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THE RELEVANCE OF CORPORATE GOVERNANCE IN NIGERIAN BANKING INDUSTRY

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ABSTRACT

This research work focuses on the relevance of corporate governance in Nigerian banking industry. The inability of some banks to monitor the activities of directors and other key staff in the bank has led to poor management and bank distress. The objectives of the study includes; examining the effect of corporate governance on the service delivery of banks; assessing the role of corporate governance on customer satisfaction and to determining the extent to which the adoption of corporate governance by banks has helped on the service delivery of banks. Three research questions were formulated, which were meant to guide the study and three hypotheses were equally formulated. The data were collected through primary source; the instrument used for this research work was questionnaire. The data generated through questionnaire were analyzed using tables and percentile method, while hypotheses were tested using correlation and T-test statistics. The result shows that corporate governance has a significant effect on the performance of banks. There is a relationship between the adoption of corporate governance and the service delivery of banks and that corporate governance plays a very vital role in ensuring customer satisfaction. It was recommended that government should provide adequate regulatory frameworks that will ensure customer protection. Banks should make their customers their first priority because they depend on them for survival.

Keywords: Profitability, distress, customer retention, corporate governance, customer protection.

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1. INTRODUCTION

Before the introduction of corporate governance in Nigeria banking industry, which was introduced in 2000 and became effective in April 2003, there were a lot of lapses attributed to poor performance, unethical practices and the use of company resources for personal use or covering up for a colleague and fraudulent manipulation by corporate managers.

The collapse of Silicon Valley Bank in United States of America in 2023 and acquisition of another bank by JP Morgan is a testimony to the fact that corporate governance is a very crucial factor determining the solvency of any bank. Public relations experts have a role to play to promote advocacy in achieving a paradigm-shift by executives of financial sectors in Africa.

Corporate governance is a new phenomenon in many jurisdictions. The Organization of Economic and Corporate Governance (OECD) code of corporate governance was the first comprehensive code of corporate governance issued for companies in the year 2000. To eliminate poverty and grow the local economy requires stability and domestic capital must be employed and the environment must be conducive to attract foreign capital. There is a growing recognition that corporate governance plays an important role in unlocking and attracting capital.

Corporate governance can be defined as a combination of laws, regulations and practices so as to ensure integrity in corporations, which will help in mobilizing local and foreign capital. A country where corporate governance practice has been entrenched will grow economically. It is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance.

In Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. For instance, the Securities and Exchange Commission (SEC) set up the Atedo Peterside Committee on corporate governance in public companies, the Investment and Securities Act 1991, the Central Bank of Nigeria (CBN) Act 1990, Bank and Other Financial Crime Commission Act 2003. The bankers Committee set up a sub-committee in corporate governance for banks and other financial institutions in Nigeria. All these are in recognition of critical role of corporate governance in the success or failure of companies. The various laws are made to regulate the practice if a particular trade or profession in order to protect investors and ensure a stable business environment.

In Nigeria, we have the central bank of Nigeria Act (1991), the bank and other financial institution act (BOFIA) 1991 as amended, investment and securities act (ISA) 1999, the Nigeria deposit insurance act (NDIC) 1988, the basic laws governing all companies in Nigeria is the Companies and allied matters act (CAMA) 1990.

The financial sector of any country serves as the engine for its economic transformation. This underscores the efforts of CBN to reform the sector and place it in motion to pilot economic development. The soundness or otherwise of any financial institution depends on the efficacy of its corporate governance principles and corporate governance is the only tool to achieve excellent performance in Guaranty trust bank PLC, First bank PLC and other financial institutions.

1.2 Statement of the Problem

Researchers have attributed the failures of corporate governance implementation to deficiencies of the universal needs of capital such as safety, returns, stability and

accountability. However, with the recent widespread corporate scandals and bank failures both in the pre-consolidation and post-consolidation in Nigeria had their root to poor or weak corporate governance standard. This has brought to the fore the role which the pursuit of narrow group interest played in wrecking these banks and consequently, the lives of millions of innocent citizens who had stake in them.

