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A FIRM-LEVEL ANALYSIS OF CORPORATE GOVERNANCE AND BANK PERFORMANCE IN NIGERIA

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ABSTRACT

This study examines the relationship between corporate governance and firm performance with particular reference to the United Bank for Africa Plc, Nigeria. It adopts three corporate governance mechanisms (board size, board composition and the number of board committees) and three performance variables (Return on Investment, Profit Margin and Return on Equity). Thus, panel data (from the secondary source) were collected on the corporate governance mechanisms and performance variables over a period of five years spanning from year 2006 to 2010. The multiple regression technique was used to analyze the data. The study finds that the number of board committees has significant negative relationship with Profit Margin. The size of the board does not significantly affect the return on shareholder's equity and investment in the company and lastly, the presence of more number of independent directors on the board does not significantly affect firm performance. The study recommends amongst others that bank management should establish optimum board size to accommodate diverse backgrounds and skill mix appropriate to discharge their duties to the firm. Again, banks should not waste effort in engaging more independent directors on its board but however, endeavour to engage more executive directors who possess cognate experience in the industry on its board.

KEYWORDS: Firm-Level Analysis, Corporate Governance, Bank Performance