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Do corporate governance mechanisms impact on commercial banks performance in developing countries? Empirical analysis from Nigeria

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Abstract

This study seeks to analyze if corporate governance mechanisms influence the financial performance of Nigerian listed commercial banks in the Nigerian context. The population of the study consists of all the twenty five commercial banks in Nigeria. A sample of fourteen (14) commercial banks was selected and data were collected over the period 2010 to 2017. Inferential statistics consisting of Pooled Regression was used for the data analysis. The results obtained reveal that corporate governance mechanisms exerted significant impact on commercial banks financial performance in Nigeria. Specifically, Board independence and managerial ownership were positive and exert non-significantly impact on the financial performance of commercial banks in Nigeria whereas board size positively and significantly impact financial performance of the commercial banks over the reference period. Board gender diversity and ownership concentration were negative on financial performance of the commercial banks in Nigeria. While board gender diversity was not significant, ownership concentration was. The study recommended that there has to be a designed framework to efficiently and effectively monitor the interaction between corporate governance mechanisms and commercial bank financial performance by regulators and shareholders as this will drastically minimized the tendency for managers to engage in rent seeking behavior.

Keywords: board size; board independence; board gender; managerial ownership; ownership concentration; financial performance

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1. Introduction

There is no doubt several events have been responsible for the heightened interest in corporate governance researches both in developed and developing countries. For instance, the banking sector in Nigeria in the past used to have 89 active players before the consolidation exercise whose overall performance led to the sagging of customers' confidence in 2005/2006. There was lingering distress in the industry, the supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses (Abdulazeez, Ndibe, & Mercy, 2016). Weak corporate governance mechanisms was observed as one of the major factors in virtually all known instances of bank distress in the country then. Weakness of the corporate governance mechanisms was seen manifesting inform of weak internal control systems, excessive risk taking, over-ride of internal control measures, non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses and fraudulent practices remain a worrisome feature of the banking system (Osamwonyi & Ogbeide, 2015).

Similarly, the subject of corporate governance took the attention of the global business limelight from relative obscurity after a string of collapses of high profile companies like Enron, the Houston, Texas based energy giant and WorldCom the telecom behemoth which shocked the business world with both the scale and age of their unethical and illegal operations (Uwuigbe & Fakile, 2012). Since then, there has been much concern on how corporate governance mechanisms could influence every aspects of corporate management in financial and non-financial sectors of both developed and developing countries. There is no doubt corporate governance occupies the heart of every company and also takes a center stage in its affairs (Ogbeide & Obaretin, 2018). The financial performance of firms and realization of shareholders wealth depend majorly on the quality of corporate governance mechanisms. Effective corporate governance mechanisms are a necessary factor to promoting efficient management of the affairs of a firm and realization of its set goals and objectives (Ogbeide & Obaretin, 2018). Efficient management implies reduction of costs of operations like administrative expenses, expansion of the business product lines and customer base as well as tax cost reduction whether in the banking or non-banking sector of an economy (Ogbeide & Obaretin, 2018).

Banks, particularly commercial banks are generally into the business of financial intermediation. They connect the surplus and deficit units together for investment purposes with a view to promoting investment and boosting the economy. However, over the years, the commercial banks in Nigeria have continued to suffer big financial losses annually due to mismanagement by the board of directors thus leading to non-performing loan and consequently impact negatively on the wealth of the resources owners. The unethical cases observed in the Nigerian banking industry specifically in 2009 in some commercial banks like Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank no doubt was related to weakness of the corporate governance mechanisms. These weaknesses manifested in the form of lack of vigilant oversight functions by the board of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders (Uadiale, 2010).