Bank and bankers are no longer to be believed as the banking public accuses the annual/financial statement concerning their performance. Corporate governance and responsibility has been sacrifice at the altar of nepotism and corruption. It is no longer a news to declare that more than 60% of the current banks in Nigeria today are padded up and their financial statements heavily suspected.

1.3 **Objectives of the Study**

The major objective of this research is to assess corporate governance as an effective tool for achieving excellent performance in the banking industry.

The specific objectives are as follows:

i. To assess the impact of corporate governance on the service delivery of banks.

ii. To determine the extent to which the adoption of corporate governance has improved accountability, credibility, and transparency of banks.

iii. To examine if corporate governance has played any signification role in customer satisfaction in selected First Bank of Nigeria PLC.

Hypotheses

i. Ho_1: Corporate governance does not have significant impact on the service delivery of banks.

ii. Ho_2: There is no relationship between the adoption of corporate governance and improvement of accountability, credibility and transparency of banks.

iii. Ho_3: Corporate governance has not played any significant role in customer satisfaction of selected banks in Nigeria.

Review of Related Literature

2.1 **Concept of Corporate Governance**

Corporate governance as a concept is viewed merely as being concerned with the structures within a corporation entity enterprise receives its basic orientation and direction (Rwegasira, 2000.

According to Morck, Shleifer & Vishny (1989), among the factors that support the stability of any country's financial system includes: good corporate governance; effective marketing discipline; strong prudential regulation and supervision; accurate and reliable accounting financial reporting system; a sound disclosure regimes and an appropriate savings deposit protection system.

Corporate governance has been looked at and defined differently by different scholars and practitioners. However, they all have pointed to the same end, hence giving more of a consensus in the definition. Okeaholam and Akinbode (2003) defined corporate governance as the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and

increasing shareholders value and satisfaction of other stakeholders in the context of its corporate mission.

Coleman and Nicholas-Biekpe (2006) defined corporate governance as the relationship of the enterprise to shareholders or in other sense as the relationship of the enterprise to society as a whole. However, Mayer (199), offers a definition with wider outlook and contends that it means the sum of the processes, structures and information used for directing and overseeing the management of an organization. The Organization for Economic Corporation and development (1999) has also defined corporate governance as a system on the basis of which companies are directed and managed. Also, in its principles of corporate governance (2004), the Organization for Economic Corporation and development (OECD) defined corporate governance as a set of relation between a company's management, its board, its shareholders and other stakeholders. It is upon this system that specifications are given to fr the division of competencies and responsibilities between the parties including board of directors, the supervisory board the management and shareholders and formulate rules and procedures for adopting decisions on corporate matters.

In another perspective, Arun and Turner (2002) contend that there exists a narrow approach to corporate governance, which views the subject as the mechanism through which shareholders are assured that mangers will act in their interest. However, Shleifer and Vishney (1997) and Vives (2000) observed that there is a broader approach which views the subject as the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they can earn a return on their investment. There is a consensus, however that the broader view of corporate governance should be adopted in the case of banking institutions because of the particular contractual form of banking which demands that corporate governance mechanisms for banks should capture depositors as well as shareholders (Macay and O'hara, 2001).

Arun and turner (2002) supported the consensus by arguing that the special nature of banking requires that a broad view of corporate governance but also government intervention in order to restrain the behavior of bank management. They further argued that, the unique nature of banking firm, whether in the developed world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors be adopted for banks. They suggest that, in particular, the nature of the banking firm is such that regulation is necessary to protect depositors as well as the overall financial system.

