

NIGERIA 2011 SECURITIES AND EXCHANGE COMMISSION CODE OF CORPORATE GOVERNANCE AND PERFORMANCE OF DEPOSIT MONEY BANKS

ABSTRACT

This paper is the report of a research undertaking which empirically evaluated the effect of Nigeria 2011 Securities and Exchange Commission (SEC) Code of Corporate Governance on the performance of Deposit Money Banks (DMBs). The research design is a case study of seven (7) DMBs in Nigeria. The materials and methods includes collection of secondary data from purposely selected annual report and accounts of seven (7) DMBs published in Nigeria Stock Exchange (NSE) Factbook with the requisite data, namely; First Bank of Nigeria (FBN), Access Bank Diamond Bank, Guaranty Trust (GT) Bank, Sterling Bank, UBA and Zenith Bank respectively covering a period between 2008 – 2014. The Nigerian 2011 Securities and Exchange Commission (SEC) Corporate Governance Code provisions which were the independent variables in this study includes Board Composition (BCOMP), Directors Remuneration (DRM), Board Committee (BDCOMT) Audit Composition (ADCOMP) respectively. Banks size and age were the intervening variables. The principal-agency theory forms the theoretical framework of the investigation. The Net Profit After Tax (NPAT) of the sample banks was the dependent variable and performance proxy of the study. The method of estimation includes descriptive statistics, analysis of correlation matrix and ordinary least square technique together with model specification. Findings from the evaluation of the slope co-efficients of independent variables (i.e. BCOMP, DRM, BCOMT and ADCOMP) reveals the existence of positive relationship between these variables inter-alia and financial performance of the sample, banks. Although, Directors Remuneration (DRM) and Board Committee (BCOMT) appears to exert a negative relationship with financial performance but which were not statistically significant at 5% level. In conclusion, lack of personal integrity, fraud and corruption leads to poor corporate governance, business failure and bankruptcy among organizations. But regulations, rules, guidelines and procedures alone cannot promote sound and effective corporate governance practice and organizational profitability. This is evidenced in the research findings of negative relationship between Directors Remuneration (DRM) and Board Committee (BCOMT) respectively and the DMBs Net Profit After Tax (performance proxies). Recommendations, among others include aligning the personal integrity with corporate governance. Personal values and corporate governance code should be mutually reinforcing. Corporate ethics and values should be aligned with personal ethics especially among board members appointed to the banks statutory audit committee and the governance/remuneration committee respectively. Strategic and integrated approach to Board succession, planning, composition and diversity together with board competency assessment should be in place in Board size,

42 *experience, background, expertise and diversity relevant to banking industry,*
 43 *developmental stage and environment should be undertaken among DMBs at regular*
 44 *interval.*

45 **Keywords:** 2011 SEC Code, Deposit Money Banks, Board Composition, Board Committee,
 46 Directors Remuneration, Audit Composition, Net Profit After Tax

47 **Introduction**

48 The ascendancy of Nigeria 2011 Securities and Exchange Commission (SEC)
 49 Code of Corporate Governance as a regulatory mechanism over banks was as a result
 50 of multiplicity of statutory infractions that were prevalent among financial institutions
 51 especially in the banking sector and the inadequacies in the provisions of the 2003
 52 SEC Code of Corporate Governance. Such irregularities include immediate past Chief
 53 Executive Officers (CEOs) and key shareholders who are not directors were
 54 exercising undue influence in the management of finance, appointments to critical
 55 positions and supply of essential items to the banks they had vacated. Senior
 56 management staff in some cases by-pass established corporate governance structure
 57 including violating cardinal principles of line management by reporting to non-bank
 58 officials. These are in addition to abuse of deposit and lending ratio together with
 59 insider abuses where insider related transactions in which personal interest outweigh
 60 the organizational goals. Instances abound among DMBs where bank directors also
 61 double as suppliers of goods and services to all the branches of the bank at prices in
 62 favour of such directors at the expense of the bank. These infractions among others
 63 led to poor performance and near collapse of many Nigerian banks.

