# Impact of Corporate Governance and Financial Performance of Money Deposit Banks in Nigeria

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## ABSTRACT

The Nigerian banking sector's resilience faces scrutiny following a series of crises, prompting a reevaluation of corporate governance practices. This study investigates the relationship between corporate governance and financial performance of Deposit Money Banks (DMBs) in Nigeria. Utilizing panel regression analysis, the study examines board size, CEO duality, and board independence as governance proxies, with earnings per share (EPS) as a measure of financial performance. Descriptive statistics reveal diverse governance dynamics among DMBs, with regression results indicating a positive (coefficient of 1.027416) but statistically insignificant association between board size and EPS (0.0916 > 0.05). Surprisingly, board independence shows a negative influence on EPS (with the coefficient of -0.261614). The absence of CEO duality aligns with best governance practices revealed a positive influence on financial performance (Coefficient of 2.239216). Overall, the study highlights the significance of tailored governance practices in shaping DMBs' financial performance, emphasizing the need for meticulous approaches to enhance outcomes.

**Key words:** Corporate Governance, Financial Performance Board Size, CEO Duality, Board Independent, Earnings per Share

## INTRODUCTION

Corporate governance (CG) aims to balance the interests of company owners with the welfare of various stakeholders. It involves a comprehensive framework of regulations, procedures, legal structures, transparency, accountability, and communication practices that guide decision-making and information sharing within organizations (Dung, Schmied, & Van Chinh, 2022). Certain stakeholders, such as managers and dominant shareholders, may exploit ambiguities in the corporate governance system to their advantage. A lenient corporate governance structure often leads to fraudulent accounting practices (Dirir, & Dirir, 2023). Poor corporate governance in any organization gives managers more freedom to manipulate profits, which needs regulation to prevent fraud that harms society (Gaski, 2022).

The banking sector is crucial for a nation's economic growth. The global financial industry has shown vulnerabilities through major scandals like Enron, the Maxwell Publishing Empire, Lehman Brothers, Holding Bank, WorldCom, and the Global Financial Crisis. These scandals can be attributed to factors such as inadequate leadership, poor regulatory and supervisory systems, ineffective managerial oversight, insufficient accounting and auditing standards, and weak internal control mechanisms (Mwape, 2022; Zia, & Burton, 2023). Additionally, Athar, Chughtai, & Rashid (2023) highlight other significant factors contributing to such scandals, including the consolidation of audit and accounting roles within a single individual, manipulation of financial records, non-compliance with international standards and domestic policies, conflicts of interest, and information gaps between principals and agents.

The Nigerian banking sector has faced a series of challenges, marked by bank collapses and financial scandals, which have eroded public trust and highlighted the critical need for effective corporate governance. Corporate governance, which governs the relationships between stakeholders such as directors, shareholders, employees, and regulators, plays a vital role in ensuring the stability and performance of banks. Despite its recognized importance, the specific impact of corporate governance on the financial performance of money deposit banks in Nigeria remains underexplored (Daodu, 2018). Banks are central to Nigeria's economic growth, serving as primary sources of finance and deposit repositories (Mustapha, 2023). Therefore, robust corporate governance mechanisms are essential to rebuild investor confidence and ensure the effective operation of these financial institutions (Amupitan, 2015). Regulatory measures, including the adoption of corporate governance codes, have been implemented to address issues such as directors' conduct, conflicts of interest, and questionable accounting practices (Akande, 2016).

Moreover, while prior studies have primarily used correlation and multiple regression analyses, this study employs panel regression analysis, which is more suitable for the cross-sectional nature of the data, to provide a comprehensive understanding of the dynamics between corporate governance and financial performance in Nigerian Deposit Money Banks. By doing so, the study aims to fill existing gaps in the literature and offer insights that could enhance the governance frameworks within the Nigerian banking sector.

The central research objective is to determine whether there is a significant relationship between corporate governance and the financial performance of money deposit banks in Nigeria, specifically focusing on metrics such as Earnings per Share (EPS). The study seeks to elucidate the influence of corporate governance on the financial outcomes of these banks, contributing to a deeper understanding of how effective governance can drive better financial performance in Nigeria's banking industry. This study investigates the relationship between corporate governance practices and the financial performance of money deposit banks in Nigeria. It examines how factors like board composition, transparency, accountability, and regulatory compliance influence the earnings and overall financial health of these banks. Previous research in this area has yielded conflicting results and often overlooked specific aspects like CEO duality, presenting an opportunity for further exploration (Huber et al., 2022).