The importance of good corporate governance cannot be overlooked in the present day economy. These include both the private and public organization. A major influence is that which it has on the attraction of private investment through globalization. Africans' leaders recognizes that globalization can facilitate much needed inflows of private investment and transfers technology, in addition to increasing access of their countries export to world markets. Africa as a continent has yet to fully tap into globalization and although it has its controversial aspects, it is well known that globalization also has positive angles to it.

2.1.2 The Nigerian Banking System

The major function of bank in a developed and developing economy is to act as a financial mediator between regions of surplus and deficit. The Nigerian financial sector of the economy has experienced many changes over the last two decades which includes distress and reforms of some major financial institutions. There was an initial crisis in the mid 90s (1994 - 1995) that saw the distress of about five (5) banks while a further escalation of the crisis was noticed in the late 90's and between early 20th century (2000 - 2005) with another 26 (twenty-six) banks closing down and bringing the number of banks to 25.

In June 2005, the central bank of Nigeria announced that all banks were given till end of the year to increase their capital base to a minim of N25 billion. This new policy resulted in major change in the banking sector which saw a flight to capital market to raise funds. Those that was not successful in raising the new minimum required capital via public offers has to merge with other banks or be acquired. This new trend resulted in a dramatic reduction in the number of banks from 25 in 2005 to 24 in 2007 and subsequently to 21 banks in 2011. This new minimum capital base helped local banks to compete internationally as well as comfortably finance large investment in the country and beyond.

Presently, the country's 21 banks are referred to mega banks because of their financial strength, presence in other African countries and in financial hubs around the world, such as London and New York. This is contrary to the initial belief that Nigerian banks are inferior compared to foreign banks despite the fact that much still needs to be done (African Review of Business and Technology, 2005).

Nevertheless, it goes without doubt that the banking system is one that is built on trust and public confidence. This makes it important to employ corporate governance in the industry.

2.1.3 Corporate Governance and Banks

Corporate governance is a crucial issue for the management of banks, which can be viewed from two dimensions. One is the transparency in the corporate function, thus protecting the investors' interest (reference to agency problem), while the other is concerned with having a sound risk management system in place (special reference to banks) (Jensen and Meckling, 1976).

The Basel committee on supervision (1999) states that from a banking industry perspective, corporate governance involves the manner in which the business and affairs of individual institutions are governed by their board's directors and senior management. This thus affect how banks:

- Set corporate objectives (including generating economic returns to owners).
- Run the day-to-day operations of the business
- Consider the interest of recognized stakeholders
- Align corporate activities and behaviors with the expectation that banks will operate in safe and sound manner, and in compliance with applicable laws and regulations and protect the interest of the depositors.

The committee further enumerated basic components of good corporate governance to include:

- The corporate values, codes of conduct and other standards of appropriate behavior and the system used to ensure compliance with them.
- A well-articulated corporate strategy against which the success of the enterprise and the contribution of individuals can be measured.
- The clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the boards of directors
- Establishment of mechanics for interaction and corporation among the boards of directors, senior management and auditors.

- Strong internal control systems, including internal and external auditor functions, risk management functions independent of business lines and other checks and balances.
- Appropriate information flows internally and to other public.
- Special monitoring of risk exposures where conflicts of interests are likely to be particularly great, including business relationships with borrowers afflicted with bank, large shareholders, senior management or key decision makers within firm (example traders).

Theoretical Review

2. 2. 1 Agency theory

An agency arises whenever one or more individuals, called principal hires one or more individuals called agents , to perform some service and then delegate decision-making authority to agents (Bamberg and Klaus, 1987). The scholars opined that, the primary agency relationships in business are those between stakeholders and managers and between debtors and stakeholders. These relationships are not necessarily harmonious; indeed agency theory is concerned with so called agency conflict or conflict of interest among other things, corporate governance and business ethics. According to this theory, the fundamental agency problem in modern firms is due to the separation between finance and management (Coleman, 2008). It is believed that modern firms suffer as a result in the firm being run by professional managers. This fundamental problem is how the manager follows the interest of the shareholders to ensure that cost is reduced. Also, the challenge that managers might extract prerequisites out of other sources leading them to be less concerned about the overall welfare of the firm, is possible. They inadvertently become less interested in other profitable new ventures as a result of their selfish needs.

