governance

During the 3rd African Engineering Deans Council (AEDC) Summit held in July, 2017 at Covenant University, Ota, Ogun State, the summit noted that engineers use their knowledge and hard operational skills to create things. However, the conference agreed that hard skills of engineers are not enough in corporate governance and productivity. Soft skills are essential to complement productive capacity required for organizational success. According to Obi (2017), soft skills would normally include; courtesy, ethical conduct, humane approach to colleagues, consideration for customers and other traits and qualities that make someone a good employee.

Privatization and Commercialization programmes by the Federal Government

Partly due to the ugly events in the financial sector and partly due to the poor performance of the public enterprises, the Federal Government of Nigeria sought to divest its equity in some of these enterprises through privatization and commercialization. This is to enable some of these enterprises to institute effective corporate governance and to operate profitably.

Before privatization and commercialization, it was observed that some of the privately-owned Banks and other corporate organizations were also not doing better than state-owned enterprises due to their poor corporate governance practices.

A few examples will suffice. The first example is Savannah Bank. The Central Bank of Nigeria (CBN) withdrew the banking license of Savannah Bank on the 15th February, 2002 because of a number of reasons. In a press release dated 18th February, 2002, the CBN listed the reasons as the ineffectiveness of the board as well as the ineptitude and instability of the management, the false and unreliable returns to the regulatory authorities, the insolvent and deteriorating financial position of the bank, inability of the bank to respond to various regulatory initiatives, and the urgent need to protect the interest of depositors and the banking system as a whole. To cite example of a privately-owned company, Onwuka Interbiz was listed on the second-tier securities market of the Nigerian Stock Exchange on the 9th September, 1991. Six years later, it was de-listed and folded up. The third example of the failure of corporate governance in privately-owned companies is the revocation of the banking license of Peak Merchant Bank by the Central Bank of Nigeria. In a press release dated 28th February, 2003, the apex bank noted that the bank had been licensed on 15th February, 1991 and that it was revoking its license because of weak and incompetent management, insolvency, the over-bearing influence of the Chairman who was also the majority shareholder of the bank, persistent liquidity problem, poor asset quality, significant insider abuses, poor track record of profitability, lack of seriousness over its business activities, inability and unwillingness of shareholders to recapitalize, reckless granting of credits, complete absence of focus and lack of good corporate governance (Nigeria Deposit Insurance Corporation Annual Report, 2005 on Corporate Governance and Firms' Performance).

Indigenization Programme of the Federal Government

The indigenization programme led to a diffusion of shareholding in Nigeria because of the automatic divestment of foreign shareholding. While the Nigerian shareholding was largely fragmented, the foreign shareholding was intact such that they became the dominant partner in many respects. Thus, while in many instances Nigerians were the owners of the business, foreigners were in control especially with the weighted voting schemes whereby foreign shares had more votes than Nigerian shares. Even though the weighted voting share scheme is no longer possible under the company and Allied Matters Act 1990 (as amended), and the indigenization scheme has been abolished, the shareholding typology brought about by the scheme is still in place and the fact remains that a large number of these firms still have dominant foreign shareholders and a diffused Nigerian shareholding. Again, if the listing requirements of the Nigerian Stock Exchange is any yardstick to go by, the fact that public companies on the First Tier Securities Market must have at least 300 members and those on the Second Tier Securities Market must have 150 shareholders and that between the two markets there are 197 companies listed on the exchange, it can be stated with some measure of confidence that shareholding in Nigeria is largely diffused.