There was absolute compromise by both the executive and non-executive directors of the commercial banks. The boards of directors were grossly engaged in unhealthy financial practices to the extent that they intentionally influenced the external auditors to express a fake report of the financial performance of the bank. The sharp and unhealthy practices of the mechanisms of the corporate governance contribute largely to high non-performing loans and consequently poor performances of the affected banks. It affected investor confidence and adversely resulted to suddenly withdrawal of resources by the concerned shareholders of the commercial banks. As part of measures to strengthen the corporate governance of banks in the banking sector in Nigeria, the Central Bank of

Nigeria had to come up with corporate governance reforms with the objective of ensuring changes are made on the board of directors in terms of its composition, size, structure, enhance transparency and timely disclosure of information and other relevant aspects of the operation of banks.

In the developing and developed countries, Faccio and Lasfer (2000); Inam (2009); Haniffa and Hudaib (2006); Osamwonyi and Ogbeide(2015); Uwuigbe and Fakile (2012)have examined the impact of corporate governance mechanisms on banks performance and reported inconclusive results. For instance, the researches of persons like Osamwonyi and Ogbeide (2015); Uwuigbe and Fakile (2012) revealed negative effect of corporate governance indicators like board size, board gender, ownership concentration managerial ownership and board independence on banks financial performance while the outcome of the research of Faccio and Lasfer (2000), Inam (2009), Haniffa and Hudaib (2006).showed that corporate governance indicators positively impact of commercial banks financial performance both in developed and developing countries. Moreover, critical evaluations of some past researches like Oyeleke, Erin, and Emeni. (2016), Boussaidi and Hamed (2015), Aliani and Zarai (2012) and others showed that board gender diversity as a component of corporate governance has always been empirically measured as the relationship between numbers of women on the corporate board to the aggregate board number of directors on the board. There has been less reliance on the use of BLAU (1977) index method in a heterogeneous board by these prior researches particularly in the developing countries like Nigeria to measure diversity of the board in terms of gender diversity in firm. This conventional measurement of gender diversity to be specific is imbued with measurement error and empirical weakness (BLAU, 1977). This constitutes a gap which this study seeks to bridge by applying the index method. Apart from the introductory section, section two concerns literature review, section is methodology, section four is data analysis while section five is conclusion and recommendations.

2. Literature review

2.1 Conceptual review

The Central Bank of Nigeria (CBN) code of corporate governance for banks and other financial institutions in Nigeria (2006) defines corporate governance as the process by which the business activity of an institution are directed and managed. In the context of this study, corporate governance may be defined as a transparent system and action framework designed to promote effective and efficient management of a firm/institution. The ultimate goal of the designed transparent system and action framework in the firm/institution is to ensure judicious management of scarce resources and adequate accountability with a view to engendering the economic progress in the interest of all stakeholders. In firm/institution, mechanism of corporate governance may be seen as a system of parts that are interrelated towards performing a particular function in the attainment of expected optimal results (Osamwonyi & Ogbeide, 2015). In this study, corporate governance mechanisms may be regarded as a system put in place for a smooth operation of a business and in achieving desired results in a firm/institution. This assertion is so given the fact that firm/institution is a living thing, though artificial in nature.

Corporate governance mechanisms are both internal and external (Osamwonyi & Ogbeide, 2015).The internal corporate governance mechanisms appear to be directly used in the day to day smooth operation of the business. They engage in vital decision making as regard effective daily management of the firm. Examples of some internal corporate governance mechanisms include board size, though this is dichotomous in nature, managerial ownership, and audit committee size, ownership concentration and gender diversity. External corporate governance mechanisms are controlled by those outside an organization and serve the objectives of entities such as shareholders, regulators, governments, trade unions and financial institutions. Examples of some external corporate governance mechanisms include institutional ownership, board independence, external audit quality, foreign ownership, and government ownership, among others. Board size is commonly measured by the logarithm of the total number of directors sitting on the board (Aliani, 2013).