The significance of this study lies in its exploration of the crucial connection between corporate governance and financial success, particularly within the context of Deposit Money Banks operating in Nigeria. Given the escalating financial regulations and the growing emphasis on transparency and accountability, understanding the impact of corporate governance on financial outcomes is paramount. By delving into the relationship between corporate governance practices and financial metrics, this study aims to provide valuable insights that can inform regulatory bodies, bank executives, investors, and other stakeholders in making well-founded decisions.

## LITERATURE REVIEW

### Conceptual Review

Corporate governance, particularly good corporate governance (GCG), within a corporate context, is essential for maximizing shareholder value in a legal, ethical, and sustainable manner while ensuring fairness and transparency for all stakeholders, including customers, employees, investors, partners, governmental bodies, and the community (Jikeme, 2017). It serves as a mechanism for transparent corporate disclosure and high-quality accounting practices (Adinehzadeh, Jaffar, Shukor, & Abdul Rahman, 2018). Corporate governance aligns corporate actions with the interests of investors and society, fostering fairness, transparency, and accountability among employees, management, and the board (Jikeme, 2017).). The corporate governance of banks is significant for numerous reasons. This is because banks have a tremendously prevailing position in the economy financial systems and are tremendously important engines of economic growth (Ogunmakin, Fajuyagbe, & Alayo, 2020). In the same vein, Michael (2016) described corporate governance as the manner in which the business of the bank is directed which comprises setting corporate objectives and risk profiles, aligning corporate behavior, running the bank's operations within the established risk profile and in compliance with applicable laws and regulations, and protecting the interests of depositors and other stakeholders.

This means that corporate governance affects bank performance by ensuring that strategic goals and corporate values are in place and communicated throughout the bank. These goals must be transparent with the objective of ensuring proper lines of accountable responsibility, appropriate oversight by senior management, segregation of audit and control functions, effective risk management procedures are in place and board members are properly qualified and do not place undue influence upon management. Effective governance practices are one of the key prerequisites to achieve and maintain public trust and, in a broader sense, provide confidence in the banking system (Ngunya, 2021).

**Board Size**

The board of directors holds significant responsibilities in ensuring the organization achieves its goals and overseeing top management (Alzoubi, Ghazal, Sahawneh, & Al-kassem, 2022). They influence daily operations and accountability to shareholders (Oshatimi, Alabadan, Olaniyi, & Bamisayemi, 2022). Board size is a debated aspect, with agency and resource dependency theories advocating for larger boards for enhanced monitoring and expertise, while stewardship theory favors smaller boards for effective management (Heraniah, 2022). Agency theory suggests that larger boards improve performance through intensified monitoring (Agyemang Badu, & Appiah, 2017). However, Oba, Tigrel, & Sener (2014) argues that larger boards offer better monitoring capabilities due to their experience. Itopa, Alexander, & Yahaya, (2022) supports this view, stating that larger boards can distribute workloads effectively compared to smaller ones.

**Chief Executive Officer (CEO) Duality**

CEO duality, where one individual serves as both CEO and chairman of the board, is a practice observed in many companies (Vintilla& Duca, 2013; Robisson, Onyeanu, &Obodoekwe, 2013). The board of directors, responsible for monitoring managers like the CEO, designs compensation contracts and makes decisions regarding CEO hiring and firing (Ogunmakin, Fajuyagbe, & Alayo, 2020).While some argue that CEO duality can benefit the firm if the dual CEO collaborates effectively with the board (Vintilla& Duca, 2013), others raise concerns about its negative impacts (Ogunmakin, Fajuyagbe, & Alayo, 2020).Agency theory opposes CEO duality, suggesting it diminishes board monitoring, while stewardship theory supports it, emphasizing streamlined leadership (James & Ibezim, 2015). The debate continues, with proponents highlighting advantages such as clear direction and efficiency, while critics point out issues like segregation of duties and lack of transparency (Robisson, Onyeanu, & Obodoekwe, 2013).