64 Omole, Ogbodo and Williams (2012) discloses further the introduction of
 65 universal banking model in 2001 led to the emergence of large number of banks up to
 66 89 in 2003 with low capital base of US\$10 million and inadequate branch network
 67 numbering 2282 branches. To correct the anomaly arising from low aggregate bank
 68 capitalization and network and check the incidence of bank distress together with
 69 involving the banks as a development catalyst, a reform programme of bank
 70 consolidation was undertaken by the Central Bank of Nigeria (CBN). The result was
 71 delicensing of 14 banks and the remaining 75 banks were restructured by various
 72 methods in 25 consolidated banks with a minimum capital base of N25 billion each.
 73 These measures were designed to promote sustainable growth in the banking sector

74 for the benefit of stockholders and all other stakeholders and the economy in general
75 together with the creation of wealth and protection of creditors and depositors funds.

76 Furtherstill, was the establishment of 10 years tenure rule for banks CEO's to
77 prevent financial institutions like banks from becoming personal estate of such CEOs
78 for personal financial aggrandizement. Chief Executive Officers (CEOs) are also
79 required to relinquish their position after 5 years in the first instance. Although, this
80 tenure can be extended for a further 5 years given good performance but under no
81 circumstances will total service period exceed 10 years. Former bank managing
82 directors are restricted from interfering in the day-to-day running of their former
83 banks for a period of 3 years after replacement. Similarly, such CEOs are ineligible
84 for appointment in any capacity in the same bank or any of its subsidiary for 3 years.
85 CEOs and Board members who are unable or unwilling to assume full responsibility
86 for their institutions, risk losing their positions as they will be replaced by fit and
87 proper persons.

88 However, inspite of the aforementioned measures including the provisions of
89 the current Nigerian 2011 code of corporate governance, Emefu (2016) disclosure of
90 Bloomberg's (i.e. financial online platform) report reveals that seven (7) Nigerian
91 DMBs were undercapitalized to the tune of ₦1 trillion (\$ 3.2 billion) with 2 others
92 approaching insolvency. Notwithstanding the claims by First Bank Group Plc,
93 Diamond Bank Plc and Sterling Bank Plc respectively that they are still operating
94 within the industry regulatory threshold, industry watchers are troubled about the
95 efficacy of the Nigerian 2011 code of corporate governance on the performance of
96 DMBs in Nigeria. The justification for stakeholders worries and pessimism is
97 supported by the Central Bank of Nigeria (CBN) removal of the Chairman and
98 Managing Director of Skye Bank Plc respectively together with restructuring of Skye
99 Bank Plc Board of Directors because of suffocating debts which includes those
100 inherited by Skye Bank Plc from the acquisition of Mainstreet Bank Ltd.

101 According to Nelson (2016), Skye Bank Plc tight liquidity position places it at
102 the mercy of standing lending facility (SLF) where it borrowed more than its peers at
103 a higher rate. The Capital Adequacy Ratio was 17.3 percent in September, 2015
104 indicating a significant erosion in the bank's capital position which may have given

rise to the CBN's action in keeping with CBN's contingency framework in dealing with a bank facing capital constraint. This may be a signal that the financial crises in the banking sector, despite the existing 2011 SEC code which superseded the 2003 SEC Code, is far from being over.

Given the above background to the study, the research is aimed at finding out the relationship between the 2011 SEC Code of Corporate Governance and the performance of DMBs in Nigeria and recommend appropriate measures, from the findings, for the improvement in the provisions of the existing code (i.e. 2011 SEC Code)

Objective of the Study

The main objective of the research is to evaluate the effect of the 2011 SEC Code of Corporate Governance on the performance of DMBs in Nigeria.

The specific objectives include:

- i. Examine the relationship between Board Composition (i.e. BCOMP) and Net Profit After Tax (NPAT) of DMBs in Nigeria.
- ii. Assess the effect of Board Committee (i.e. BCOMT) on NPAT of DMBs in Nigeria.
- iii. Determine the influence of Audit Composition (ADCOMP) on NPAT of DMBs in Nigeria.
- iv. Appraise the relationship between Directors Remuneration (DRM) and Net Profit After Tax (NPAT) of DMBs in Nigeria.