According to Oyeleke et al. (2016), the board is responsible for monitoring, and evaluating management to act in the best interest of the shareholders and other stakeholders. Jensen (1983) noted that the effectiveness of the board depends on its size. The size of the board is concerned with the number of directors that make up the board. Board independence refers to non-executive directors. Non–executive directors are always viewed as a balancing force in the board. Independent directors otherwise referred to as non-executive directors include any non-employees board members as well as members who are not considered gray and they could be consultants, lawyers, accountants, amongst others. Board independence is an aspect of corporate board composition whose responsibility includes playing over sight and monitoring functions. Board independence is the percentage of outside directors on a corporate board. Their presence on the corporate board increase the capacity of the board to monitor management effectively in situations characterized by agency problems which arise from the separation of ownership, control and thus help to expenses (Zemzem & Flouhi, 2013).

In the views of VanderWalt and Ingley (2003), diversity in the context of corporate governance is the composition of the board and the combination of the different qualities, characteristics and expertise of the individual members in relation to decision – making and other processes within the board. There are two fundamental approaches to evaluating diversity. These are the demographic and the cognitive approaches. Demographic approach basically concentrates on variables like gender, age, ethnicity and nationality. It basically focuses on measureable attributes of individuals, while the cognitive approach concentrates on measuring attitudinal and normative differences between individuals (Aliani & Zarai, 2012).

The cognitive approach is purely concentrated on non–observable variables like attitudes, values and beliefs. In finance and accounting literature, attitudes and beliefs are related to individuals, but they are quite difficult to empirically measure quantitatively. Ownership concentration is simply concerned with the degree of ownership in a business based on the level of investment resources. It is worthy of note that ownership structure can be divided into equity concentration and managerial ownership. Further, ownership structure can be segmented into family business, government ownership, board of director ownership and foreign ownership structure. In research, each of them can be investigated separately to determine their effect on a defined specific endogenous variable. Ownership or equity concentration is a way of solving the problem of agency between managers and shareholders; however it creates another type of conflict between minority shareholders and block-holders (Desai & Dharmapala, 2006). This study uses corporate governance indicators like board gender diversity, managerial ownership, ownership concentration, board independence and board size to ascertain their effects on financial performance of commercial banks in Nigeria. The choice of these variables is premised on the inter-temporal and endogeneity gaps against commercial banks' performances in literature in the context of literature from Nigeria.

2.2 Empirical review

Since the occurrence of corporate collapse of the likes of Enron, World Com, Parmalatin the international communities and the financial shakings of some commercial banks in the likes of Oceanic bank PLC, Access bank PLC, Union Bank PLC among others which resulted to the eventual injection of huge funds as a bail out measure by the apex bank of Nigeria in the third quarter of 2009 indeed heightened the focus on corporate governance of commercial banks and how they contribute to the financial performance and in the maximization of the wealth of shareholders. Some studies have investigated the influence of corporate governance mechanisms on banks financial performance and reported inconclusive results. For instance, Ayorinde, Toyin, and Leye (2012) studied the effect of corporate governance on the performance of the Nigerian banking sector. The judgmental sampling technique was used in selecting the 15 listed banks out of 24 banks that met the consolidation date line of 2005. 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 the directors' equity interest and corporate governance disclosure index. This indicates that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. 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.

Uwuigbe and Fakile (2012) studied corporate governance mechanisms effect on financial performance of banks in Nigeria. The study made use of secondary data in establishing the relationship between corporate governance and financial performance of the 21 banks listed in the Nigerian Stock Exchange. A panel data regression analysis method was adopted in analyzing the relationship that exists between corporate governance and the financial performance of the studied banks. The Pearson correlation was used to measure the degree of association between variables under consolidation. From the analysis, an inverse correlation between board size and ROE was seen. This indicates a significant negative effect of board size on the financial performance of the listed banks. Ahmad and Mensur (2012) examined corporate governance and financial performance of banks in the post-consolidation era in Nigeria. Data were sought from sixty annual reports of 12 banks for the period of 2006–2010. The independent samples t-test was employed to analyze data gathered for the study. Multiple regressions were used to further analyze the data. Findings revealed that Dispersed equity holding does have an impact on the earnings and dividend of banks. Also, board size does not have an impact on profitability of banks. The study suggests the need to strengthen managerial policies so that financial performance can be improved is important as the stress test conducted by CBN and NDIC revealed only a positive operational performance.

