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# Corporate Governance and Organizational Performance in Nigerian Banks

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**Abstract**
The main objective of this research study among others, is to investigate and/or examine the role of good corporate governance on the performance of Nigerian banks. The study adopted a survey research design which was conducted using a selected bank in Asaba, Delta State. Data were collected through questionnaires that were administered to the selected (cross section of 100) respondents which was judged to be adequate for this study. Data collected were analyzed using the statistical package for social sciences (SPSS) regression software to establish the level of relationship between corporate governance, ethical behaviour/code of conduct, corporate social responsibility, managers and board members relationship and banking performance in Nigeria. The study revealed that weak corporate governance has accounted for some recent corporate failures in Nigeria and has heightened poor corporate governance, large scale misappropriation of fund, financial crises, excessive executive remuneration, conflict of interest, bankruptcy, eventual collapse, etc. Premised upon these findings, this study recommends that shareholders and stakeholders interests be properly and consistently aligned to ensure the banks promise of a future existence. Again, directors and managers should effectively discharge their fiduciary responsibilities and expeditiously increase their commitment, disclosure and transparency, improve on professionalism and shun all forms of fraudulent and corrupt practices. Lastly, it also recommends that should ethics unit be established in organizations to curb the ills and excesses and introduce principle based policies on good governance and ethics, constraints to good corporate governance would have been reduced to a highest level and relevant control measures to promoting good corporate governance will ensure the highest standards of transparency, accountability and attain stellar performance.
**Keywords**: corporate governance, ethical behaviour, corporate social responsibility, shareholders relationship and performance.

**CORPORATE GOVERNANCE**

## INTRODUCTION

There has been several corporate failures and large scale misappropriation of funds, which points to management style and audit independence, ethics, corporate social responsibilities, professionalism, conflict of interest and nefarious practices of board members. Good corporate governance in our contemporary economy is paramount to the success of banks and other private and public establishments in Nigeria. In recent times, there has been upheavals and/or disruptions in corporate management hence the recent upsurge of interest in researches on corporate governance. No doubt, banks intermittently face uncertain and chaotic capital problems, rapid change in product and processes, increasing importance/concentration on skills, service quality, change in manpower, etc which calls for greater attention, to enable them cope, survive, grow and advance towards enhanced competitive advantage and effectiveness. In 1997, for instance, 26 banks were liquidated as a result of loan (a large scale insider misappropriation of funds) to management staff, directors, some major stakeholders and their relations and companies (Sanusi, 2003). Nigerian banking system has over time experienced hiccups and corporate governance failures, which has compelled researchers to seek solutions to this menace. Corporate governance is multi-faceted. Several definitions by various scholars have been given though. According to O' Donovan, (2003) corporate governance is an internal system of encompassing policies, processes and people which serves the needs of shareholders and other stakeholders, by directing and controlling activities with good business savvy, objectivity, accountability and integrity. The perceived quality of a company's corporate governance can influence its share prices as well as the cost of raising capital.

The Hidu of July 9, 1997 as quoted by Gopalsamy, (2006) viewed corporate governance as not just corporate management but something much more broader to include a fair efficient and transparent administration to meet certain predetermined objectives. It is a system of restructuring, operating and controlling a company with a need to achieving long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers and then complying with the legal and regulatory requirements apart from meeting environmental and local community needs. The failure associated with corporate governance has assumed multifarious dimensions with implications especially for profit oriented business organizations like the banks and has become an issue of global significance. It characterizes relationships between and among corporate insiders and outsiders in terms of fairness, transparency, integrity, legitimacy, accountability, responsibility, etc. various stakeholders which seek to balance the interests of its shareholders in order to achieve and maximize long term sustained value for the corporation. It also aims at ensuring accountability, integrity and meeting a corporation's financial and other legal and contractual obligations.

**STATEMENT OF THE PROBLEM**

A lot of banks had sprung up in the recent past but has also failed to heed and observe sound corporate governance codes. There have been cases of failed banks caused by insider dirty dealings, non-rendition of correct accounts, non-disclosure of important financial transactions, extension of credits to fictitious customers abound in the past. It is against this backdrop, that corporate governance spate of failure has heightened over time in the past decades and this has accounted for the financial crises experienced by a wide array of banks, financial institutions and firms across the globe. Banks and organizations became susceptible to bankruptcy and eventual collapse should corporate governance weaken, because of the waste of non-productive activities, excessive executive remunerations, undeserved prerequisites, related party transactions, shirking and other means of diverting organization's assets and cashflows. The failure of institutions and organizations have been traced to several lapses associated with poor corporate governance including conflict of interest of corporate governors, who could indeed take advantage of the benefits of fiduciary and delegated decision making powers, where behaviour of companies fall short of shareholders/stakeholders' expectations.

Conflict of interests, compromising integrity, disclosure of official secrets, destruction of official documents for financial benefits and many others are against moral principles and ethical standards which are the major problems besetting banking performance in Nigeria today. Corporate governance demonstrates responsibility which is an approach to adopt and manage the impact a company's operation exert on the society and the environment. The interest of the firm and that of the society should be harmonized such that, none suffers or operates at the detriment of the other even if the firm has an overriding advantage over the society. Due to poor commitment to corporate social responsibility, organizations are unable to compete successfully among rivals. Experience has shown that board of directors have failed in developing quality relationships among management and this has negatively influenced banking performance.

**OBJECTIVE OF THE STUDY**

The main objective of the study is to determine the role of corporate governance on the performance of banks in Nigeria. Other specific objectives are:

(1) To examine the relationship between codes of best practices/ethical behaviour and banking performance in Nigeria.
(2) To ascertain the extent to which corporate social responsibility is accountable for an organization's competitive advantage.