Moreover, the process of privatization through public offers, which is largely through the Nigerian Stock Exchange (NSE), has led to diffused shareholding especially as there are prohibitions against the acquisition of more than 0.1% of offered shares especially if the issue is oversubscribed. However, that is not the whole truth. There are significant cases of majority shareholding. Most private companies largely born out of family and social ties have such members as majority shareholders. Again there seems to be a significant presence of Nigerian and foreign institutional shareholders amongst companies listed on the NSE, making it logical to argue that some of these companies have majority shareholding. More recently, the process of identification of core strategic investor in the privatization programme invariably leads to a dominant shareholder because as the Bureau of Public Enterprises (BPE) states, the process enables the acquisition of 51% or more of the equity of the enterprises which will provide the core investor with management control. It is therefore in order to conclude that Nigeria is not characterized by one typology of companies. This analysis is important because of the generally accepted corporate governance responses to different typology of companies. Consequently, there is often the promotion of management's interests to the detriment of investors leading to the so called "Agency Costs" on investors. On the other hand, a dominant shareholding is potentially capable of leading to corporate abuse and minority oppression. In view of the importance attached the Federal Government of Nigeria, through her various agencies have come up with various institutional arrangements to protect the investo4rs of their hard-earned investment from unscrupulous management/directors of listed firms in Nigeria (Grosfeld, 2002). These institutional arrangements was provided in the Code of Corporate Governance for Best Practices. The Central Bank of Nigeria in its continuing efforts to enhance corporate governance in the Nigerian Banking System has come up with the Corporate Governance Code which is intended to promote international best practice in the corporate governance of Nigerian banks. The Code draws upon international best practice, in particular, the Organization of Economic corporation and Development (OECD) principles of Corporate Governance and the guidance issued by the Basel Committee on Banking Supervision (CBN, 2006). The title of the Publication was "Enhancing Corporate Governance for Banking Organizations." However, it is worthy to note that the interest in corporate governance is not limited to governmental or banking institutions, some private forums and associations have also been established to enhanced the adoption of the concept of corporate governance.

Elements of Corporate Governance

The major elements of corporate governance are good board practices, control environment, transparent disclosure, well-defined shareholder rights and board commitment. The four pillars of corporate governance are: accountability, fairness, transparency and independence (Omeiza Michael, 2009). Weil et al. (2002) concluded that although, corporate governance can be defined in a variety of ways, generally, it involves the mechanisms by which business enterprise organized in a limited corporate form is directed and controlled. It usually concerns mechanism by which corporate managers are held accountable for corporate conduct and performance . Following the leadership of Ricardo (2000) and as documented by Oyejide and Soyibo (2001), we review the different provisions of legislation governing corporate governance in the Nigerian banking industry from three perspectives: disclosure and transparency; minority and shareholder right; and oversight management. An essential feature of a corporation is the separation of ownership from management. To this end, the shareholders delegate decision making rights to managers to act on their behalf. However, this separation of ownership from control implies a loss of effective control by shareholders over managerial decisions. Thus, the primary objective of corporate governance is to achieve an alignment of the managerial incentives with those of stakeholders (Oyejide & Soyibo, 2001).

Popularity of Corporate Governance Issues

Corporate governance issues have received wide attention of researchers for more than three decades now. The definition of the term goes along the line of who is defining the term. For instance, the way the investor will define the term may be different from the definition of a manager in the firm. Metrick and Ishii (2002), for example, defined corporate governance from the perspective of the investor as both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently with a given investment. Now, this definition clearly states the need to raise funds and give adequate return as the yardstick or guiding drive of the definition. That is why Oman, (2003) argue that firm level governance may be more important in developing markets with weaker institutions as it helps to distinguish among firms. According to Kaplan and Minton (1997), corporate governance is concerned with ways of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors.

Corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997). Corporate governance as defined by Alexander and Matts, (2003) refers to corporate decision making and control, particularly the structure of the board and its working procedures. Robert (2004) sees the term as the arrangement between the managers of the firm and the owners of the firm, particularly, addressing the issue of how managers report the financial health of the firm to the owners. Cadbury Committee (1992) defines corporate governance as "the system by which companies are directed and controlled". Corporate governance has also been defined by Keasey, et al. (1997) to include the structures, processes, cultures and systems that engender the successful operation of organizations. The definition could therefore be centered on how the organization relates with other stakeholders within an environment. Therefore, corporate governance describes how companies ought to be run, directed and controlled (Cadbury Committee, 1992). It is about supervising and holding those who direct and control the management responsible for errors and misdeeds.

Determination of Good and Bad Corporate Governance

The problems faced by researchers is not only on defining the term "Corporate Governance" but also what level of corporate governance leads to good or bad corporate governance. This research work therefore identified factors that best define good corporate governance. Furthermore, the research study addresses the issue of firms' performance which, over the years, has also received wide range of interpretations. Some look at a firm's performance to mean the development of share prices, while others have the view that a firm is performing when it has made a lot of profit or it has increased its present value.