Board independence is a major corporate governance indicator which is most effective deterrent of fraudulent financial reporting (He, Gupta, & Donaldson, 2009). Fama and Jensen (1983) argue that outside directors have the incentive to act as monitors of management because they want to protect their reputations as effective, independent decision makers. An independent board of directors has fewer conflicts of interest in monitoring managers, even if the presence of outside directors entails additional costs to the firm such as fees, travel expenses, among others. Farber (2005) accentuate that firms committing financial reporting fraud are more likely to have a board of directors dominated by insiders. On the empirical front, Oyewale, Oloko, and Olweny (2016) investigated the relationship between board independence and financial performance of listed manufacturing companies in Nigeria. The result revealed a significant positive linear association between board independence and financial performance in the period observed. The study by Bebeji, Mohammed, and Tanko (2015) on the effect of board size, composition on the financial performance of banks in Nigeria showed that board independence leads to a decrease in return on equity and return on assets, proxies for financial performance.

The proportion of shares owned by directors and managers in firms naturally minimizes agency issues and engenders quality financial reporting. However, the relationship between managerial ownership and firm performance may be monotonic in that when they are beyond certain levels, equity incentives may lead to the expropriation rather than improvement of the firm's value. By increasing their ownership and voting stakes, managers in fact gain the opportunity to expropriate some corporate funds on their own behalf and at the expense of other shareholders, namely to gain some 'private benefits of control. Firms with higher managerial ownership are characterized by lower managerial turnover and lower efficiency with respect to firms with more usual share of inside or outside ownership. The study of Stulz (1987) argues that a firm's value reaches its maximum when managerial ownership is less than 50% and the minimum when managers hold 50% or more of equity. McConnel and Servaes (2008) also employing a sample of the US firms find that a firm's value is the highest at 49.4% of MO, which is consistent with Stulz (1987). McConnel and Servaes (2008) also perform the experiment using ROA as a dependent variable and conclude that the results are consistent with an initial experiment using Tobin's Q. Therefore, it is considered that the effect managerial ownership has on firm's market value, usually measured by Tobin's Q, should be of the same direction as on accounting measures such as ROA, ROE or profit margin (McConnel & Servaes, 2008).

In the view of McConnell and Servaes (2008), some studies account for endogeneity and still find a link between MO and a firm's value. The study by Mueller and Spitz (2001) on the effect of managerial ownership on

firm performance in Germany is positive when it is in the threshold of 80% but beyond this level, it becomes destructive on the well-being of the company. This presupposes that the influence of managers ownership needs defined to advert its consequences on the firm value and shareholders wealth.

Closely related to managerial ownership is core ownership structure which reflects the core proportion owned by different parties who have stakes in a company. Components of core ownership structure in firms encompass institutional ownership, family ownership, foreign ownership, government ownership, among others. The link between ownership structure and financial performance on the empirical front is inconclusive. The research by Barako and Tower (2007) which the focus was to determine if ownership structure as a corporate governance indicator impacts on bank financial performance in the Kenyan banking sector revealed that ownership structure is positive on banks' return on equity. However, the empirical research outcome of Arouri, Hossain, and Muttakin (2011) on ownership structure, corporate governance and bank performance in GCC countries showed a variant result. The study revealed that ownership concentration had a significant negative effect on financial performance of the banks.

The study on the link between board gender and financial performance has been investigated in non-financial sector, there is however sparse literature in the area of financial sector specifically in the context of Nigeria. The empirical study of Njoroge (2014) concerning board gender diversity and financial performance of commercial banks in Kenya proved contrary to expectation. The study established a negative connection between board gender diversity and the financial performance of the commercial banks in the reference period. The exploration of these key corporate governance indicators explicitly points out that empirical and measurement gaps still exists between corporate governance indicators and financial performance in the Nigerian banking; hence this study is undertaking with view to contributing to literature.