**RESEARCH QUESTIONS**

This study is anchored on the following research questions:

(1) What is the significance of good corporate governance to banking performance?
(2) What relationship does code of best practices/ethical behaviour have with banking performance?
(3) Does social responsibility affect the extent to which banks gain or earn a competitive advantage?

**RESEARCH HYPOTHESES**

**$Ho_1$:** There's no statistical significant relationship between good corporate governance and banking performance.
**$Ho_2$:** Ethical behaviour/code of best practices has no statistical significance with banking performance.
**$Ho_3$:** There's no statistical significant relationship between corporate social responsibility and banking performance.

**SIGNIFICANCE OF THE STUDY**

This study focuses on the role of good corporate governance on banking performance in Nigeria.

(1) It will be beneficial to the government, the financial service industry, shareholders, customers, employees, suppliers, management and the general economy at large.
(2) It also serves as a dependable reference material for any individual/group of persons who wish to conduct further research on this area of study.

## LITERATURE REVIEW

## THE CONCEPT OF CORPORATE GOVERNANCE

Existing literatures relating to this study were used to provide more insight on corporate governance.

The definitions of corporate governance vary in sense and applications and basically reflect its user's own interest (Afaf, 2006). Corporate governance is seen as the management of firms through which a company is guided and monitored for the purpose of striking a balance between protecting its interests and that of the other related parties (stakeholders) in addition to the environment and society (Matar, Abdulnassar, 2007). Corporate governance is key in improving economic growth and efficiency cum enhancing investors' confidence (OECD Principles, 2004). Good corporate governance provides adequate incentives for the owners (Charreaux, 1997). It addresses a wide range of structural and ethical behavioural elements (accountability, shareholders' rights, disclosure and transparency, internal control and audit, etc.). Again, Philips (2007) defines corporate governance as an internal system encompassing policies, processes and the people which serve the need of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity and integrity. Through the above definitions, we noticed the multifaceted definitions and viewpoints on corporate governance between those who restricted it to relationship between management and owners of company and those who included stakeholders as being interested in the company's activity and are affected by it. The need to guard assets and protect liabilities has necessitated the issuance of sound corporate governance codes. The above definitions are not limited to a mechanism that is only beneficial to investors but encompasses those whose activities have directly or indirectly impacted on the organization's activities (stakeholders – employees, suppliers/vendors, trade unions, government, investors, etc.). Smith (2002) opined that his corporate governance is "people doing not just what the rule says but about doing what is right."

## AN X-RAY OF CORPORATE GOVERNANCE CODES WITH BANKS

2009 and 2010 as a matter of fact, witnessed a major sunami in the banking sector when the Central Bank of Nigeria (CBN) took some proactive measures to reform the banking sector and thus witnessed a relief as about five (5) chief executive officers were relieved of their duty as they found wanting in that they flouted the corporate governance codes. Oladele and Sanusi (2010) noted that some senior and high ranking bank officers were caught in the act, engaging in nefarious acts which is a flagrant disregard of the stated rules and regulations guiding banking operations in Nigeria. Some of these executive members, gave loans to their friends, without adequate security while they also authorized payments and transfers of substantiated claims. This is suffice to say that these bank directors actually were engulfed in self serving membership.

In the same vein, on Thursday, 20th February, 2014, President Goodluck Jonathan announced the suspension of the Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi over alleged "nefarious acts of financial recklessness and misconduct." The special Adviser to the President on Media and Publicity, Reuben Abati said in a statement, that the CBN Governor's suspension was in connection with his recklessness and violations of the extant laws of the land, persistent refusal and negligence to comply with public procurement act in the procurement practices of the CBN, unlawful expenditure by the CBN on intervention projects across the country deploying huge sum of money as the CBN did under the watch of Mallam Sanusi without appropriation and outside the CBN's statutory mandate, the untidy manner in which the affairs of the CBN were conducted, cum other reports of the financial reporting council of Nigeria and other investigating bodies which he said indicate far-reaching irregularities under Mallam Sanusi's watch which have distracted the Central Bank away from the pursuit and achievement of its statutory mandate. According to him, Mallam Sanusi Lamido Sanusi' s tenure has been characterized by various acts of financial recklessness and misconduct which are inconsistent with the administration's vision of a central bank propelled by the core values of a focused economic management, prudence, transparency and financial discipline; being also deeply concerned about the far-reaching irregularities under Mallam Sanusi's watch and being determined to urgently reposition the central bank of Nigeria for greater efficiency, respect for due process and accountability especially for an emerging economy like Nigeria. As a matter of fact, the expenditure of public funds, must be based on clear legal mandate, prudent constraint and overriding national interest. And then the financial infraction and act of financial recklessness committed by the CBN and reflected in its audited financial statement for 2012. When the CBN submitted its financial statement for the year ended 31st December, 2012, a query was raised about some issues in the financial statement and the CBN governor was asked to offer some clarifications with regards to these issues sometime 1st week of May, 2013. Though a response came which was then forwarded to the financial reporting council of Nigeria which is empowered to review the accounts of the CBN, conduct investigation should there be any need and invite other bodies to further investigate which was also done.