Theoretical Framework and Review of Related Literature

The Principal Agency Theory

This is the theoretical foundation on which this paper is rooted. It states that in the presence of disproportionate financial information between principal (i.e. the shareholders) and agent (i.e. Directors and Managers) the agent is likely to pursue interest that may hurt the principal or shareholders (Sanda et al, 2005, Ross, 1973, Fama and Jensen, 1983). The theory assumes that managers and directors are likely to

134 place personal interest ahead of corporate goals resulting in a conflict of interest
 135 between shareholders and management. McColgan (2001), identified the agency
 136 conflict of interest to include among others, moral agency conflict, earning retention
 137 conflict and managerial risk aversion, conflict. Jensen and Meckling (1976) explains
 138 further, that the moral hazard conflict is whereby a manager or director develops
 139 incentives to consume perquisites rather than investing in positive net present value as
 140 his stake in the company declines. They revealed also that as directors own smaller
 141 equity stakes in their companies, their incentives to work may diminish. Jensen (1986)
 142 and Jensen (1993) provides further insight on earning retention agency conflict by
 143 stating that directors and management prefer to retain earnings, whereas shareholders
 144 prefer higher level of cash distribution. Management benefit from retained earnings
 145 as it grants them the power and ability to dominate the board and award themselves
 146 higher level of remuneration inspite of the advantage of reducing the need for outside
 147 financing when manager require fund for investment project. Dennis and Kruse (2000)
 148 provides explanation for management risk aversion agency conflicts. They state that
 149 for the majority of company directors, human capital is tied to the firm they work for
 150 and their income are tied to the performance of the company and as such they seek to
 151 minimize the risk of their company's stock. Therefore, they may seek to avoid
 152 investment decisions which increases the risk of bankruptcy as business failure will
 153 damage directors and managers reputation, making it a great difficulty to find
 154 alternative employment like in the prevailing recession in Nigeria and elsewhere. But
 155 Rampersad and Fawumi (2015) insist that corporate governance fail and lack
 156 sustainability because the agent and principal interests are not mutually aligned.

157 However, Paligorova (2007), Bertrand and Mullainothan (1998) advances
 158 devices to overcome the agency conflict of interest. Paligorova (2007) insist that pay
 159 for performance is an effective device for realigning the interest of management to
 160 those of shareholders. Managerial contract provides incentives (e.g. stock option) that
 161 gives managers reasons to take a risky project in favour of shareholders and an
 162 insurance that guarantee against events outside their control. Bertrand and
 163 Mullainothan (1998) also see threat of takeover as another device that motivate Chief

Executive Officers (CEOs) to perform better. Also, in pursuit of alignment of all stakeholders interest among companies including banks, Part A, Section 1 (e) of the defunct 2003 SEC Code states as responsibility of the Board of Director thus:

“The Board should ensure that the value being created is shared among shareholders and employees with due regard to the interest of the other stakeholders of the company”

Inspite of the aforementioned provision, some Nigerian DMBs were not spared of aggregated toxic asset arising from agency conflict of interest between directors/management and shareholders/stakeholders. The aggregated toxic assets of the eight illiquid and under-capitalized banks, namely; Wema Bank Plc, Oceanic Bank International Plc (now Eco Bank Ltd), Union Bank Plc, Spring Bank Plc (Enterprise Bank), Intercontinental Bank Plc (defunct), FinBank Plc (defunct), Afribank Plc (now Skye Bank Plc) and Bank PHB Plc (Keystone Bank Ltd) amounted to over N2 trillion inspite of the provision of 2003 SEC Code. This is a clear indication of the inefficacy of the code and may have been responsible for its displacement by the 2011 SEC Code. The Statement of problem of this research is that there are still challenges of corporate governance among DMBs in the anecdotal review of related literatures notwithstanding the existence of the 2011 SEC Code.