From the ethicists' point of view, "it is pointed out that the classical version of agency theory assumes that agent (that is, managers) should always act in principals' (owners0 interest. In view of the above vis-a-Vis the practice of corporate governance, it clearly shows that huge responsibility is placed on the neck of the agents by the principals. To fulfill the ultimate goal of the agency theory by the so-called agents, the need to apply corporate governance is such that is inevitable to be the whole process and operations of the corporate organization.

2.3 Empirical Review

Ayorinde, Toyin and Laye (2002), studied the effect of corporate governance on the performance of the Nigerian banking sector. The judgmental sampling technique was used in selecting 15 listed banks out of 24 banks that met the consolidation date line of 2005. These banks were considered because they were listed in the Nigerian stock exchange market which therefore enables them to have easy accessibility to their annual reports which is the major source of their secondary data.

A positive correlation was observed between the level of corporate governance items disclosed by the banks and return on equity which is the proxy for performance. This means that banks who disclose more on corporate governance issues are more likely to do better than those that disclose less.

More so, a positive correlation was observed between directors' equity interest and corporate governance disclosure index. This indicates that individual who form part of management of banks in which they also have equity ownership have compelling business interest to run them well.

This invariably is expected to improve the performance. But board size has strong negative correlation with return on equity. This implies that how large the size of a board is does not have a positive effect on the level of financial performance of commercial banks in Nigeria but a negative effect.

3.0 METHODOLGY

3.1Research Design

Research design is the blueprint on the course of study. It specifies approach employed in the course of study. To achieve the best result, this study was carried out using descriptive survey research design. It involves the observation of the activities and operations of First Bank Nigeria PLC and Guaranty Trust bank PLC as it relates to their performance on corporate governance.

3.2 Sources of Data and Method of Collection

The major source of data of this study is the primary data. The data was obtained from the targeted respondents through a carefully constructed questionnaire and oral interviews. The questionnaire was divided into two (2) sections. Section A: personal data, Section B: questions on corporate governance.

3.3 Population of the Study

The population considered for this study comprised of staff from First Bank of Nigeria PLC and Guaranty Trust Bank PLC in Awka and their various customers.

The breakdown of the work force is as follows;

First bank = 15

Guaranty Trust bank = 15

The results into a staff strength of 30 for the selected bank under study. Also, 35 customers from each bank were chosen randomly (with a total of 70 respondents respectively).

3. 4. **Sampling Size and Sampling Technique**

Sample refers to the proportion or cross section of the targeted population which represents enough characteristics and can be used to make inference to the entire population. Therefore, the Yaro - Yamani formular was used in determining the sample size.

The formula is expressed as $n = \dfrac{N}{1 + N(e)^2}$

Where n = sample size

N = population of study

e = error margin

1 = constant.

N = bank staff + number of stakeholder chosen randomly from each bank.

Bank staff = 30
Stakeholder = 70
N = 100

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{100}{1 + 100(0.0025)}$$

n = 100/ 1.235

n = 81.

3. 6. Validity and Reliability of the Research Instrument

In order to validate the instrument in relation to the objectives and the research questions raised in chapter one (1), the researcher generated number of questions and gave them to his supervisor for corrections. Based on the corrections made, the final draft of the questionnaire was produced and administered.