3. Methodology

3.1 Method of data analysis and model specification

The longitudinal research design was used in this study. The population for this study consists of all the 25commercialbanks in Nigeria in the period 2010 to 2017. The sample size of 14 banks was determined using simple random sampling technique. This represents one hundred and forty (140) annual observations. The study used secondary data derived from the audited financial statements of the sample banks in Nigeria in the period under reference. The descriptive and inferential statistics methods were used to carry out the data analysis. The descriptive statistics encompass the correlation analysis. The inferential statistic used is basically the multivariate panel estimation method and the dynamic panel data regression method.

3.2 Model specification

This study modifies and adapts the model specification of Abdulazeez et al. (2016). However, the mathematical and stochastic form of the models is stated algorithm as follows:

Firm Performance = f (Corporate governance)…………………………..……. ……………………………1

This is stated in econometric form as:

$$ROE_{it} = \alpha_i + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 Owncont_{it} + \beta_4 Mgo_{it} + \beta_5 BGEND_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots 2$$

The subscripts *i* and *t* refer to individual banks and time period (2010-2017) respectively. ROE represents return equity of the sampled banks. β_1 to β_5 are slopes to be estimated and ε is the error term.

3.3 Variables description

ROE = Return on equity
BSIZE = Board size
BIND = Board Independence
OWNCONT= Ownership concentration
MGO = Managerial Ownership concentration
BGEND = Board gender diversity
ε = error term

3.4 Measurement of variables

Table 3.1

Procedures used to measure the variables in the construct

S/N	Variables	Type of variable	Measurement	Sources
1.	Financial Performance	Dependent	Return on equity	Osamwonyi & Ogbeide (2017)
2.	Return on equity	Dependent	Profit after tax divided by shareholder equity	Uwuigbe (2011)
3.	Board size	Independent	Total number of directors on the corporate board	Oyeleke & Emeni (2016), Boussaidi & Hamed (2015)
5.	Managerial ownership	Independent	Percentage of capital held by the managers divided by the total share outstanding in the company	Boussaidi & Hamed (2015)
6.	Director Ownership concentration	Independent	The cumulative percentage of share held by the directors divided the total outstanding shares in the company	Boussaidi & Hamed (2015) Osamwonyi & Ogbeide (2015)
7.	Board independence	Independent	Proportion of non-executive directors divided by the total board of directors	Oyeleke et al. (2016)
8	Board Gender Diversity	Independent	BLAU index method	BLAU (1977), Ogbeide (2018)

Source. Author's compilation, 2019.

4. Empirical analysis and reporting

Table 1

Correlation matrix

Variables	1	2	3	4	5	6
ROE	1					
BSIZE	-0.00	1				
BIND	0.011	-0.11	1			
MGO	-0.027	0.09	-0.09	1		
OWNCONT	0.068	0.00	-0.07	-0.07	1	
BLAU	0.091	0.47	0.02	0.025	0.11	1

Source. Researcher's computation from E-Views 8.0 version.

The above table shows the Pearson correlation coefficients of return on equity (ROE) and corporate governance indicators. Table I result shows that board size and managerial ownership are negatively associated with return on equity (r = -0.00, r = -0.02). This suggests that the size of the board and managers ownership in firm contribute to return on equity. This finding is consistent with the agency theory. The finding is consistent with Inam (2009) study. Board independence (BIND), ownership concentration (OWNCONT) and gender diversity (BLAU) are positively associated towards influencing return on equity (r = 0.01, r = 0.06), (r = 0.09). The non-executive directors do play oversight function at monitoring the activities of the executive directors and managers. Some of these activities include payment for large expense, with intention to reduce agency cost, among others. The aim is to increase the wealth of the shareholders. Board size (Bsize) is negatively related with BIND (r = -0.11); meaning the board do not have enough independent members. This apparently shows that corporate board is concentrated by way of ownership and managers tend to positively influence return on equity. BSIZE is positively associated with MGO; BSIZE is positively correlated with OWNCONT (r = 0.005), while