Literature Review

Compliance with Nigeria 2011 Securities and Exchange Commission (SEC) Code of Corporate Governance (i.e. 2011 SEC Code) is mandatory and the provisions therein are principles based which defines minimum standards inclusive of listing rules (Delliotte Corporate Services, 2013). This is an improvement and clear departure from the 2003 Securities and Exchange Commission Code of Corporate Governance, which was never mandatory and did not attract sanctions for defaulters. Non-compliance with 2011 SEC Code attracts stiff penalties. Default in mandatory filings of Annual Report including a report on corporate governance (i.e. Board Composition and Committees, Board appointment process together with Board responsibilities)

194 attracts penalty of N1,000,000 and the sum of N25,000 for everyday, the default
195 continues.

196 Although the 2003 SEC Code prescribed board composition of not less than 5
197 and not more than 15, the 2011 SEC Code went further requiring majority of board
198 members should be Non-Executive Directors (NED) re-elected once every 3 years.
199 But the 2011 SEC Code like the defunct 2003 SEC Code was silent on the
200 competency of directors. SEC (2010) provides an insight by disclosing that some of
201 these directors are appointed based on the fact that they have substantial shareholding
202 in the bank not that they possess the requisite qualifications to be appointed. But
203 qualification, experience and creativity are key factors which should be considered in
204 the appointment of directors for strong corporate governance practice for profitable
205 organizational performance. Whereas the 2003 SEC code requires the board to
206 determine the duties and responsibilities of Board Committees (Idormigie, 2010) that
207 of 2011 SEC Code categorically prescribed the establishment of 3 Board committees
208 with clearly defined responsibilities, namely; (i) Statutory Audit Committee (ii)
209 Governance/Remuneration Committee and (iii) Risk Management Committee (DSC,
210 2013).

211 SEC (2010) reveals further that each committee, as also outlined in the 2011
212 SEC Code, oversees a specific area of corporate governance and report to the full
213 board. The Audit Committee is concerned with the bank financial condition, internal
214 accounting controls and issues relating to the bank audit by an independent auditor
215 with 10 years tenure and no re-appointment, within 7 years. Moreover, as a watchdog
216 for investors and creditors, the Audit Committee ensures that management, the
217 internal auditors and the external auditor understand that the audit committee will hold
218 them accountable for any audit infractions. These measure prevents window dressing
219 of financial information. Directors, in attempt to portray good image and post profit at
220 all cost to keep face with competitors, usually ensure that the books must be cooked to
221 present profit.

222 Hassan (2016) disclosure of corporate governance practice in other
223 jurisdictions provide an insight over the challenges in both the 2003 SEC Code and
224 the 2011 SEC Code respectively in Audit Committee Provisions. The Audit

Committee Provisions in both codes were silent and not categorical over financial experience as a consideration for appointment into audit committee of the board. According to Hassan, (2016), among the principal elements of Clause 49 of Indian Listing Rule includes companies shall have a qualified and independent Audit Committee with majority of independent Directors all with experience in financial matters. Companies which are in default or fail to comply with Clause 49 could be delisted and face financial penalties.

Ejoh (2016) citing KPMG survey, disclose also that a large percentage of Nigerian directors are dissatisfied with the composition of their company board including bank board together with succession plans. Some of the respondents in the KPMG survey identified lack of formal succession plan and with both general business experience and specific expertise needed by the company as barriers to building and maintaining a high performing board. Other findings is a confirmation of the lack of efficacy of the 2011 SEC Code prescriptive annual appraisal of boards, board committees, chairman and director performance carried out by independent consultants. To correct these infractions, Adeyemi (2016) recommends a strategic and integrated approach to board succession planning, composition and diversity for discussion by the full board of directors about long term strategy. Part of the key step in the appointment process is to perform a board competency assessment which comprises a behavioural assessment of existing directors. Detailed evaluation of existing gaps in boardsize, experience, background, expertise and diversity relevant to organizations industry, developmental stage and environment.