Correlational analysis: The Pearson product moment correlation coefficient (sometimes referred to as PMCC and typically dented by **r**) is a measure of correlation (linear dependence) between two variables X and Y, giving a value between +1 and -1 inclusive. It is a measure of strength of linear dependence between two variables. According to Ojo (2005), PMCC is used to find out if there is any relationship between two variables. While doing this, a variable is regressed to another variable. When increase in variable X leads to an increase in variable Y, we say, there is a positive correlation but if vice versa, it is negative.

therefore,

$$r = \frac{n \sum XY - \sum X(\sum Y)}{\sqrt{\sum X2 - (\sum X)^2 (n\sum Y2 - (\sum y)^2)}}$$

Where r = Product moment correlation coefficient

Xi = Independent variable

Yi = dependent variable

n = Number of pairs of values

∑ = Summation sign.

Note: When the computed value of r is zero, it is an indication of absence of correlation between the two variables of interest.

The T-test statistics is employed to test the hypotheses.

It is denoted as **t** =

$$\frac{r\sqrt{(n-2)}}{1 - r^2}$$

Where n = Number of pairs of values

r = Product moment correlation coefficient.

At 5% level of significance and n - 2 degree of freedom, we can now if the two variables X and Y are linearly related in the population from where we derive the sample.

Decision Rule:

Reject Ho, if the calculated t-value is greater than the t-distribution value.

Accept Ho, f the calculated t-value is less than the t-distribution value.

1. Good corporate governance as a tool helps to improve the growth and performance of your bank

Table 4.1: Respondents' responses to question

Response	Frequency	Percentage
Strongly Agree	15	62.5 %
Agree	5	20.8 %
Undecided	3	12.5 %
Disagree	1	4.7 %
Strongly disagree	0	0 %
Total	24	100 %

Source: Field Survey 2023.

Table 4.1 shows that 62.5% of the respondents strongly agree, 20.8% agreed, 12% were undecided, 4.7% of the respondents disagreed and 0% strongly disagreed that good corporate governance is a tool that helps to improve growth and performance of the bank.

2. Adoption of corporate governance by your bank brought about significant impact on the service delivery

Table 4.2: Respondents' responses to question 8.

Response	Frequency	Percentage
Strongly Agree	4	16.7 %
Agree	19	79.1 %
Undecided	1	4.2 %
Disagree	0	0 %
Strongly disagree	0	0 %
Total	24	100 %

Source: Field Survey 2023.

Table 4.2 reveals that 16.7% strongly agree, 79.1% agreed, 4.2% were undecided, 0% disagreed and 0% of the respondents strongly disagreed that the adoption of corporate governance by banks has brought about any impact on the service delivery. This means that corporate governance has significantly improved the service delivery of banks.

3. Regulators have been effective in monitoring and supervising the code of corporate governance which enhances the achievement of corporate objectives.

Table 4.3: Respondents' responses to question 9

Response	Frequency	Percentage
Strongly Agree	2	8.3 %
Agree	17	70.6 %
Undecided	4	16.7%
Disagree	0	0 %
Strongly disagree	1	4.2 %
Total	24	100 %

Source: Field Survey 2023.

The above table shows that 8.3% of the respondents strongly agree, 70.8% agreed, 16.7% were undecided, 0% disagreed and 4.2% strongly disagreed. This means that the majority of the respondents believe that regulators have been effective in monitoring and supervising the code of corporate governance for banks which enhances the achievement of corporate objectives.

4. Effective implementation of the code of corporate governance has accorded the bank good corporate image and large customer base.

Table 4.4: Respondents responses to question 10.

Response	Frequency	Percentage
Strongly Agree	10	41.7 %
Agree	89	33.3 %
Undecided	4	16.7%
Disagree	2	8.2 %
Strongly disagree	0	0 %
Total	24	100 %

Source: Field Survey 2023.

Table 4.4 shows that 41.7% of the respondents strongly agree, 33.3% agreed, 16.7% were undecided, 8.3% disagreed and 0% strongly disagreed that effective implementation of the code of corporate governance has accorded the banks good corporate image and large customer base. From the above, the banks enjoy good corporate image and large customer base.

4. 3. **Test of Hypothesis**

The Pearson product moment correlation is used to establish and test the relationship between the responses of the banks staff and external stakeholders.