BSIZE is positive with gender diversity (r = 0.47). BIND is weak and negatively associated with MGO (r = -0.09); BIND is weak and negatively correlated with OWNCONT (r = -0.07); while BIND is positively related with BLAU, i.e gender diversity (r = 0.02); MGO is negatively associated with OWNCONT (r = -0.07); MGO is weak and positively related with BLAU (r = 0.02); while OWNCONT is weak but positively related with BLAU (r = 0.11). These suggest that ownership by managers and structure do not have more female in the sampled firms. The Associations do not in any way show signs of multicollinearity among the variables in the model. It is portrays the fact that the corporate governance indicators mutually reinforce at influencing the financial performance of commercial banks in Nigeria.

Table 2

Presentation of regression result

Variables	Pooled Regression
BLAU	-101.12
	[.100]*
BSIZE	12.611
	[.031]**
BIND	0.88
	[.187]***
MGO	0.91
	[.321]***
OWNCONT	-6.11
	[.004]**
	(1)
R-squared	0.63
Adjusted R-squared	0.55
F-statistics	7.84
Prob (f-statistic)	0.01
Durbin-watson stat	1.634
J-Statistics	-

Note. Dependent variable: ROE.
Source. Author's computation 2019 from E-view 8.0 version.

Table 2 is concerned with the regression estimations methods of the model. Significant levels are reported in three forms. *$p < .000$ is statistically significant at 1% level. **$p < .05$ is statistically significant at 5% level. **$p > .05$ is statistically not significant at 1% or 5% level. The [ ] represents the probability value (*p* – value).

The table above which depicts the pooled regression result, the R^2 is 0.63 which suggests a 63% explanatory ability of the model for the systematic variations in the dependent variable (ROE) with an adjusted R^2 value of 0.54 (54%). The F-statistics is 7.654 and *p*-value is (.001). The Durbin-Watson statistic is 1.634; an indication of the absence of serial correlation of the residuals in the model. The result reveals that corporate governance mechanisms contribute significantly to the financial performance of commercial in Nigeria in the period under reference. The finding is consistent with the assertion of Abrahman (2011) who posits that corporate governance mechanism in the firm is the assurance investors have that return on their investment is guaranteed. That corporate governance serving as a determinant of the commercial banks financial performance points to the fact that the board of directors/managers of the firm have expense management proficiency through the instrumentality of professional, accountants and other skilled person on the corporate board. Similarly, it could also be said that since corporate governance indicators contributed significantly to the commercial banks financial performance; it is an indication there is minimal agency problems/conflicts in the banks to a large extent.

Commenting on the effects of each of the corporate governance mechanisms on the financial performance; it can be observe that BSIZE has a positive sign (12.61) with a statistically significant *p*-value of .03 on financial performance of the sampled commercial banks in the period under reference. The result is a pointer that a small board size is germane towards the financial performance of commercial banks in Nigeria. Generally, a small

board with fewer members promotes smooth decision making, reduces conflicts, minimizes boardroom squabbles, mitigate adverse effect of agency problem. The after of these reflect positively on operational and financial performance and in increasing the wealth of the resources owners as well as satisfying the other stakeholders. The finding is in tandem with the study outcome of Ahmad and Mensur (2012); Uwuigbe and Fakile (2012); Kyereboah-Coleman and Biekpe (2005); Boussaidi and Hamed (2015). The finding is not in consonance with research outcomes of Mueller and Spitz (2001).