The risk management committee ensures that management risk is being reduced and new processes are minimizing risk. The governance/remuneration committee, in both the defunct 2003 SEC code and the current 2011 SEC Code, is composed solely of Non-Executive Directors (NED) with the responsibility for recommending to board remuneration of Executive Directors (ED). According to SEC (2010), Executive compensation is a key issue and it continues to resonate in every corporate governance agenda with debate focuses on pay for performance and transparency in the compensation setting process which must be fair, just and protect the organization assets. Omole and Dafinone (2016) identified the causes of the

negative result of Directors Remuneration to include peculiar governance remuneration among banks including insider abuse, writing off bad loans from directors of bank and excessive executive compensation. Komolafe (2016) had predicted that bad or non-performing loans (NPL) may wipe off as much as 34% of profit in the banking sector if indications are anything to go by. Analysis of the first quarter 2016 operating results of 10 banks, namely; UBA, GTB, Access Bank, Zenith Bank, FBN Holdings, Eco Bank, Transnational Union Bank, Diamond Bank, Sterling Bank and Wema Bank , may have to make provisions up to N174 billion in 2016 in respect of NPL representing 34% of their possible profitability for the year due to poor corporate governance.

From the literatures reviewed above, there are still challenges in the efficacy of the 2011 SEC Code as evidenced above in the capital adequacy ratio crisis of Skye Bank Plc that led to the replacement of the Chairman and Managing Directors respectively of the bank. This research is aimed at filling this knowledge gap because there are no readily available research findings on the 2011 SEC Code and performance of the DMBs in Nigeria that were examined in this study.

Materials and Methods

In this study, we obtained data from the Annual Reports and Accounts of seven (7) Deposit Money Banks currently in operation in Nigeria. Corporate governance variables used in this paper were selected from the specifications of the 2011 Codes of Corporate Governance for Public Companies in Nigeria and includes Board Composition, Directors Remuneration, Board Committee and Audit Committee Composition. In addition to these, two (2) intervening variables namely: Firm Size and Age of Firm were introduced in the model. The dependent variables used in this study to capture the financial performance of banks is Net Profit after Tax. A quantitative analysis was conducted based on the data obtained using the Ordinary Least Square (OLS) estimation technique. The model specification is given as:

$$\begin{aligned} \text{NPAT} &= F(\text{BDCOMP}, \text{BDCOMPT}, \text{ADCOMP}, \text{DRM}, \text{FSIZE}, \text{AGE}) \quad \text{..eq.1} \\ &= \beta_0 + B_1 \text{BDCOMP}_1 + B_2 \text{BDCOMPT}_1 + B_3 \text{ADCOMP}_1 + B_4 \text{DRM}_1 + B_5 \text{FSIZE}_1 + B_6 \text{AGE}_1 + \mu_t \quad \text{..eq.2} \end{aligned}$$

Where

NPAT = Net Profit After Tax (proxy for Financial Performance)

BDCOMPT = Board Composition

ADCOMP = Audit Composition

DRM = Directors Remuneration

FSIZE = Firm Size (Total Assets)

AGE = Age of Firm (Number of years in business)

U_t = Error Term

t = Periods

The period under investigation is 2008 – 2014. A pooled regression was done for the period 2008 – 2014.

Analysis of Data

The analysis of data was presented in order of priority: descriptive statistics, correlation matrix, regression and chow test results.

1. The Analysis of Descriptive Statistics

The descriptive statistics which involves the mean, standard deviation, minimum and maximum values were presented and analyzed.