The Pearson product moment correlation is denoted by r and is defined below as:

$$r = \frac{n \sum XY - \sum X(\sum Y)}{\sqrt{\sum X2 - (\sum X)^2 (n\sum Y2 - (\sum y)^2)}}$$

Where r = Product moment correlation coefficient

Xi = Staff responses

Yi = External Stakeholders' responses

n = Number of pairs of values

∑ = Summation sign.

Hypothesis One

Ho: Corporate governance does not have significant impact on the performance of banks.

Hi: Corporate governance has significant impact on the performance and growth of banks.

In determining the relationship between the responses of the staff and its external stakeholders, questions 7 of the bank staff and its external stakeholders were used respectively.

Question 7. Can good corporate governance help to improve growth and performance of banks?

Response required	Staff responses (X)	Stakeholders responses (Y)
Strongly Agree	15	22
Agree	5	15
Undecided	3	2
Disagree	1	14
Strongly disagree	0	4
Total	24	57

Table 4. 3. 1: Computation of r

X	Y	X^2	Y^2	XY
15	22	225	484	330
5	15	25	225	75
3	2	9	4	6
1	14	1	196	14
0	4	0	16	0
$\sum X=24$	$\sum Y=57$	$\sum X^2=260$	$\sum Y^2=925$	$\sum XY=425$

$$r = \frac{n \sum XY - \sum X(\sum Y)}{\sqrt{\sum X2 - (\sum X)^2 (n\sum Y2 - (\sum y)^2)}}$$

$$= \frac{5(425) - 24(57)}{\sqrt{(5(260) - 24^2)(5(925) - 57^2)}}$$

$$= \frac{2125 - 1368}{\sqrt{(1300 - 576)(4625 - 3249)}}$$

$$= \frac{757}{\sqrt{724 \times 1376}}$$

$$= \frac{757}{998.11}$$

$r = 0.758$

The t – value will be **t** $= \frac{r\sqrt{(n - 2)}}{1 - r^2}$

$$= \frac{0.758\sqrt{5 - 2}}{1 - (0.758)^2}$$

$$= 0.758(7.042)$$

$$= 5.338$$

But the t – distribution value for n – 2 degree of freedom at .05 is 2.353.

Where n = 5

Therefore, 5 – 2 = 3

Tracing 3 degree of freedom under .05 in the T – distribution table, we have 2.353.

Decision Rule: If the calculated t – value is greater than the T – distribution value, we reject Ho. Otherwise reject Hi.

Since the computed t – value of 5.338 is greater than the T – distribution value of 2.353, we reject Ho (the null hypothesis) and conclude that Corporate governance have significant impact on the performance of banks.

Hypothesis Two

Ho: There is no relationship between the adoption of corporate governance and service delivery of banks.

Hi: There is a relationship between the adoption of corporate governance and service delivery of banks.

Question 8: Banks adherence to the code of corporate governance has helped to increase the service delivery of banks.

Response required	Staff responses (X)	Stakeholders responses (Y)
Strongly Agree	4	18
Agree	19	30
Undecided	1	5
Disagree	0	4
Strongly disagree	0	0
Total	24	57

Table 4. 3. 1: Computation of r

X	Y	X^2	Y^2	XY
4	18	16	324	72
19	30	361	900	570
1	5	1	25	5
0	4	0	16	4
0	0	0	0	0
$\sum X=24$	$\sum Y=57$	$\sum X^2=378$	$\sum Y^2=1265$	$\sum XY=651$

$$r = \frac{n\sum XY - \sum X(\sum Y)}{\sqrt{\sum X2 - (\sum X)^2\,(n\sum Y2 - (\sum y)^2)}}$$

$$= \frac{5(651) - 24(57)}{\sqrt{(5(378) - 576)\,(5(1265) - 57^2)}}$$

$$= \frac{3255 - 1368}{\sqrt{(1314 \text{ x } 3076)}}$$

$$= \frac{1887}{2010.44}$$

$$r = 0.939$$

The t – value will be $\mathbf{t} = \dfrac{r\sqrt{(n-2)}}{1 - r^2}$

$$= \frac{0.939\sqrt{5-2}}{1-(0.939)^2}$$

$$= 0.939(5.042)$$

$$= 4.734$$

Decision Rule: If the calculated t – value is greater than the T – distribution value, we reject Ho. Otherwise reject Hi.