President Goodluck Jonathan expects that the acting governor of the Central Bank, Dr. Alade Sarah will focus on the core mandate of the bank and conduct its affairs with greater professionalism, prudence and propriety to restore domestic and international confidence in the country's apex bank and ensure that the apex bank continues to be a symbol for prudence, integrity and accountability and in a bid to allay the fears of government, he thus reassures all stakeholders in Nigeria financial and monetary system that this decision has been taken in absolute good faith and in the overall interest of the Nigerian economy and in accordance with our laws and due process. The financial council audit report on the central bank of Nigeria, which led to the suspension of Sanusi Lamido Sanusi from office accused the apex bank management of several financial practices that border on fraud. It said that there there is a provision for "Facility Management of N7.034 Billion in 2012; N5.751 Billion in 2011. A breakdown of these reveals that this is just an expense head where the leadership of the CBN dumps what ordinarily should have been accounted for as their benefit-in-kind for tax purposes. A closer look at the breakdown shows that it is just an expense head used for fraudulent activities as they have items such as "profit from sales of diesel" indicating that the CBN at some point operates in the downstream sector of the petroleum industry. There are also breakdown such as "currency issue expenses" of N1.158 Billion and Sundry Currency charges of N1.678 Billion under "CURRENCY ISSUE EXPENSES, recorded in2011 and are also similar expenses in 2012 which are difficult to understand." The CBN accounts revealed it paid Nigerian Security Printing and Minting Plc N38.233 Billion in 2011 for "Printing of Banknotes" whereas the entire Turnover of the same NSPM Plc Group as contained in their report was N29.370 Billion for all its transactions. "it also therein claimed that it paid Air Charter such as amount paid to Emirate Airline N0.425 Billion and Associated Airline N1.025 Billion to distribution currency by air nationwide. Emirate airline does not fly local charter in Nigeria. Wing airline is not registered with Nigerian Civil Aviation Authority and Associated Airline does not have a Billion Turnover for 2011 because upon enquiry, the management claimed that they have no financial statements and have not had any significant operations for the past two (2) years, that will warrant preparation of financial statements.

Barr. Ozekhome, asserted that Sanusi violated the global principles of public decorum expected of holders of such an office. There has been dwindling of money that comes into federation account and a continuity of stealing of public funds. A sitting minister of national television claiming he spent money without appropriation whereas it is a sackable offence in other countries as it is unconstitutional. This is also not unconnected with the donation of N100 Million to families of the Ikeja bomb explosion victims, the spending of N1.257 Billion in 2012 on private guards and lunch for policemen. In 2012, CBN spent N38 Billion on mint printing down from the N49 Billion spent in 2011. In 2013, N35 Billion was spent and in 2014 budget, Sanusi's plan was to spend N30 Billion. In 2012, he gave N80 Billion to federation account, in 2011, N60 Billion, and in his first four years of his term as the CBN Governor, he gave N279 Billion and N600 Billion. into the federation account from surplus alone and the money was made from prudent finance cutting down and currency expenses. The deposit money banks operating in the country lost a total of N3.8 Billion to fraud and forgery in six (6) months. The 2013 half year economic report released by the CBN on Wednesday 19th February, 2014 shows that the number and value of reported cases of fraud and forgery in the banking industry increased in six (6) months in 2013. There were 2,478 , cases of fraud and forgery valued at N22.4 Billion. This was higher than the 2,300 recorded cases, valued N7.1 Billion in the corresponding period of 2012 of this amount, the actual loss incurred by the banks was N3.8 Billion, representing 17.1 percent of the total fraud amount, compared with N2.5 Billion in the corresponding period of 2012. According to the apex bank, the frauds were carried out through diverse means, including fraudulent withdrawals from customers' accounts, suppression and conversion of customers' deposits, theft, illegal funds transfer, cheque defalcations, and fraudulent ATM withdrawals, among others. To mitigate the increased operational risks as a result of these frauds, several measures were recommended to improve the DMBs risk management control function. The measures included the implementation of stricter internal control, improved technology audit to routinely check employees' activities and a more thorough approach to hiring employees for highly sensitive areas of operation. However, the CBN received 759 complaints from the banking public against the DMBs in respect of excess charges, conversion of deposit, unauthorized deductions, among others.

Then again, oil and politics make a turbid mix, and the suspension of Nigeria's central bank chief and anti-graft whistleblower Lamido Sanusi is a cautionary tale for never African oil producers trying to avoid the "resource curse". President Goodluck Jonathan suspended Sanusi on Thursday 20th February, 2014 citing acts of financial recklessness only weeks after the internationally respected bank Governor had publicly upbraided state oil company Nigeria National Petroleum Corporation (NNPC) with allegations that it had failed to remit $20 Billion owed to federal government coffers.. Jonathan acknowledges that corruption exists in Nigeria, but says it is exaggerated by his enemies to discredit him. Rafsanjani (executive director of the civil society advocacy centre (CISLAC), a group that seeks to promote better governance in Nigeria), said that Sanusi's suspension was a "deliberate attempt to silence whistleblowers in the country" , though Presidential Spokesman Reuben Abati denies it was politically motivated. The targeting of Sanusi, 52 rattled Nigeria's markets and alarmed foreign investors who saw him as an anchor of stability in Africa's No. 1energy producer, which has long had a reputation for corruption as murky as the oil-producing Niger Delta's viscous creeks. Yet, while Sanusi's axing is a serious setback to Nigeria's efforts to improve governance, advances are being made elsewhere in Africa to improve financial transparency. Of course, it's a blow for Nigeria, which is an economic and political powerhouse of Africa, but should not overshadow real progress made elsewhere, in countries such as Senegal, Niger and Ghana – Kalenga.