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev.	Min. Value	Max. Value
NPAT	17675191.8	30802514.6	0	151,121,704
BRDCOMP	12.7755	2.60020	9	20
BRDCOMT	9.3469	2.82512	5	14
ADCOMP	6.1429	.35355	6	7
DREM	177371.1	183993.4	2,876	465,008
FSIZE	574267076.2	695901227.5	465,210.9	1,608,302,005
AGE	39.3469	33.15152	18	121
IFRSDUM	.5714	.50000	3	3

Source: Regression Output, 2015

Table 1 presents the descriptive statistics results for the dependent variable (Net Profit after tax) and independent variables (board composition, board committee, audit committee, directors, remunerations, firm size and age of firm). As observed, the mean for NPAT is positive with a high standard deviation. The minimum and maximum values are 0 and N151,121,704 respectively. The zero minimum value is suggestive of the fact that some banks did not report values for certain period. The mean for Board Composition (BDCOMP) is approximately 13 with minimum and maximum values of 9 and 20 respectively. The standard deviation of 2.60 indicates that the board composition for most banks in the sample may not deviate significantly from the mean board composition.

The mean for Board Committee (BDCOMT) is approximately 9 with maximum and minimum values of 5 and 14 respectively. The standard deviation of 2.80 which indicates that the board committee for most banks in the sample may not deviate significantly from the mean board committee. Furthermore, Audit Committee Composition(ADCOMP) had a mean value of 6.14 and a standard deviation is 0.35355. The minimum and maximum values are 6 and 7 respectively. The implication of this is that audit committee composition of the sampled banks is revolved around the mean. Also, the mean value of Directors Remuneration (DRM) ₦177,371.1, standard deviation of ₦183,993.4 and the minimum and maximum values are ₦2,876 and ₦465,008 respectively. The high mean and standard deviation recorded was due to the fact that directors were adequately remunerated, an indication that the governance code on directors remuneration was adequately complied with. This is because the Code of Corporate Governance stipulates categorically that directors (executive and non-executive directors) should be adequately remunerated. Firm Size (FSIZE) has a mean value of N574267076.2 with minimum and maximum value of ₦465,210.9 and ₦1,680,005 respectively. The Age of the bank was measured by the number of periods banks have been in business. The mean and standard deviation values for the age of bank are 39 years and 33 years respectively. The minimum and maximum values were 18 years and 121 years.

2. Analysis of Correlation Matrix

Table 2: Analysis of Correlation Matrix

Variables	NPAT	FSIZE	BDCOMP	DRM	BCOMT	ADCOMP	AGE	IFRSDUM
NPAT	1.000	.708	.376	.252	.386	-.129	-.183	.272
FSIZE	.708	1.000	.309	.221	.399	-.197	-.303	.299
BDCOMP	.376	.309	1.000	.597	.788	-.123	-.487	.021
DRM	.252	.221	.597	1.000	.140	.555	-.314	-.009
BCOMT	.386	.399	.788	.140	1.000	-.635	-.227	.019
ADCOMP	-.129	-.197	-.123	.555	-.635	1.000	-.216	.000
AGE	-.183	-.303	-.487	-.314	-.227	-.216	1.000	.028
IFRSDUM	.272	.299	.021	-.009	.019	.000	.028	1.000

Source: Regression Output 2015

The table above presents the correlation matrix of the dependent, independent and intervening variables. The Pearson's correlation matrix shows the degree of correlation between the independent variables which is either low or moderate, thus suggests the absence of multicollinearity between the variables. As suggested by Van, Shahnaz and Nurasyikin (2008), the Pearson's R between each pair of independent variables should not exceed 0.80; otherwise, independent variables with a coefficient in excess of 0.80 may be suspected of exhibiting multicollinearity. The highest correlation as disclosed in the table is between Board Committee (BCOMT) and Board Composition (BDCOMP) with value of .788. This confirms that there is no multicollinearity among the variable.

3. Analysis of Regression Results

Table 3: Goodness of Fit Tests

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748 ^a	.559	.484	22136148.43132

Source: Regression Output, 2015

a. Predictors: (Constant), BDCOMP, BDCOMT, ADCOMP, DRM, FSIZE, AGE, IFRSDUM

As shown in Table 3 above, both R^2 and adjusted R^2 measure the fitness of the model. i.e. they measure the proportion of the variation in dependent variable

explained by the model. But since adjusted R^2 is the modification for the limitation of R^2 , the value of the adjusted R^2 IS 484, indicating that the independent variables in the model are explaining 48% variation on the dependent variables while the unexplained variation is 52%. Thus, we can understand that the model of the study is not providing a good fit to the data.