Since the computed t – value of 4.734 is greater than the T – distribution value of 2.353, we reject Ho (the null hypothesis) and conclude that there is a positive relationship between the adoption of corporate governance and the service delivery of banks.

Hypothesis Three

Ho: Activities of bank regulatory authorities does not enhance the achievement of sound corporate objectives.

Hi: Activities of bank regulatory authorities enhance the achievement of sound corporate objectives.

Question 9: Should banking practice be devoid of constant regulation and supervision?

Response required	Staff responses (X)	Stakeholders responses (Y)
Strongly Agree	2	4
Agree	17	2
Undecided	4	2
Disagree	0	10
Strongly disagree	1	39
Total	24	57

Table 4. 3. 1: Computation of r

X	Y	X^2	Y^2	XY
2	4	4	16	8
17	2	289	4	34
4	2	16	4	8
0	10	0	100	0
1	39	1	1521	39
$\sum X=24$	$\sum Y=57$	$\sum X^2=310$	$\sum Y^2=1645$	$\sum XY=89$

$$r = \frac{n \sum XY - \sum X(\sum Y)}{\sqrt{\sum X2 - (\sum X)^2 (n\sum Y2 - (\sum y)^2)}}$$

$$= \frac{5(89) - 24(57)}{\sqrt{(5(310) - 576)(5(1645) - 57^2)}}$$

$$= \frac{445 - 1368}{\sqrt{(9744 \times (-4976)}}$$

$$= \frac{-923}{-\ 2201.5}$$

$$r = 0.419$$

The t – value will be $\mathbf{t} = \frac{r\sqrt{(n-2)}}{1-r^2}$

$$= \frac{0.419\sqrt{5-2}}{1-(0.419)^2}$$

$$= 0.419(1.910)$$

$$= 0.800$$

Decision Rule: If the calculated t – value is greater than the T – distribution value, we reject Ho. Otherwise reject Hi.

Since the computed t – value of 0.800 is less than the T – distribution value of 2.353, we accept Ho (the null hypothesis) and reject Hi. Therefore, we conclude that the activities of the regulators do not enhance the achievement of sound corporate objectives.

Summary of Findings

The research came up with the following findings:

1. That corporate governance is a welcomed idea in the banking industry especially in First Bank and Guaranty Trust bank Plc. Again, banking industry has embraced corporate governance because it focuses on the service delivery and customer satisfaction.
2. That corporate governance in banking industry restores confidence of the banking public in Nigerian banks.
3. For sound corporate governance to be achieved in the banking industry, it must be geared towards integrity, credibility, accountability and transparency.

5. 2. Conclusion

Corporate governance was the only and effective tool for achieving excellent performance in the banking industry. In most financial institutions, especially banking industry, there are benefits towards service delivery and customer satisfaction through the implementation of corporate governance principles which is now gaining wider acceptance in the economy.

5. 3 Recommendations

Thus, the following recommendations were made:

1. The regulatory authorities should enact laws to sustain monitoring mechanisms for compliance with standard and other financial reporting regulations. This will reduce inefficiencies that may arise from moral hazard and adverse selection if disclosure requirement.
2. Regulators should carry out proper examination of banks prior to the occurrence of frauds as preventive measure.

3. Banks are encouraged to give customer service and satisfaction very high priority and accordingly assign it a high level. Banks should also set up framework to monitor and maintain customer loyalty.

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