Sound corporate governance has been described as a key determinant to value creation. McRitchie (2010) and Alo (2007) asserted that sound corporate governance is about accountability, board disclosure, investors involvement in business related issues, etc and that firms with stronger shareholders right had higher firm value, higher profits, higher sales growth, lower capital expenditure and fewer corporate acquisitions. Thus, it is therefore pertinent that banks and other financial institutions establish, pursue and maintain policies that would ensure real value creation especially in an emerging economy like Nigeria. Sanusi (2009) identified some questionable corporate and financial practices, ineffective risk management procedures, petitions and litigations on sharp practices against banks, high ratio of insider non-performing loan/bad debts, non-adherence to prescribed liquidity ratios and other prudential guidelines, huge exposure to single obligors, other regulatory infractions and high level inter-bank balances as the major causes of the crises in the Nigerian banking system.

Nonetheless, Alo (2007) identified some challenges of corporate governance in Nigeria especially in the banking industry. Some of them include:

i) Establishing the code
ii) Placement of an appropriate institutional framework.
iii) Value creation and orientation.
iv) Inefficiency of corporate governance bureaucracy, etc.

**CORPORATE SOCIAL RESPONSIBILITY AND GOOD CORPORATE GOVERNANCE**

Corporate social responsibility is a way of life, which informs not only how organizations give back to the society, but also how they partner with their various stakeholders in appreciating them for providing a conducive environment in which they operate. Premised on this fact, they therefore go beyond the dictates of corporate citizenship to impact positively on the entire society, through robust corporate social responsibility (CSR) initiatives. In the pursuit of enterprise and wealth creation for stakeholders, they look beyond the bottom line - education, ICT youth empowerment, nation building and wealth creation, considerable attention to issues of health, environmental care & welfare, sports, religious organizations, assistance to victims of natural disasters, infrastructures and security, etc. It is vital that contributions to the growth of the society be encouraged (Anderson, 2009). This has been widely acknowledged, commended and applauded by various stakeholder, these efforts have attracted awards overtime. Though, it sometimes generate mixed considerations over time, it has proven to be a feeder to corporate social reputation though opponents claim that it's expensive and inconsistent with the goal of maximizing shareholders' return.

However, CSR strategy does not allow organizations to be everything to everybody but to have an unwavering focus on critical areas of societal needs which is borne out by the variety and quantum of their financial commitment via sponsorships that has brought about a lot of transformation in various ramifications. Obviously identifying socially responsible activities that increase the present value of a firm is interesting in its own right (Godfrey, 2004, Mc Williams & Siegel, 2004, Waddock and Graves, 1997). The privilege given to organizations to run their businesses stems from the fact that society believes that there is a mutual inter-dependence existing between the duo. Social responsibility could be seen as the intelligent and objective concern for the welfare of the society.

Social responsibility implies that the interests of the firms and that of the society be *harmonized such that none suffers or operates at the impairment of the other irrespective of the fact that the firm's interest predominates over that of the* society. The pervasive influence of the large business organizations in the society make the issue of social responsibility very important to management as some try to integrate corporate social responsibility in all aspects of their operations. The business for social responsibility (BSR) defined corporate social responsibility as achieving commercial success in ways that honour ethical values and respect people, communities and the immediate environment around where the firm operates. Mc Williams and Siegel, (2001) described corporate social responsibility as actions that appear to further some social good, beyond the interest of the firm and that which is required by law. Socially responsible firms enhance brand image and reputations, as consumers are often drawn to brands and companies with good reputation in corporate social responsibility related issues. This in turn, can make the firm benefit hugely from its reputation within business community by having increased ability to attract capital and trading partners. Reputation is hard to quantify and measure. It is even harder to measure how much it increases a company's value. Companies that are socially responsible are more transparent and have less risk of bribery and corruption. Again, companies that are socially responsible have a strong commitment of employees. They usually have an increased ability to attract and retain employees (Turban & Greening, 1997), culminating in reduced labour turnover, recruitment and training costs. Employees too often evaluate their companies to determine if their personal values are congruent with the company's own.

As a matter of fact, companies that improve working conditions and labour practices no doubt experience increased productivity and reduced error rates. Thus, firms may actually benefit in terms of increasing employee morales and productivity (Moskowitz 1992, Parket & Elibert, 1975; Solomon & Harrison 1985). Contemporarily, it's not enough for a company to be merely profitable, it needs to demonstrate good citizenship through environmental awareness, ethical behaviour and sound corporate governance practices – the full impact of corporate activities on the society should be felt, e.g charitable activities, community involvement, etc. Socially responsible behaviour can enable firms to differentiate its product (Mc Williams and Siegel, 2001; Waddock and Goaves, 1997). It can reduce a firm's exposure to risk (Godfrey, 2004). All of these socially responsible actions can increase the present value of firms cash flow and are consistent with the wealth maximizing interest of firm's equity holders.

**SHAREHOLDERS/MANAGER'S RELATIONSHIP**

Managerial ownership is inversely related to agency conflicts between managers and shareholders. Demsetz and Lehn (1985) averred that there's support for the divergence of interests between managers and shareholders. Corporate governance presupposes a relationship of trust between organizational managers and shareholders. It practically encompasses every sphere of management from action plans and internal controls to performance measurement and corporate disclosure. Much of contemporary interest is premised on the mitigation of conflict of interest between stakeholders and shareholders welfare. Ways of mitigating these conflicts include but not limited to processes, customs, policies, laws and institutions which have an impact on the way a company is controlled to determine the nature and extent of accountability of people in business.

Nonetheless, all parties to corporate governance have an interest whether directly or indirectly, in the financial performance of a corporation. Directors, workers and management receive remunerations, benefits and goodwill, while investors expect to receive financial returns. For lenders, it is specified interest of payments, while returns to equity investors arise from dividends distributions or capital gains on stock. Customers are concerned with certainty of provision of goods and services and possible continued trading relationships. A control mechanism should be used to regulate both motivation and ability while providing incentives alignment toward corporate goals and objectives. Care should be taken to ensure incentives are not so strong that lines of ethical behaviour would be crossed by manipulating revenue and figures to drive up the share price of the company.