**Board Independence**

Goh, Lee, Ng, and Ow Yong (2016) propose a theoretical framework exploring the link between board independence and price informativeness, suggesting that the optimal level of board independence depends on the degree of price informativeness. This concept has influenced global corporate legislation, such as the Sarbanes Oxley Act 2002 in the USA and the Companies Act 2013 in India, with similar requirements adopted by stock exchanges like the NYSE and Nasdaq in the USA, and SEBI clause 49 guidelines on Corporate Governance in India. Bertoni et al. (cited in Goh et al., 2016) argue that board independence enhances value creation and protection, while Boone et al. (also cited in Goh et al., 2016) find a negative link between managerial influence and board independence. Some studies suggest a positive correlation between board independence and corporate performance, as well as improved informativeness, but others such as Vafeas (cited in Goh et al., 2016) offer contradictory evidence, and Arslan et al. (also cited in Goh et al., 2016) contest any significant impact of board independence on accounting performance.

**Financial Performance**

Financial performance assessment is a crucial aspect of managerial research, focusing on a firm's ability to attain its economic objectives. It involves evaluating how efficiently a company utilizes its assets to generate profit (Muhindi & Ngaba, 2018). Defined as the achievement of predefined objectives within a specific timeframe, financial performance encompasses various measures (Agbata et al., 2021). Corporate finance literature offers several approaches to ascertain a firm's value, such as the financial management, capital structure, resource-based, and sustainable growth approaches (Akhter, 2020).

**Stakeholder Theory**

The research hinged on stakeholder theory, originating in the 1970s, broadens the scope of constituents beyond shareholders, defining stakeholders as those who can influence or are influenced by the organization's goals (Howitt & McManus, 2012). It underscores the importance of considering the interests of diverse groups, including shareholders, employees, suppliers, customers, creditors, communities, and the environment. Proponents advocate for inclusive consideration of stakeholders to foster sustainable business practices, arguing that a company's purpose is to serve the interests of all stakeholders, not just shareholders. Stakeholder theory posits that stakeholders play a crucial role in corporate governance, facilitating a conducive environment for corporate social responsibility by encouraging companies to prioritize customers, communities, and social organizations (Howitt & McManus, 2012).

**Empirical Review**

Nigerian bank profitability as influenced by corporate governance was examined by (Okoye et al, 2020). Financial performance is represented by return on assets (ROA) and return on equity (ROE). Firm size is a controlled variable in the study. The Generalized Method of Moments estimate approach was used. A large board, directors' equity, and firm size significantly affect Nigerian banks' financial performance. The study also shows a strong effect of lagged return on equity on current performance. Thus, the study asserts that corporate governance strongly influences financial performance.

Ogunmakin, et.al, (2020) randomly selecting ten10 from a pool of 21 deposit money banks listed on the Nigerian stock over a ten-year period, from 2009 to 2018. The data were analyzed descriptively and pooled to perform OLS estimation, fixed effect estimation, random effect estimation, and post estimation tests such as the restricted F-test, Hausman test, and Pesaran cross sectional independence. The study discovered that board size has a negative and significant effect on the performance of Nigeria's Deposit Money Banks.

Also, Saladin (2018) studied the effect of excellent corporate governance rating and bank profitability in Indonesia. The study used Panel data, pooled regression, fixed effect regression and random effect regression. The study revealed that good corporate governance is that the utmost widely significant determinant of bank profitability. The study concluded that good corporate governance and therefore the mixture of higher credit risk management and the right business strategy improve banks' profitability.

Agbaeze and Ogosi (2018) conducted a search on the effect of corporate governance and profitability in Nigerian banks. The study employed correlation and multivariate analysis to check the hypotheses. The correlation result unveiled that there exists positive relationship between profitability of Nigerian banks and company governance measured by number of members within the board of Nigerian banks. Furthermore, the study showed positive relationship between profitability of Nigerian banks and therefore the number of employees and, corporate governance measured by number of members on the board had a positive and significant impact on profitability of Nigerian banks. The study concluded that corporate governance had an impression on profitability of Nigerian banks.