Corporate governance has been identified in previous studies Bhagat, 1999 and Abor, (2007) to influence the capital structure decisions of firm (especially large and listed firms). The extant literature identified the main characteristics of corporate governance to include board size, board composition, CEO duality, tenure of the CEO and CEO compensation. However, empirical results on the relationship between corporate governance and capital structure appear to be varied and inconclusive. The board of directors is charged with the responsibility of managing the firm and its operation. According to Robert (2004), there is a significant relationship between capital structure and board size. Bhagat, (1999) found that firms with larger board membership have low leverage or debt ratio. They assume that larger board size translates into strong pressure from the corporate board to make managers pursue lower leverage or debt ratio rather than have larger boards.

Code of Corporate Governance Practices for Banks

The code of corporate governance practices for banks post consideration released by the CBN on March 1, 2006 with an effective date of April 3, 2006 has six (6) areas of coverage as follows:

(1) Equity Ownership

The current practice of free, non-restrictive equity holding has led to serious abuses by individuals and their family members as well as governments in the managements of banks. However, to encourage a private sector-driven economy, holdings by individuals and corporate bodies in banks should be more than that of governments. It is also recognized that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. Such arrangements should be encouraged. Government direct and indirect equity holding in any bank shall be limited to 10% by the end of 2007. Equally, an equity holding of above 10% by any investor is subject to CBN"s prior approval.

(2) Organizational Structure

The responsibilities of the head of the Board, that is, the Chairman, should be clearly separated from that of the Head of Management (i.e. the MD/CEO), such that no one individual/related party has unfettered powers of decision-making by occupying the two positions at the same time. No one person should combine the post of Chairman/Chief Executive of any bank. For the avoidance of doubt, also no executive Vice-Chairman is recognized in the structure. No two members of the same extended family should occupy the position of Chairman and that of Chief Executive or Executive Director of a bank at the same time.

(3) Equality of Board Membership

Institutions should be headed by an Executive Board composed of qualified individuals that are conversant with its oversight functions. Existing CBN guidelines on appointment to the Board of financial institutions should continue to be observed. Only people of proven integrity and who are knowledgeable in business and financial matters should be on the Board. Regular training and education of Board members on issues pertaining to their oversight functions should be institutionalized and budgeted for annually by banks. The Board should have the latitude to hire independent consultants to advise it on certain issues and the cost borne by the banks.

The number of non-Executive Directors should be more than that of Executive Directors subject to a maximum board size of (20) Directors. At least two (2) non-executive board members should be independent directors (who do not represent any particular shareholder interest and hold no special business interest with the bank) appointed by the bank on merit.

A committee of non-executive directors should determine the remuneration of executive directors. There should be strict adherence to the existing code of conduct for bank directors, failing which the regulatory authorities would impose appropriate sanctions including removal of the erring Director from the Board. Non-executive Directors' remuneration should be limited to sitting allowances, directors' fees and reimbursable travel and hotel expenses.

In order to ensure both continuity and injection of fresh ideas, non-executive directors should not remain on the board of bank continuously for more than three terms or four years each, that is, 12 years. Banks should have clear succession plans for their top executives. There should be, as a minimum, the following Board Committees; Risk Management Committee, Audit Committee, and the Credit Committee. The practice of the Board Chairman serving simultaneously as Chairman/member of any of the Board committee is against the concept of independent and sound corporate government practice, and should be discontinued forthwith.

(4) Board Performance Appraisal

While adherence to the corporate governance principles is recognized as necessary for successful performance of Boards, it is often not a sufficient condition. Hence, the need for Board performance reviews or appraisal as a new concept to ensure successful or exceptional performance. Each Board should identify and adopt, in the light of the company's future strategy, its critical success factors or key strategic objectives. Board should determine the skills, knowledge and experience that members require to achieve those objectives. A Board should work effectively as a team towards those strategic objectives.

There should be annual Board and Directors review or appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual member's competencies and respective role in the Board's performance. The review should be carried out by an outside consultant. The review report should be presented at the AGM and a copy sent to the CBN.

(5) Quality Management

Appointment to top management positions should be based on merit rather than some other considerations. Existing guidelines on appointments to op management of banks should continue to be observed. Track records of appointees should be an additional eligibility requirement. Such records should cover both integrity (fit and proper persons as revealed by the CBN, 'black book', CRMs, etc.) and past performance in visible places of work.

(6) Reporting Relationship

Officers should be held accountable for the duties and responsibilities attached to their respective offices. The structure of any bank should reflect clearly defined and acceptable lines of responsibility and hierarchy.