Table 4: Regression Result

Dependent Variable: NPAT

Sample: 2008 -2014

Periods included: 7

Cross-sections included: 7

Total observations: 49

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistics	Prob
C	-181263573.5	176685566.7	-1.026	.311
FSIZE	.033	.006	5.095	.000
BDCOMP	5619451.8	4303562.9	1.306	.199
DRM	-38.610	44.037	-.877	.386
BCOMT	-728675.7	4035531.6	-.181	.858
ADCOMP	18298716.8	25524718.8	.717	.477
AGE	213297.5	143652.7	1.485	.145
IFRSDUM	2077865.4	7064449.9	.294	.770
R-squared	.559	Mean dependent var		17675191.8
Adjusted R-squared	.484	S.D. dependent var		23027060.0
S.E. of regression	22136148.4	Sum squared resid		.894
F-statistics	7.420	Durbin-Watson stat		2.079
Chow Statistics				

Source: Regression Output, 2015

The evaluation of the slope coefficients of the explanatory variable (Firm Size, Board Composition, Audit Committee, Age of Firm) reveals the existence of positive relationship between these variables *inter-alia* and financial performance (Net profit after tax) as depicted by the slope coefficient of .033, 5619451.8, 18298716.8, and 213297.5 respectively. Director's remuneration (DRM) -38.610, Board Committee (BCOMT) -728675.7 appears to exert a negative relationship with financial performance but which is not also statistically significant at 5% level.

Conclusion and Recommendations

The study set out with the main objective of finding out the effect of the 2011 SEC Code of Corporate Governance on the performance of Deposit Money Banks

(DMBs) in Nigeria. Four specific objectives were also investigated. The result from the evaluation of the slope coefficients of the independent variables (i.e. Board Composition) (BCOMP), Director's Remuneration (DRM), Board Committee (BCOMT) and Audit Composition (ADCOMP) shows the existence of positive relationship between these variables inter-alia and financial performance of the sample DMBs. Although Directors Remuneration (DRM) and Board Composition (BCOMT) exert a negative relationship with DMBs financial performance but were not statistically significant at 5% level.

However, to strengthen the efficacy of the 2011 SEC code of corporate governance among banks and other publicly quoted companies in Nigeria, the study recommends upscaling the 2011 SEC Code by aligning personal integrity among board members appointed to statutory audit committee and the Governance/Remuneration Committee respectively with the 2011 SEC code for mutual reinforcement. A strategic and integrated approach to board succession, planning, composition and diversity together with board competency assessment should be upgraded regularly to enhance board performance in the overall interest of DMBs in Nigeria.

REFERENCES

- Adeyeni, T. (2016). "Global Pulse Survey: Building a Great Board Composition". In Anaba Ed. *Business Vanguard*. 25 (64176). Pg. 19.
- Bertrand, M. and Mullainathan S. (1998). Executive Compensation and Incentives, the Input of Takeover Legislation NBER Working Paper. 6834.
- Delliotte Corporate Services – DCS (2013). "Statutory and Compliance Manual" A paper presented at the 38th Annual Conference of Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN). Ikeja. Sheraton Hotel and Towers.
- Dennis, D. J. and Kruse, T. A. (2000). "Managerial Discipline and Corporate Restructuring following Performance Decline" *Journal of Financial Economics*. 55: 391-424.
- Ejoh, E. (2016). Directors displeased with Corporate Board – KPMG Survey in Anaba Ed. *Business Vanguard*. 25 (63176) Pg. 19.