**CORPORATE GOVERNANCE AND BANKING PERFORMANCE**

The abysmal performance of banks and other financial institutions today, can be attributed to violation of many corporate governance codes of conduct. Corporate governance is very vital in ensuring a better performance in the Nigerian banking industry knowing they're a strong pillar - the main financier of economic growth. Ayininulola, (2009) asserted that owners of business should ensure that managers do not pursue goals that are different in conflict with those of their promoters. According to Peter Drucker (2004), organizations should be good citizens themselves ethically, responsibly and otherwise and must respect the laws of the land, provide social amenities and avoid acts that are detrimental to the immediate environment and/or the society that created the enabling environment for its business operations. O' Donowan (2003) described corporate governance as an internal system encompassing a company's policies, processes, people which serve the needs of the shareholders and stakeholders by directing and controlling management activities with good business savvy, objectivity and integrity. Corporate governance is a term that broadly refers to rules, processes or laws by which a company's businesses are directed, operated, regulated and controlled. It can also refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as the external forces (consumer group, clients, and/or government regulations).

**ETHICS AND CORPORATE GOVERNANCE**

Lack of ethical considerations in corporate governance will undoubtedly give rise to corruption. According to Onyechere, (2005:2), corruption is the major problem of African countries, including Nigeria as it undermines good public and corporate governance. Therefore, it's the major reasons why organization fail. It promotes betrayal of public trust and confidence and destroys core social values and drive for a better society. It is so endemic that the few trying to discourage it, are seen as deviants. Corporate governance is managerial and directional in controlling an incorporated organization, to reduce the risk of fraud, improve leadership and demonstrate social responsibility (Bloomsbury publishing, 2003:88). The term "ethics" is one which has found itself often linked with "morality" and it has sometimes been applied more narrowly to mean the moral principles of a particular individual or group. Ethical conduct strikes at the core of corporate governance. It implies minimal standard of conduct that individuals and organizations apply in guiding decision-making and actions. Ethical considerations in corporate governance deal with system of moral principles, rules, judgement, standards, and beliefs guiding and governing humans and organizational behaviours and actions in the quest to achieve corporate objectives. Ethics goes deeper to examine our consciences, and relationships, with one another. Organizations need to establish sound ethical and behavioural standards or codes of best practices that will govern and positively influence the management/members of staff of an organization. Generally, the ethical standard of an organization is dependent on the ethical standard of each member of the group (Nwachukwu, 2007:22). Thus, the ethical standards of a company are determined by the ethical standards of the executives because they set the ethical behavioural patterns to be emulated by their subordinates as the subordinates ethical behaviour is reinforced and influenced by the behaviours of management.

Yes, the enduring success of any organization depends largely on ethical consideration and standards in corporate governance. This is because good corporate governance discipline the behaviours of insiders, whether managers or shareholders, as good corporate governance starts with the owners, then spreads down to the organizational ladder to the board of directors and management, and down to employees. It is concerned with promoting corporate fairness, accountability, disclosure and transparency. Again, conflict of interest is a pervasive phenomenon which characterizes relationships between and among various stakeholders, in varying degrees of intensity. The interest of the stakeholders must therefore be paramount. The stakeholders theory suggest that performance and success depends on how well an organization manages its relationship with stakeholders (Freeman & Phillips, 2002). In addition, effective communication and quick decision making is encouraged. There are strong facilitators of the right atmosphere for unfettered pursuit of global maximization of shareholders returns. An appropriate view of corporate government presupposes a relationship of trust between organizational managers and shareholders.

Good corporate governance ensures that ethical standards, best practices cum formal laws are strictly adhered to. Against this backdrop, organizations now try to devise and improve on the mechanisms for its enforceability, address its weaknesses and constraints, examine and recommend ways for effecting greater compliance and promote good corporate governance practices, geared toward the highest standards of transparency and disclosure, accountability, etc. and heightened without unduly inhibiting the firm and its innovations, and thus mitigating the risks which may stem from the misdeeds of corporate officers at the regional, national and global levels. In recent years, corporate governance has been greeted with increased attention because of high profile corporate scandals in different forms involving abuse of corporate power, and in some cases, alleged criminal activity by corporate officers. An integral part of effective corporate governance regime, includes provision of civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. Senior managers exploit companies at the expense of other stakeholders. More staggering is the recent unraveling of bad practices (Accounting fraud) by senior managers of banks. Moreso, the recent downturn on the Nigerian stock exchange also brought to the fore some of these unethical practices by capital market operators. The Nigerian code of corporate governance practices in 2003 was a welcomed development. The code laid emphasis on the role of board of directors and management, shareholders' rights and privileges and the audit committee in the corporate governance process. There's no gainsaying that CAMA (Company and Allied Matters Act) has not achieved much in fostering and entrenching sound corporate governance practices in Nigeria before the emergence of the code of corporate governance practice in 2003. CAMA has been in existence and regulated the relationships among the board of directors, shareholders and management and stakeholders.