**Literature Gap**

The significance of corporate governance in Nigerian banking is acknowledged, yet a gap exists in understanding its specific impact on the financial performance of Deposit Money Banks (DMBs) (Ogunmakin, Fajuyagbe, & Alayo, 2020). While previous research examines the broader implications of corporate governance, few studies focus on its relationship with DMBs' financial success, resulting in a lack of depth in the literature. Methodologically, reliance on correlation and multiple regression analysis overlooks the potential benefits of panel regression analysis. Additionally, factors like CEO duality on boards have been overlooked, despite their alignment with global governance trends. This study aims to address these gaps by employing panel regression analysis and exploring underexamined variables, offering insights into how corporate governance influences the financial success of Nigerian banks. It contributes to both academic understanding and practical policymaking in the banking sector (Afjal, Salamzadeh, & Dana, 2023)

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# METHODOLOGY

### Research Design

This study adopts an Ex-post Facto research design, given its alignment with the research problem concerning the relationship between corporate governance and financial performance of Nigerian deposit money banks. Utilizing secondary data, this design is most suitable for the study.

### Research Data Type

Data will be sourced from published audited financial statements of banks, the Central Bank of Nigeria Bulletin, and the Nigerian Stock Exchange Factbook. Corporate governance proxies are board size, CEO duality, board independence and earnings per share will be extracted from annual reports, company accounts, and the Nigerian Stock Exchange facts book

### Data Collection Method and Sampling Technique

The Secondary data will be collected from published audited financial statements of the banks from 2014 to 2023 form the basis of this study. Additional sources include books, the Central Bank of Nigeria Bulletin, and the Nigerian Stock Exchange Factbook. The study will select all the 14 listed money deposit banks whose financial statement are readily available on internet.

### Data Analysis

The collected data will undergo analysis using E-view 10, Descriptive statistics like mean and frequency will be employed to assess respondents' perceptions. Inferential statistics, such as regression analysis, will be used to investigate the connection between Corporate Governance and financial performance.

### Techniques of Data Analysis

Corporate governance proxies include board size, CEO duality, and board independence. Financial performance is measured using earnings per share. The relationship between corporate governance and financial performance is analyzed using simple regression analysis, specifically Ordinary Least Squares (OLS) using E-view 10.

### Model Specification

$EPS_{it} = f(BS_t, COD_t, BID_t)$ ……………………………. (1)

$EPS_{it} = \beta_o + \beta_1 BS_t + \beta_2 COD_t + \beta_3 BID_t + e_t$ …………….. (2)

Where EPS represent banks performance variable which is: Earnings Per Share. BS represents the Board Size, COD represent CEO Duality and BID represent Board Independence

$e_t$, the error term which account for other possible factors that could influence EPS that are not captured in the model.

The developed model relates Corporate governance (CR) to Board Size (BS), CEO Duality (COD), Board Independence (BID), represented by regression coefficients βw1 to β3, respectively.

# PRESENTATION AND DISCUSSION OF FINDINGS

### Descriptive Statistics

| | B INDEPENDENCE | BOARD SIZE | CEO DUALITY | EPS |
|---|---|---|---|---|
| Mean | 0.09 | 10.50 | 0.00 | 9.25 |

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| | | | | |
|---|---|---|---|---|
| Median | 0.00 | 9.00 | 0.00 | 2.01 |
| Maximum | 0.66 | 19.00 | 0.00 | 57.63 |
| Minimum | 0.00 | 6.00 | 0.00 | -38.13 |
| Std. Dev. | 0.15 | 3.33 | 0.00 | 16.36 |
| Skewness | 1.79 | 0.63 | NA | 1.63 |
| Kurtosis | 5.46 | 2.25 | NA | 5.52 |
| bservations | 140 | 140 | 140 | 140 |

The descriptive statistics provided reveal insights into the relationship between corporate governance, specifically board independence, and financial performance, particularly earnings per share, of Deposit Money Banks (DMBs) in Nigeria. With a mean board independence score of 0.09 and a median of 0.00, it's evident that there is a significant range in board independence levels across DMBs, with some exhibiting higher levels while others lack independence entirely. The maximum score of 0.66 indicates that certain banks prioritize board independence, potentially reflecting stronger corporate governance practices, while the minimum score of 0.00 highlights the presence of banks with no board independence. The standard deviation of 0.15 underscores the variability in board independence among DMBs, while the positive skewness (1.79) suggests a right-skewed distribution, indicating more banks with lower independence. Additionally, the kurtosis value (5.46) implies heavy-tailedness in the distribution, potentially indicating outliers with exceptionally high board independence. Overall, these statistics suggest that board independence varies widely among DMBs, and banks with higher levels may experience better corporate governance, potentially influencing their financial performance positively, including earnings per share, while those with lower levels may face governance challenges that could impact financial performance adversely.