The Role of Different Parties towards Good Corporate Governance

(1) The Role of the Board of Directors

The Board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties. There are issues about the appropriate mix of executive and non-executive directors. These issues have been handled to some extent by the CBN code of corporate governance.

(2) The Role of Shareholders

Abel (2008) wrote that "the role of shareholders activism in the proper management of corporate entities has been properly established in the literature. Suffice it to say that organizations with active shareholders are most likely to adopt good corporate governance principles and ultimately, would experience better performance and greater value creation. This is the right way to go. As owners of the companies, shareholders can express their dissatisfaction with the economic decisions taken by Board members by exercising their right to vote them out at AGMs. They can divest from the company, to drive home their dissatisfaction with severe implications for share prices and market capitalization.

(3) The Role of Audit Committee

There are contributions that audit committee can make to the raising of the standards of corporate governance in Nigeria. Section 359, sub-section 3 of the Companies and Allied Matters Act 1990, as amended to date, stipulates that every public company in Nigeria must have an audit committee to which the external auditors must report, in addition to reporting to the shareholders. The functions of the audit committee are spelt out in section 359, sub-section 6 as follows:

- Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings of management matters in conjunction with the external auditors and departmental responses thereon.
- Keep under review the effectiveness of the company's system of accounting and control.
- Make recommendations to the Board with regard to the appointment, removal and remuneration of external auditors of the company.
- Authorize the internal auditor to carry out investigations into any activity of the company which may be of interest or concern to the committee.

Joseph (2008) noted “the future is bright in respect of the contributions that audit committees can make to the raising of the standards of corporate governance in Nigeria”.

(4) The Role of Regulators

The role of regulators, that is CBC, SEC and CAC cannot be over-emphasized. It is obvious that good corporate governance in the present banking milieu will be best guaranteed y external institutions having regulatory oversight over the banks. Many countries have recognized that the abuse of corporate power cannot be adequately constrained by leaving it to the company’s members to ensure that the controllers behave and to take actions in the law court if they do not. The Nigerian SEC is vested with the power not only to regulate essentially through its registration requirements but also to discipline listed companies through its power of suspension and revocation of such registration. The CAC is empowered to appoint investigators to investigate the affairs of a company if an application, supported by evidence showing good reasons, is made by members of a company holding not less than one-quarter of the shares. Furthermore, the CAC may appoint investigators to investigate the affairs of a company if a court by order declares that the affairs of the company ought to be so investigated on grounds, among others, that:

- The company’s affairs are being or have been conducted in a manner which is unfairly prejudiced to some part of its members.
- Persons concerned with the company’s formation or the management of its affairs has been guilty of fraud, misfeasance or other misconducts towards the company.

Based on the report of the investigators, the Corporate Affairs Commission (CAC) or the Attorney General of the Federation may institute civil or criminal proceedings as appropriate against any person or firm found liable. The CBN on its own has been duty vested with powers under Banks and Other Financial Institutions Degree (BOFID) 1991 to exercise total control and supervision of all banks and other financial institutions. It was this power that the CBN invoked in the year 2009 when a special examination was carried out on all the 24 banks leading to the eventual dismissal of the MDs/CEOs of 8 banks.

However, the regulators have not been up and doing as attested to by the exposure of the eight (8) banks to absolute risks. Indeed, the CBN Governor, Mallam Sanusi Lamido, in an interview with Sunday Punch Newspaper on August 16, 2009 titled: “There is clearly a failure of regulation – Sanusi” stated that “I think the Central Bank and other regulators failed in focusing their attention on that and I have made that point very clear”. Indeed, the regulators ought to be up and doing in the discharge of their duties of regulation.

Problems and Weaknesses in Corporate Governance of Banks in Nigeria

The Central Bank of Nigeria (CBN), identified some problems and weaknesses in corporate governance of banks in Nigeria. These problems are:

- Disagreement between Board and Management giving rise to Board squabbles.
- Ineffective Board oversight functions
- Fraudulent and self-serving practices among members of the Board, Management and Staff.
- Overbearing influence of the Chairman or MD/CEO especially in family-controlled

banks

- Weak internal control
- Ignorance of non-compliance with rules, laws and regulations guiding banking business
- Non-compliance with laid down internal controls and operational procedures
- Passive shareholders
- Poor risk management practices resulting in large quantum of non-performing credits including insider-related credits
- Abuses in lending, including lending in excess of single obligor limit.
- Sig-tight Directors even where such directors fail to make meaningful contributions to the growth and development of the bank.
- Succumbing to pressure from other stakeholders; example shareholders appetite for high dividend and depositors quest for high interest on deposits.
- Technical incompetence, poor leadership and administrative abilities.
- Inability to plan and respond to changing business circumstances.
- Ineffective management information system.