**WHAT WE SHOULD DO**

Essentially, a code of ethics should explain its purpose and describe values that are important to the board for the conduct of a company's business e.g integrity, responsibility, accountability, professionalism and reputation. The code apart from defining and setting out the various categories of ethical conduct that are acceptable as well as the scope of ethical boundaries for all those who are bound by it, should also state clearly the commitment of all those subject to it, to ensuring that their conduct is in full consonance with its provisions. The main objective is to enshrine and maintain the highest ethical standards both within the company and in dealing with external third parties. Section 36 of the SEC code of corporate governance for public companies in Nigeria provides some guidance as to the contents of a code of ethics. Some of which are:

(1) A healthy board culture that safeguards policies and processes.
(2) Establish excellent relationship among board members, management and other stakeholders.
(3) Review the code of corporate governance practices in 2003 to give it a greater legal backing to engender enforcement.
(4) There should be zero-tolerance to unacceptable unethical corporate governance practices and sanctions meted out to deviants for non-compliance.
(5) All stakeholders interests should be protected at all cost, and be encouraged to participate in corporate governance process.
(6) Effective internal control systems and whistle blowing should be encouraged as whistle blowers would equally be adequately protected.
(7) Regular structured training and attendance of seminars/workshops for senior managers to strengthen leadership quality.
(8) Performance evaluation system of senior managers and the board members as well as reporting to

 

stakeholders should be encouraged.

The cardbury and OECD reports presents general principles around which businesses are expected to operate to assure proper governance. Thus:

**Rights and equitable treatment of shareholders:** Such that shareholders exercises their rights openly and effectively communicating information by encouraging participations at general meetings.

**Interest of shareholders:** Organizations should recognize that they have legal, contractual, social and market driven obligations to non-shareholders including employees, creditors, suppliers, investors, local communities, customers and policy makers just to mention a few.

**Integrity and ethical behaviour:** This is a fundamental requirement in choosing corporate officers and board members, such that code of best practices of directors are developed to curb some excesses in the system.

## GOOD CORPORATE GOVERNANCE: THE APPLICABLE RULES AND REGULATIONS

According to the Nigerian Journal of Management Research, Vol. 6, (1) January – June, 2011, the Central Bank of Nigeria (CBN) through its BOFIA, spelt out some express codes to which banks should be guided. Among others are:

i) No person who has been a director of or directly concerned with the management of a bank which has wound up, by the federal high court shall without the express approval of the Governor of CBN, act or continue to act as a director or be directly concerned with the management of any bank.

However, the Bassel Committee (2006) thus recommends:

ii) That the board and senior management should understand the banks operational structure.
iii) That the banks be governed in a transparent manner.
iv) That the board should always ensure that there is an appropriate oversight by senior management, consistent with the board's policies.
v) That the board should set and enforce clear lines of responsibility and accountability throughout the organization.
vi) That the board should institute and ensure compensation policies in consonance with the banks' corporate culture, long term objectives and strategy.
vii) That the board and management should effectively utilize the work conducted by the internal control and audit fucntions.

## IMPORTANCE OF EFFECTIVE CORPORATE GOVERNANCE TO BANKING INDUSTRY AND THE SOCIETY AT LARGE

Verily, the importance cannot be overemphasized. Among others are:

(1)It helps managers to be focus-oriented especially on improving organizational performance.
(2) It helps to guarantee a sound monetary system and a country's economic development (Handley, Schachler et al, 2001; Adams & Mehran, 2003).
(3) It fosters adequate flow of resources to the most efficient sectors or entities.
(4) Helps investors to have access to clear and factual information.
(5) Banks that develop codes of corporate governance and disclose information about their operations and financial returns annually, usually earn higher credibility and validity, particularly in meeting stakeholders' expectations.
(6) It promotes goodwill and instill confidence in the financial system. It results in increased valuation, higher profit, higher sales, growth and lower capital expenditure (Wolfgange, 2003).
(7) It enhances corporate performance and provides meaningful and realizable financial report on firms' operations.

## METHODOLOGY

A research design was adopted for this study. One hundred (100) questionnaires were designed to elicit response from managers, deputy managers and staff of zenith bank in Asaba metropolis, which represents the entire population under study. However, 85 questionnaires were retrieved but only 70 were useable.). Data collected were presented using simple percentage. Data were also analyzed and tested using correlation coefficient statistical test of significance. This was to establish the relationship between the dependent and independent variables.

## CORRELATION MATRIX AMONG VARIABLES OF CORPORATE GOVERNANCE

***Research question 1:***

What relationship does codes of best practice or ethical behaviour have with banking performance?

Among variables of ethical behaviour are business ethics, codes of conduct, bank's policy and behaviour.

**TABLE 1:** CORRELATION MATRIX AMONG VARIABLES OF ETHICAL BEHAVIOUR

| Variables | Business Ethics | Codes of Conduct | Bank's Policy | Behaviour |
|---|---|---|---|---|
| Business Ethics | 1 | | | |
| Codes of Conduct | -104 | 1 | | |
| Bank's Policy | -0.65 | 3.59 | 1 | |
| Behaviour | -0.29 | 2.70 | ,129 | 1 |

**Source:** SPSS Model 20.0 Regression Software

Table 1 above has 10 coefficient values. The results of the correlation analysis involving all the indicators of ethical behaviour showed an overwhelming positive correlation among variables. It showed that business ethics has a positive correlation with behaviour - r = 209, 0.05. Findings here indicate that codes of conduct is found to have a positive significant relationship with bank's policy – r = 3.59, 0.01. It also maintained a positive correlation coefficient between bank's policy and behaviour – r = .129, 0.05. The negative correlation value will be ignored since it does not exhibit any form of relationship.