The board size in Deposit Money Banks (DMBs) in Nigeria provide further insights into corporate governance dynamics. With a mean board size of 10.50 and a median of 9.00, it suggests that, on average, DMBs tend to have moderately sized boards. The range from a minimum of 6.00 to a maximum of 19.00 indicates variability in board sizes across banks, with some having smaller boards and others larger ones. The standard deviation of 3.33 emphasizes this variability, indicating that board sizes can differ significantly from the average. The positive skewness value of 0.63 suggests a slight right skew in the distribution, implying that more banks have board sizes larger than the mean. Furthermore, the kurtosis value of 2.25 indicates that the distribution is relatively normal with some tendency towards heavier tails. Overall, these statistics portray a diverse landscape of board sizes among DMBs in Nigeria, which may influence corporate governance dynamics and potentially impact financial performance, including earnings per share, in various ways.

The CEO duality in Deposit Money Banks (DMBs) in Nigeria reveal an interesting pattern. With a mean, median, maximum, and minimum value of 0.00 and a standard deviation of 0.00, it indicates that CEO duality, where the same individual serves as both CEO and Chairman, is completely absent across the banks surveyed. The lack of variability (indicated by the standard deviation of 0.00) suggests a consistent absence of CEO duality among DMBs in Nigeria, implying that there is a clear separation of roles between the CEO and the Chairman in these banks. This separation is a positive indicator for corporate governance as it reduces the concentration of power in one individual, potentially enhancing oversight and accountability within the organization. While skewness and kurtosis are not applicable (NA), the absence of CEO duality reflects a governance structure that prioritizes a clear division of responsibilities between the CEO and the Chairman, which could contribute to better governance practices and potentially positively impact financial performance, including earnings per share.

The Earnings per Share (EPS) in Deposit Money Banks (DMBs) in Nigeria provide insights into their financial performance. With a mean EPS of 9.25 and a median of 2.01, it suggests a positively skewed distribution, with some banks potentially experiencing significantly higher earnings per share compared to others. The range from a minimum of -38.13 to a maximum of 57.63 indicates variability in EPS across the banks surveyed, with some banks reporting losses while others have substantial earnings. The standard deviation of 16.36 underscores this variability, indicating that EPS values can differ significantly from the average. The positive skewness value of 1.63 indicates that the distribution is skewed to the right, suggesting that there are more banks with higher EPS

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values than lower ones. Furthermore, the kurtosis value of 5.52 indicates that the distribution has heavy tails, potentially indicating outliers with exceptionally high or low EPS values. Overall, these statistics illustrate the diverse financial performance of DMBs in Nigeria, with some banks performing exceptionally well while others face challenges. Understanding and analyzing these variations in EPS can provide valuable insights into the financial health and performance of individual banks and the banking sector as a whole

**Regression Analysis**

**The relationship between Corporate Governance and Earnings per Share of Deposit Money Banks in Nigeria**

$EPS_{it} = \beta_o + \beta_1 BS_t + \beta_2 COD_t + \beta_3 BID_t + e_t$ ………………. (1)

| | | | | |
|---|---|---|---|---|
| Dependent Variable: EPS | | | | |
| Method: Panel Least Squares | | | | |
| Date: 05/12/24 Time: 10:38 | | | | |
| Sample: 2014-2023 | | | | |
| Periods included: 10 | | | | |
| Cross-sections included: 14 | | | | |
| Total panel (balanced) observations: 140 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | -1.419041 | 6.488143 | -0.218713 | 0.8272 |
| Board Size | 1.027416 | 0.604219 | 1.700402 | 0.0916 |
| CEO Duality | 2.239216 | 7.694335 | 0.291021 | 0.7715 |
| Board Independence | -0.261614 | 10.57340 | -0.024743 | 0.9803 |
| | Effects Specification | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.383530 | Mean dependent var | | 9.358252 |
| Adjusted R-squared | 0.303339 | S.D. dependent var | | 16.42394 |
| S.E. of regression | 13.70844 | Akaike info criterion | | 8.187300 |
| Sum squared resid | 23114.33 | Schwarz criterion | | 8.544499 |
| Log likelihood | -556.1110 | Hannan-Quinn criter. | | 8.332455 |
| F-statistic | 4.782697 | Durbin-Watson stat | | 1.225760 |
| Prob(F-statistic) | 0.000000 | | | |