Gender diversity measured as BLAU is observed to have a negative effect (-101.12) and it is statistically not significant at 99% level. Female board members contribute to banks financial performance if they are in a high proportion on the firm board. Otherwise they contribute very poorly to financial performance since they are a token on the corporate board. The negative and non-significance of board gender diversity with financial performance of the sampled commercial banks in Nigeria aptly affirms the women risk aversion theory. The finding also agrees with that of Boussaidi and Hamed (2015), Oyeleke et al. (2016). The non-significant effect of board gender on performance may not be unconnected with the marginalization of women on the corporate board in Nigeria, even in the commercial banks. In Nigeria for example, there appears to be high level of politics and biasness on the corporate board. The selection and composition of board members is conspicuously skewed in favor of the male folks. Yes, there are women who have the requisite experience, managerial prowess, emotional strength and political clout to turn the wheel of progress in the right direction in quoted firms. Yet they are not considered for appointment into the corporate board, let alone putting them on significant position in the company board. Most unfortunate enough is the fact that they are even seen as a set of human creatures, whose duties should be to attend to the domestic needs of the family. This is never the less of the fact that women are more diligent in the attendance of board meeting than the male counter parts and more likely to join committee that monitor performance, inclusive of the level of tax aggressiveness.

Managerial ownership (MGO) has a positive effect (0.912) and statistically not significant at 99% level (*p*-value= .32) on the commercial banks' financial performance in the period observed. It points to the fact that a specific proportion of ownership by managers contributes positively and higher to financial performance in the commercial banks. The non-significance may be due to the lower percentage of ownership by managers in the shares of commercial the banks. This finding aligns with Florackis (2008) argument that an adequate level of managerial ownership reduces manager's incentives for perk consumption and engagement in non–maximizing activities. But if there is a high level of managerial ownership, managers have more opportunities to extract own benefits and to intensify the entrenchment effect. Director ownership concentration (OWNCONT) is observe to have negative effect (-0.61) is statistically significant (p = .04) at 5% level. This translates to the evidential effect that high percentage of director ownership is presumed to reduce agency problem, information asymmetry and promote effective operation of the firm, including employment of aggressive strategies to enhance performance. Board independence (BIND) has a negative effect (-0.88) with *p*-value of .187; indicating that the proportion of outside director on the corporate board impact positively on the selected banks' financial performance in Nigeria in the period considered in this study. Board independence does play oversight and monitoring function towards enhancing the performance of firms. They monitor the attitude of top management in the context of key strategic decisions that affect stakeholders as a whole. The finding of this study agrees with Yeung (2010) position that increased in board independence affects bank performance. This study finding fails to agree with other studies like Zemzem and Flouhi (2013) and Ying (2011), which establish that board independence has a positive and no significant effect on bank performance.

5. Conclusion and recommendations

The study has empirically determined if corporate governance mechanisms influence the financial performance of Nigerian Commercial banks. The study concluded that corporate governance mechanisms determine commercial bank financial performance in Nigeria. Board gender measured using the BLAU (1977) index method did not contribute to the commercial banks financial performance. Board size, board independence, ownership concentration and managerial ownership were observed to positively influence the sampled

commercial banks in Nigeria. Flowing from this, this study recommends that the corporate governance code of best practices in the Nigerian banking sector be restructure to include a certain quota of female gender and adequate disclosure should made mandatory by commercial banks from time to time. Regulatory authorities should not compel banks to increase the number of non-executive directors in their board as this positively affects the profitability of banks. This research also suggests that more key corporate governance variables like interlocking board membership and board of director reputational capital be employed by future researchers to determine their effects on the operating and financial performance of commercial banks in Nigeria. The likely resultant effect should command policy attention of regulators to strengthen the banking sector in general.

5.1 Contributions and significant of the study

This study dwelt on how corporate governance mechanisms can positively influence commercial banks' financial performance in Nigeria. Previous researches like Uwuigbe and Fakile (2012); Kyereboah-Coleman and Biekpe (2005); Boussaidi and Hamed (2015) did not examine board gender diversity on financial performance of banks which this study investigated, hence its contribution to literature. Again these prior studies failed to use pooled panel least squares regression method. This study also contributes to knowledge in this regard using this peculiar estimation method.

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