- 415 Emefu, I. (2016). “Nigerian Banks and Dubai Analyst: Stemming External
416 Aggressors” in Anaba Ed. *Vanguard*. 25 (6317). Pg. 29.
- 417 Fama, E. F. and Jensen, M. C. (1983). “Separation of Ownership and Control”.
418 *Journal of Law and Economics*, 88(2), 301-325.
- 419 Hassan, A. (2016). “Corporate Governance: Exploring the Indian Example”. A paper
420 presented at the 40th Annual Conference of Institute of Chartered Secretaries
421 and Administrators (ICSAN). Ikeja. Sheraton Hotels and Towers. November,
422 17th.
- 423 Idornigie, P. O. (2010). “Enhancing Corporate Value through the Harmonization of
424 Corporate Governance Codes”. A paper presented at the 34th Annual
425 Conference of Institute of Chartered Secretaries and Administrators (ICSAN).
426 Sheraton Hotel and Towers. Ikeja. September 22nd and 23rd.
- 427 Jensen, M. C. (1986). “Agency Cost of Free Cash Flow, Corporate Finance and
428 Takeover”. *American Economic Review*, 96 (2): 323-329.
- 429 Jensen, M. C. (1993). “The Modern Industrial Revolution Exit and Failure of Internal
430 Control System” *Journal of Finance*. 48: 831-880.
- 431 Jensen, M. C. and Meckling, W. (1976). “Theory of the Firm: Managerial Behaviour,
432 Agency Cost and Ownership Structure”. *Journal of Financial Economics*. 3(4):
433 305-360.
- 434 Komolafe, B. (2016). “Bad Loans threatens 34% of UBA, GTB, Access, Union,
435 other Banks Profit in 2016” in Bayagbon Ed. *Business Vanguard*. 25 (63046)
436 pp. 1, 21-22.
- 437 McColgen, P. (2001). Agency Theory and Corporate Governance. A Review of the
438 Literature from a UK Perspective. Glasgow University of Stathclyde.
- 439 Nelson, C. (2016). “Many Challenges of Skye Bank before CBN’s Intervention.
440 Eleganza Seek wind up over Debts”. In Oshoo Ed. *Business Guardian*. 33
441 (13704). p.26.
- 442 Nigerian Stock Exchange (2013). Nigerian Stock Exchange. 2012/13. FACTBOOK.
443 Lagos, Eslia Communication.
- 444 Nigerian Stock Exchange (2015). Nigerian Stock Exchange. 2014/15. FACTBOOK.
445 Lagos, Eslia Communication.
- 446 Omole, W. and Dafinone, J. (2016). “Labour Minister’s Directive on Job Losses” *The*
447 *Guardian*. 32 (13682). P. 16.
- 448 Omole, W., Ogbodo, A. O. and Williams, A. (2010). “CBN and New Banks CEOs”.
449 www.ngrguardiannews.com

- 450 Paligorova, T. (2007). Corporate Governance and Executive Pay: Evidence from
451 Recent Reform. Working Paper Series. 331. Prague. Centre for Economic
452 Research and Graduate Education. Academy Sciences.
- 453 Rampersad, H. and Fawumi, A. (2015). “Why Corporate Governance Fail and Lacks
454 Sustainability”. In Ogbodo Ed. *The Guardian*. 32 (13468). p.18.
- 455 Sanda, A. Mikailu, A.S. and Garba, T. (2005). “Corporate Governance Mechanisms
456 and Financial Performance in Nigeria” African Economic Research
457 Consortium (AFRC). Ppaer 149. Nairobi.
- 458 SEC Code (2003). 2003 Securities and Exchange Commission. Code of Corporate
459 Governance. www.sec.gov.ng
- 460 SEC Code (2011). 2011 Securities and Exchange Commission Code of Corporate
461 Governance. www.sec.gov.ng
- 462 Securities and Exchange Commission – SEC (2010). The Role of Directors and
463 Emerging Governance Issues. A Paper presented by SEC at the 34th Annual
464 Conference of the Institute of Chartered Secretaries and Administrators of
465 Nigeria (ICSAN). Ikeja. Sheraton Hotels and Towers. September 22nd and 23rd.
- 466 Van, Z. W. A. Shahnaz, I and Nurasyik, J. (2008). “The Impact of Board
467 Composition, Ownership and CEO Duality on Audit Quality. *Malaysian*
468 *Accounting Review*. 7(2). Pp. 1-22.