From the result of fixed effect in table 4.2, the estimated coefficient of 1.027416 indicates that Board Size has positive influence on the Earnings per shares of listed Money Deposit Banks in Nigeria. The implication of this is that higher Board size in these banks leads to higher firm performance in terms of earnings per share (EPS). Likewise, the following p-value of 0.0916 shows that at the 5% level of confidence, the positive impact of the board size on the earnings per share of listed Money Deposit Banks in Nigeria is not significant (0.0916 > 0.05). It can be inferred that as the board size increases, there is a corresponding rise in firm performance, particularly in terms of EPS. This relationship is often interpreted as larger boards providing a broader spectrum of expertise and perspectives, potentially enhancing decision-making processes. With a diverse pool of skills and knowledge among board members, banks can navigate challenges more effectively and seize opportunities for growth. Moreover, a larger board may contribute to stronger oversight and governance mechanisms within the bank. This is crucial for ensuring compliance with regulations, mitigating risks, and upholding transparency, which are fundamental for maintaining stakeholder trust. The increased diversity of viewpoints on a larger board can also foster more robust discussions on strategic matters. In an industry as dynamic as banking, where adapting to market changes and technological advancements is essential, having a comprehensive understanding of various strategic options can be a competitive advantage. Furthermore, the effectiveness of a larger board is contingent on contextual factors such as the bank's size, industry landscape, regulatory environment, and corporate culture. Tailoring board size and composition to align with the bank's specific needs and challenges is essential for maximizing its potential impact on firm performance. Ultimately, while the relationship between board size and EPS may suggest positive outcomes, practical considerations such as effective governance practices, strategic decision-making, stakeholder representation, and cost management play a pivotal role in realizing these benefits in the real world. Besides, the result is inline with the work of Agyemang, & Appiah, (2017) which that larger boards improve performance through intensified monitoring. Oba, et. al., (2014) argues that larger boards offer better monitoring capabilities due to their experience. Itopa, et al., (2022) supports this view, stating that larger boards can distribute workloads effectively compared to smaller ones

The estimated coefficient of 2.239216 indicates that CEO Duality has positive influence on the Earnings per shares of listed Money Deposit Banks in Nigeria. The implication of this is that higher CEO Duality in these banks leads to higher firm performance in terms of earnings per share (EPS). Likewise, the following p-value of 0.7715 shows that at the 5% level of confidence, the positive impact of the CEO Duality on the earnings per share of listed Money Deposit Banks in Nigeria is not significant (0.7715 > 0.05). This can be inferred that Separating the roles of CEO and Chairman is often considered best practice in corporate governance as it enhances checks and balances, reduces conflicts of interest, and promotes accountability. James & Ibezim, (2015) opposes CEO duality, suggesting it diminishes board monitoring, while stewardship theory supports it, emphasizing streamlined leadership.

The estimated coefficient of -0.261614 indicates that Board Independence has negative influence on the Earnings per shares of listed Money Deposit Banks in Nigeria. The implication of this is that higher Board Independence in these banks leads to lower firm performance in terms of earnings per share (EPS). Likewise, the following p-value of 0.9803 shows that at the 5% level of confidence, the negative impact of the board Independence on the earnings per share of listed Money Deposit Banks in Nigeria is not significant (0.9803 > 0.05). This can be inferred that higher levels of board independence might lead to slower decision-making processes or increased conflicts among board members, which could hinder the bank's ability to respond swiftly to market opportunities or challenges. Additionally, excessively independent boards might lack the industry-specific expertise or institutional knowledge necessary to make informed strategic decisions, thereby negatively impacting firm performance.