**COEFFICIENT**

| Unstandardized coefficient | | | Standard coefficient | | |
|---|---|---|---|---|---|
| Model | $\beta$ | Std. Error | Beta | T | Sig. |
| Constant | 8.327 | 2.742 | | 3.037 | 0.13 |
| Ethical behaviour | .428 | .163 | .303 | 2.625 | .011 |

**Source:** SPSS Model 20.0 Regression Software

This table above indicates that the results from the regression analysis reported that ethical behaviour has a significant positive relationship with corporate governance mechanism – $\beta = .303$, $p < 0.01$. The $\beta$ value showed the effect of the independent variable on the dependent variable.

**MODEL SUMMARY**

| Model | R | R. Square | Adjusted R. Square | Standard error of the estimate |
|---|---|---|---|---|
| 1 | .303 | .092 | .079 | 2.406 |

**Source:** SPSS Model 20.0 Regression Software

The table, above shows that change in corporate governance is brought by the effect of ethical behaviour – 0.79.

**Research Question 2:**

Does social corporate social responsibility affect the extent to which banks gain or earn a competitive advantage? Corporate social responsibility is represented, among variables of corporate social responsibility such as goodwill and stakeholders.

**TABLE 2:** CORRELATION MATRIX AMONG VARIABLES OF CORPORATE SOCIAL RESPONSIBILITY

| Variables | Corporate Responsibility | Social Responsibility | Goodwill | Stakeholders |
|---|---|---|---|---|
| Corporate Responsibility | 1 | | | |
| Social Responsibility | .190 | 1 | | |
| Goodwill | .229 | .312 | 1 | |
| Stakeholders | .018 | .200 | .020 | 1 |

**Source:** SPSS Model 20.0 Regression Software

Table 2 shows 10 coefficients were recorded. The results of correlation analysis involving all the indicators of corporate social responsibility showed an overwhelming positive correlation among the variables. It reported that corporate responsibility has a positive correlation with goodwill (.229, 0.05). Also, in table 2 above, social responsibility has a positive statistical relationship with goodwill and stakeholders r = 0.20, 0.05. There were no negative correlation values because each of the variables in table 2 above, has a positive statistical relationship with each other.

**COEFFICIENT**

| Unstandardized coefficient | | | Standard coefficient | | |
|---|---|---|---|---|---|
| Model | $\beta$ | Std. Error | Beta | T | Sig. |
| Constant | 10. 795 | 2.743 | | 3.935 | .000 |
| Corporate Responsibility | .308 | .179 | .204 | 1.720 | .090 |

**Source:** SPSS Model 20.0 Regression Software

 

Since the calculated $\beta$-value is greater than the critical level of significance (0.90> 0.05), we therefore accept the alternate hypothesis, indicating that there's a statistical significant relationship between corporate social responsibility and banking performance/competitive advantage.

**Research Question 3**

(1) To what extent will board/management relationship affect banking performance? The variables of board/management relationship include board members, directors, communication, best interest, etc.

**TABLE 3:** CORRELATION MATRIX AMONG VARIABLES OF BOARD AND MANAGEMENT RELATIONSHIP

| Variables | Board members | Directors | Communication | Best Interest |
|---|---|---|---|---|
| Board Members | 1 | | | |
| Directors | .458 | 1 | | |
| Communication | .289 | .518 | 1 | |
| Best Interest | 072 | .072 | .155 | 1 |
| | | | | |

**Source:** SPSS Model 20.0 Regression Software

From the table 3 above, the 10 coefficient reported positive values. Directors with board members reported the highest positive correlation values (r = .458, 0.01), and Directors with communication (r = .518, 0.01). It also maintained a positive (low) correlation coefficient between communication and best interest (r = .155, 0.05).

**COEFFICIENT**

| Unstandardized coefficient | | | Standard coefficient | | |
|---|---|---|---|---|---|
| Model | B | Standard Error | Beta | T | Sig |
| Constant | 6.797 | 2.079 | | 3.270 | .002 |
| Board & mgt relationship | .573 | .136 | .455 | 4.215 | .000 |

**Source:** SPSS Model 20.0 Regression Software

The table above shows that board and management has relationship positive with banking performance. (sig = .000, p < 0.05)

**MODEL SUMMARY**

| Model | R | R. Square | Adjusted R- Square | Std. Error of the estimate Sig |
|---|---|---|---|---|
| 1 | .455 | .207 | .196 | 2.248 |

**Source:** SPSS Model 20.0 Regression Software

This shows the change brought about by the board and management relationship (.196)

**$Ho_2$:** There is no statistical significant relationship between shareholders/stakeholders relationship and banking performance.

**COEFFICIENT**

| Unstandardized coefficient | | | Standard coefficient | | |
|---|---|---|---|---|---|
| Model | B | Standard Error | Beta | T | Sig |
| Constant | 6.797 | 2.079 | | 3.270 | .002 |
| Board & management relationship | .573 | .136 | .455 | 4.215 | .000 |

**Source:** SPSS Model 20.0 Regression Software

The result shows that there is statistical significant relationship between shareholders stakeholder relationship and banking performance. Since the $\beta$ -value calculated is less than the critical level of significance 0.000<0.05) hence the alternate hypothesis is accepted.

**DISCUSSION OF FINDINGS**

**CODE OF BEST PRACTICES/ETHICAL BEHAVIOUR**

This research work was primarily conducted to examine the impact of corporate governance practices on the performance of Nigerian banks. It specifically examined and analyzed various indicators of corporate governance and how they can positively influence performance. These among others were the researcher's findings: the unethical gifts, bribery and corruption, insiders' dealings, lack of disclosure, transparency and integrity, misuse of company-owned property and conflict of interest are the major factors militating against effective corporate governance in Nigeria. On the other hand, increased disclosure, transparency and accountability will pave way for good corporate governance practices in the performance of Nigerian banks. The result from the survey analysis showed that there's an overwhelming positive correlation between ethical behaviour and banking performance as seen in table 1, with significant β-value of $r = 303$, $p<0.01$. This is in line with Oluyemi (2005) who considered ethical practice to be of special importance in ensuring stability of the economy and successful achievement of banking strategy. Also, Maher and Anderson (1999) and Agnesto (2007) stated that "ethical behaviour improves economic efficiency access to domestic and foreign capital human resources productivity and development of market economy and protection of corporate reputation.