Challenges of Corporate Governance in Nigerian Banks

Wilson (2006) opines that in the context of Nigeria, it is difficult to overlook the circumstances under which the twenty five (25) banks emerged at the close of the consolidation exercise.

The fact that a good measure of mergers consummated was forced and the time available limited posed great challenge to the banks. The CBN acknowledged those challenges of Corporate Governance for Banks and these are:

Technical Incompetence of Board and Management

In view of the greatly enhanced resources of the consolidated entities, Board members may lack the requisite skills and competencies to effectively redefine, re-strategize, restructure, expand and or refocus the enlarged entities in the area of change of corporate entities, new business acquisitions, branch consolidations, expansion and product development.

Relationship among Directors

Boardroom squabbles could be an issue due to different business cultures and high ownership concentration especially in banks that were formerly family "one-man" entities. The dominance of a "key man" could emerge with the attendant problems.

Relationship Between management and Staff

Squabbles arising from knowledge gaps, harmonization of roles and salary structure could also manifest among staff and management of consolidating banks with the potential to create unhealthy competition and a counter-productive working environment.

Increased Levels of Risks

Currently, very few banks have a robust risk management system in place. With huge amount of funds that will be available to them and the significantly increased legal lending limits, banks will be financing more long-term mega projects in the real sector of the economy as opposed to the existing working capital or trade financing. Given the expected significant increase in the level of operations, the banks will be facing various kinds of risks which, if not well managed, will result in significant losses. The management of risks in a transparent and ethical way will thus present some issues bordering on corporate governance.

Ineffective Integration of Entities

Banks that would have completed the process of merging might continue to operaste independently rather than as a single entity.

Inadequate Management Capacity

Directors and Managers are now running a much larger organization and controlling a significantly higher level of resources. Adequate management capacity is needed to efficiently and profitably run a large organization.

Resurgence of High Level Malpractices

To boost the income as a result of intense competition and lack of enough viable projects, malpractices may resurface post consolidation. Such sharp practices could include round-tripping of FOREX, sharp price manipulation, excess customer charges, falsification of records, creative accounting and adoption of unethical methods to poach customers.

Insider-Related Lending

If consolidation should fail to achieve transparency through diversification in bank ownership, the pervasive influence of family and related party affiliations may continue, resulting in huge levels of insider-abuses and connected lending.

Rendition of False Reports

Similarly, rendition of false returns to the regulatory authorities and concealment of information from examiners to prevent timely detection of unhealthy situations in the banks may continue as a result of lack of transparency and pressure to boost income.

Continued Concealment

Continued concealment of material issues discovered by banks during their pre-merger due to diligence will also compromise good corporate governance.

Ineffective Board/Statutory Audit Committee

The Audit Committee compromise both directors and shareholders who are not board of directors may be composed of people who are not knowledgeable in accounting and financial matters thus rendering committee less effective.

Inadequate Operational and Financial Controls

There might be absence of such controls to cater for the increased size and complexity of operations.

Absence of a Robust Risk Management System

The huge amount of funds that will be available to banks post consolidation would significantly increase their legal lending limits and make them engage in financing long-term mega projects. The management of the attendant risks in a transparent and ethical manger would require, as part of sound practices, the institutionalization of a robust risk management system.

Transparency and Adequate Disclosure of Information

These are key attributes of good corporate governance which the merged banks must cultivate with new zeal in order to provide shareholders with the necessary information to judge whether their interests are being taken care of. Currently, there are many deficiencies in the information disclosure particularly in the area of risk management strategies, risk concentration, performance measures and so on.