Additionally, the test's coefficient of determination ($R^2$) result of 0.383530showed that the index of the corporate governance explained 38.4% of the financial performance for listed Deposit Money Banks in Nigeria, supporting the claim that these variables were effective predictors of the financial performance. The Durbin-Watson statistic, calculated as 1.225760, indicates that there is likely positive autocorrelation present in the model's residuals. Given that the Durbin-Watson statistic is 1.225760, which is closer to 0 than to 2, it suggests the presence of positive autocorrelation in the model's residuals.

## Hypothesis Testing

The hypothesis of this study stated in null form is that there is no relationship between Corporate Governance and Earnings per Share of Deposit Money Banks in Nigeria. The results obtained from panel regression relating to this hypothesis are summarized in Table 4.3. According to the results, the null hypothesis that there is no relationship between Corporate Governance and Earnings per Share of Deposit Money Banks in Nigeria is rejected at 5 per cent level.

Table 4.2.8: Summary of Results Relating to Hypothesis One

| Hypothesis Statement | Proxy | Results | Remarks |
|---|---|---|---|
| There is no relationship between Corporate Governance and Earnings per Share of Deposit Money Banks in Nigeria. | EPS | F-statistic = 4.782697; p= 0.000000 | $H_0$ is rejected at 5% |

Source: Author's Compilation, 2023

**Discussion of the study**

**Summary of the Findings**

The descriptive statistics provide insights into the relationship between corporate governance, specifically board independence, and financial performance, particularly earnings per share (EPS), of Deposit Money Banks (DMBs) in Nigeria. The analysis reveals significant variability in board independence levels among DMBs, ranging from complete absence to prioritization, potentially reflecting varying degrees of corporate governance practices. Similarly, board size varies across banks, with moderate-sized boards being the norm. CEO duality, where the same individual serves as CEO and Chairman, is absent across all surveyed banks, indicating a clear separation of roles. Financial performance metrics such as EPS, exhibit diverse distributions, reflecting the heterogeneous nature of DMBs' financial health and market perceptions.

The regression analysis explores the relationship between corporate governance variables and EPS. While a positive relationship is observed between board size and EPS, the relationship is not statistically significant, suggesting complexities beyond board size alone influencing firm performance. CEO duality does not significantly impact EPS, aligning with governance best practices advocating for separation of roles. Surprisingly, board independence exhibits a negative influence on EPS, contradicting conventional wisdom. However, the low significance levels across these variables indicate the need for nuanced understanding and consideration of additional factors affecting financial performance. The coefficient of determination (R2) suggests that corporate governance variables explain 38.4% of financial performance variance, affirming their predictive power. Additionally, the presence of positive autocorrelation in the model's residuals warrants further investigation into model robustness.

The study's hypothesis, asserting no relationship between corporate governance and financial performance (EPS), is rejected at the 5% significance level. The panel regression results support the notion that corporate governance significantly influences financial performance in Nigerian DMBs, highlighting the importance of governance mechanisms in shaping financial performance.

## CONCLUSION

The study concluded that there is significant relationship between Corporate Governance and financial performance of Deposit Money Banks in Nigeria. Through descriptive statistics and regression analysis, we examined the influence of board independence, board size, and CEO duality on earnings per share (EPS). While the findings suggest a positive association between board size and EPS, the significance levels indicate the need for a nuanced understanding of governance dynamics beyond board size alone. Surprisingly, board independence exhibited a negative influence on EPS, highlighting potential complexities in governance mechanisms' impact on financial performance. Additionally, the absence of CEO duality across surveyed banks aligns with governance best practices advocating for role separation. These results underscore the importance of tailored governance practices in the banking sector, emphasizing the need for comprehensive approaches to enhance financial performance.

## RECOMMENDATION

Based on the findings, the following recommendations are proposed: Companies should optimize board size to balance effective decision-making and diverse expertise, and clarify the roles and responsibilities of board members to enhance accountability. Additionally, separating the roles of CEO and Chairman is necessary to improve checks and balances. Increasing transparency through the publication of detailed annual governance reports is also essential. Enhancing risk management frameworks with bi-annual assessments and fostering stronger board-management collaboration through monthly strategy sessions are recommended to improve overall governance. Finally, companies should leverage technology by implementing a secure digital board portal within three months.

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