The researcher's findings also indicated that corporate governance through corporate social responsibility requires more than playing an economic role in meeting community needs, education, health and environmental/social welfare and impact positively on the society. Sherleker (2001) noted that social responsibility is related to profitability in terms of goodwill, credibility and trust is much more valuable than returns on investment, though it was revealed that there's a negative impact of corporate social responsibility on the financial performance of Nigerian banks. Lastly, the analysis of data relating to board and management relationship and banking performance revealed that there's a positive statistical significant relationship between board and management relationship and banking performance. This is in line with the shareholders' theory which suggests that performance and success depends largely on how well an organization manages its relationship with stakeholders (Freeman and Philips, 2002). In any establishment, good governance should stem and start from the owners, then spreads/follows through, down the organizational ladder to the board of directors and management and then the employees. Right relationships should be established among shareholders, members of the board of directors, management and employees in terms of fairness, transparency, accountability, integrity, legitimacy and responsibility.

## CONCLUSION

From the foregoing, several deductions can be drawn. The role of good corporate governance practices in the performance of banking in Nigeria cannot be overemphasized. It is expected that the findings of this research work and recommendations will be of immense benefits and/or assistance to the financial service industries in Nigeria in determining how best their performance can be improved, how best corporate insiders and outsiders relationship can be effectively and efficiently enhanced and managed. On this premise, it is therefore concluded that any bank which looses public confidence the banks enjoy is as good as dead. Strengthening good corporate governance and sound ethical behaviour among others enhance banking performance as it ensures economic stability and successful attainment of corporate goals. Globally, business ethics forms an underlying basis for corporate governance practices. The board of directors of a company, acting on behalf of the shareholders, should therefore define standards of ethical behaviours expected of Directors and employees of the company and the third parties they relate with.The discharge of corporate social responsibility no doubt guarantees the safety, assets and a promise of future existence of an organization. Conclusively, board and management relationship has a positive impact on the performance of banks in Nigeria, which can only be achieved by aligning the stakeholders interests and shareholders accordingly.

## RECOMMENDATION

Based on the researcher's findings and conclusions, the following recommendations were made:

The ethics unit should be established in organizations (banks in Nigeria) to introduce a principle-based framework and policies on ethics, internal control and audit and practical measures taken to curb the excesses irrespective of one's position/designation in the organization, and equally attach certain recognition such as compensation and rewards to ethical behaviour to encourage and better uphold ethical practices. This is because activities and conduct of the board of directors and management of any organization are very critical to its corporate survival. However, of more importance, is the need for strong and well established corporate governance among the financial institutions that are the custodian of private and public finances as well as the major intermediary between suppliers and borrowers of funds of an organization. This is so important, since the survival and growth of the banking industry lies in the public confidence the banks enjoy and this confidence lies in the ability of the banks to deliver good corporate governance. Also, it will increase the level of transparency and accountability in carrying out various responsibilities which in turn leads to better performance and increase profitability.

The following reasons have been identified as to why companies should develop a formal code of ethic as good corporate governance is essential for the survival of any organization.

**Compliance**
Companies need to ensure compliance by their employees and stakeholders with relevant laws and regulations and that conduct is in consonance with the general expectations within the business environment.

**Stiff Penalties**
Stiff penalties including removal or sack of board of directors who further violate or contravene the codes of corporate governance set out for them, should be meted out on erring board members and management. It should be registered in the hearts and minds of top management officers that ethical violations of the law may result in civil or criminal penalties.

**Managing Stakeholders Relations**
A code of ethics enhances the relationship between the company, its shareholders and other stakeholders including regulators.

**Internal Control & Audit**
It is also strongly recommended that the internal control and audit departments of banks be strengthened to effectively and efficiently carry out their internal control functions including carrying out some checks on board members and management of banks.

**Creating a value-based Organization**
By logical premise, an ethically administered company is more likely to be successful in business in the long term. Thus, companies are encouraged to develop and nurture an ethical culture that will ensure employees act and think in a way that is consistent with the values espoused in the code of ethics.

**Competitive Advantage and Sustainability**
Ethical conduct can earn a company competitive advantage that will assure business sustainability. A company that establishes for itself a reputation of being ethically governed would more likely garner better patronage than one that is perceived as being indifferent on this subject.

Moreover, there should be a wider awareness of the importance of accountability. The levels of scrutiny should be higher and try to improve due process e.g by publishing all signed contracts and stronger democratic institutions should be developed e.g an independent central bank to curb or avoid and/or tackle endemic and/or corrosive corruption. International organizations/communities too should also be encouraged too, by publicly lobbying nations to imbibe and apply due process and oversight in the handling of their natural resources. – Gillies. Although investors in Nigeria are used to challenging conditions and expect a bumpy ride, the removal of such respected senior policy maker as Sanusi for apparently political reasons could hurt future investment plans. Minister of Finance, Ngozi Okonjo-Iweala, who has staunchly defended the government's efforts to reduce corruption and improve economic management in the oil sector, sought to soothe rattled markets and investors after Sanusi's suspension. The administration's policies of maintaining economic stability and a tight fiscal stance would not change with Sanusi's departure and wished him well for the future.

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