Failed Banks in Nigerian over the past two decades

Several Nigerian Banks between 1993 and 2006 collapsed and went into liquidation as a result of blatant financial malpractices and poor corporate governance. The Sunday Tribune of Sunday 23rd November, 2003 captured the liquidated banks as listed below:

(1)	Abacus Merchant Bank Limited	-	January 16, 1998
(2)	ABC Merchant Bank Limited	-	January 16, 1998
(3)	Allied Bank of Nigeria Plc.	-	January 16, 1998
(4)	Alpha Bank of Nigeria Limited	-	September 8, 1994
(5)	Amicable Bank of Nigeria	-	January 16, 1998
(6)	Century Merchant Bank Limited	-	January 16, 1998
(7)	Commerce Bank Limited	-	January 16, 1998
(8)	Commercial Trust Bank Limited	-	January 16, 1998
(9)	Continental Trust Bank Limited	-	January 16, 1998
(10)	Cooperative and Commerce Bank Limited	-	January 16, 1998
(11)	Credit Bank Nigeria Limited	-	January 16, 1998
(12)	Crown Merchant Bank Limited	-	January 16, 1998
(13)	Financial Merchant Bank Limited	-	January 21, 1998
(14)	Great Merchant Bank Limited	-	January 16, 1998
(15)	Group Merchant Bank Plc.	-	January 16, 1998
(16)	Highland Bank of Nigeria Plc.	-	January 16, 1998
(17)	ICON Limited (Merchant Bankers)	-	January 16, 1998
(18)	Ivory Merchant Bank Limited	-	December 22, 2000
(19)	Capital Merchant Bank Limited	-	January 21, 2004
(20)	Lobi Bank Nigeria Limited	-	January 16, 1998
(21)	Mercantile Bank of Nigeria Plc.	-	June 16, 1998
(22)	Merchant Bank of Africa Limited	-	January 16, 1998

(23)	Nigerian Merchant Bank Limited	-	January 16, 1998
(24)	North-South Bank Nigeria Plc.	-	January 16, 1998
(25)	Pan Africa Bank Limited	-	January 16, 1998
(26)	Pinnacle Commercial Bank Plc.	-	January 16, 1998
(27)	Premier Commercial Bank Plc.	-	December 22, 2000
(28)	Prime Merchant Bank Limited	-	January 16, 1998
(29)	Progress Bank of Nigeria Limited	-	January 16, 1998
(30)	Republic Bank Limited	-	June 25, 1995
(31)	Royal Merchant Bank Limited	-	January 16, 1998
(32)	United Commercial Bank Limited	-	September 8, 1998
(33)	Victory Merchant Bank Limited	-	January 16, 1998
(34)	Rims Merchant Bank Limited	-	December 22, 2000
(35)	Savannah Bank of Nigeria Plc.	-	February 15, 2002
(36)	Hallmark Bank of Nigeria	-	January 16, 2006
(37)	Gulf Bank Plc.	-	January 16, 2006
(38)	Lead Bank Plc.	-	January 16, 2006
(39)	Liberty Bank Plc.	-	January 16, 2006
(40)	Metropolitan Bank Limited	-	January 16, 2006
(41)	Peak Merchant Bank Plc.	-	February 28, 2003
(42)	Societe Generale Bank Limited	-	January 16, 2006
(43)	Triumph Bank Limited	-	January 16, 2006

CONCLUSION

Consequent upon the recapitalization and consolidation of the financial system in Nigeria by the Federal Government through the Central Bank of Nigeria (CBN), many banks got into mergers and acquisitions as a means of survival. This ultimately led to the reduction in the number of banks from about 89 to 25. Mergers and acquisitions did not solve the problem entirely since many of the banks still find themselves in serious problem resulting from poor corporate governance.

Other problems of the financial sector are traceable to the global financial crisis which began in the United States and United Kingdom with the global credit market grinding to a halt in 2008. The global stock market fell and many large financial institutions collapsed. Governments of the industrial world all came up with different rescue packages to bail out the ailing financial system. The episode was also partly attributable to poor corporate governance and unethical practices in the banking sector.

The Nigerian government was forced to put in place stringent financial policies through the Central Bank of Nigeria (CBN) in an effort to restore sanity and confidence in the financial sector. Part of the effort was to enforce strict corporate governance and discipline. Naturally, prudent management, strict corporate governance and ethical culture were seen as essential for the rescue of the financial sector. Policies were made to ensure that individuals appointed to the helm of affairs in the banks are professionals of proven ability to manage financial outfit.

The emphasis on corporate governance today came as a result of the realization that corporate governance holds the key to the success and survival of a bank. Governments in both the developed and developing nations know that growth and success of commerce and industry depend on the effective financial intermediation role played by the banking sector.

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