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# Corporate Governance Mechanisms and Financial Performance of Listed Commercial Banks: Empirical Evidence from Nigeria

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**Abstract**
This study examined corporate governance mechanisms and financial performance of Nigerian listed commercial banks. 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 Panel Estimation Least Square (EGLS) with fixed effect and the General Method of Moment were used for the data analysis. The results obtained reveal that corporate governance mechanisms exerted significant impact on commercial banks financial performance in Nigeria. Specifically, ownership concentration and managerial ownership were positive and significantly impact the financial performance of commercial banks in Nigeria whereas board size positively and significantly impact financial performance of banks over the reference period. Board gender diversity and board independence were significant and exert negative influence on financial performance of the commercial banks in Nigeria. The study recommended that there has to be a designed framework to efficiently and effectively monitor the interaction between corporate governance and commercial bank financial performance. This will drastically minimized the tendency for them to engage in rent seeking behaviour.

**Keywords:** Corporate governance mechanisms, Board size, Board Independence, Board Gender, Managerial Ownership, Ownership concentration, Financial Performance.

## 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 (Akpan, 2007). 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, 2011). Since then, there has been much concern on how corporate governance influences every aspect 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. 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. 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 (Osamwonyi & Ogbeide, 2015).

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 were 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.

Some prior researchers like Osamwonyi & Ogbeide, 2015; Uwuigbe, 2011, Klein, 2018) have examined the impact of corporate governance mechanisms on banks performance and reported inconclusive results. The researches of persons like Osamwonyi and Ogbeide (2015); Uwuigbe

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(2011); Klein (2018)revealed negative impact 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. Similarly, a critical examination of the prior studies indicates that they have always relied on the panel least square despite its short fall in accounting for endogeneity effects like omitted variables, measurement errors and simultaneity. 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 is literature review, section is methodology, and section four is empirical analysis and reporting while section five dwells on conclusion and recommendations. These observed gaps prompt the need to re-examine the subject matter using recent data for inference purpose. 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.

## LITERATURE REVIEW

### 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 (1993) 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 Walt 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 postulated to critically of 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, 2008).

**Empirical Review**

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 (2011), researches on corporate governance and financial performance of banks in Nigeria. This 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. Outside directors do have significant but negative impact upon bank performance as measured in terms of ROE. The finding showed that more banks' equity owned by the directors, the better the banks' financial performance. Intuitively it implies banks who disclose more on corporate governance issues are more likely to do better than those that disclose less.

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 recommends the practice of restrictive equity holding in banks, be upheld. Secondly, 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. Against this backdrop, this research hypothesizes that corporate governance does not have significant effect on the financial performance of commercial banks.

## METHODOLOGY

### 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 2008 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.

**Model Specification**
The models used in this study adapt to the framework of Boussaidi and Hamed (2015) and Uwuigbe (2011). The model principally relate to corporate governance and banks performance. 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:

$$ROE_{it} = \alpha_i + ROE_{it} - 1 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 Owncont_{it} + \beta_4 Mgo_{it} + \beta_5 BGEND_{it} + \varepsilon_{it} \quad \ldots 2$$

The subscripts $i$ and t refer to individual banks and time period (2008-2017) respectively. ROE represents return equity of the sampled banks., $Y$, $\beta_1$ to $\beta_5$are slopes to be estimated and $\varepsilon$ is the error term. The coefficient of lagged dependent variable; $Y$ is expected to be positive. The inclusion of the lagged dependent variable $ROE_{it} - 1$ is meant to take care of potential endogeneity of the independent variables which included likelihood of omitted variables, simultaneity and variable measurement error in the context of dynamic panel data method.

**Variables Description**

ROE= Return on equity

BSIZE= Board size

BIND= Board Independence

OWNCONT= Ownership concentration

MGO= Managerial Ownership concentration

BGEND= Board gender diversity

$\varepsilon$ = error term

**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 variable | Return on equity | Osamwonyi & Ogbeide (2017) |
| 2. | Return on equity | Dependent variable | Profit after tax divided by shareholder equity | Uwuigbe (2011) |
| 3. | Board size | Independent variable | Total number of directors on the corporate board | Oyeleke & Emeni 2016, Boussaidi & Hamed |

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| 5. | Managerial ownership | Independent variable | 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 | Hairul et al., 2014 |

**Source: Researcher's compilation, 2018.**

## EMPIRICAL ANALYSIS AND REPORTING

**Table 1: Correlation Matrix**

| Variables | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| ROE | 1 | | | | | |
| BSIZE | -0.005 | 1 | | | | |
| BIND | 0.011 | -0.117 | 1 | | | |
| MGO | -0.027 | 0.098 | -0.090 | 1 | | |
| OWNCONT | 0.068 | 0.005 | -0.072 | -0.076 | 1 | |
| BLAU | 0.091 | 0.473 | 0.027 | 0.025 | 0.113 | 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 = -0.005, r = -0.027). 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. The finding is also related to Ribeiro (2015). Board independence (BIND), ownership concentration (OWNCONT) and gender diversity (BLAU) are positively associated towards influencing return on equity (r = 0.011, r = 0.068), (r = 0.091). 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 = -0.117); 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 = 0.473). BIND is weak and negatively associated with MGO (r = -0.090); BIND is weak and negatively correlated with OWNCONT (r = -0.072); while BIND is positively related with BLAU, i.e gender diversity (r = 0.027); MGO is negatively associated with OWNCONT (r = -0.076); MGO is weak and positively related with BLAU (r = 0.025); while OWNCONT is weak but positively related with BLAU (r = 0.113). 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 a pointer that the corporate governance indicators mutually reinforce at influencing the financial performance of

commercial banks in Nigeria. The weakness may not be unconnected to the smallness of the sampled period used in the study.

**Presentation of Hausman Test Result**

**Table 2: Correlated Random Effects – Hausman Test**

| Test Summary | Chi-square statistic | Chi-square prob |
|---|---|---|
| Cross section random | 0.977 | 0.96 |

**Source: The Researchers' Computation 2018 from E-view 8.0 version**

From the table above, the Hausman test chi-square statistics is 0.977 with probability value of 0.96 suggesting the acceptance of the null hypothesis and conclude that the random effect is preferable in this study.

**Table 3: Presentation of Regression Result**
**Dependent variable: ROE**

| Variables | Panel OLS (A) | Random effect (B) | Pooled Regression (C) | GMM (D) |
|---|---|---|---|---|
| BLAU | 9.326 [0.047]** | 4.013 [0.626]* | 9.326 [0.000]* | -19.996 [0.006]** |
| BSIZE | -1.958 [0.295]*** | -0.885 [0.801] *** | -1.958 [0.005]** | -47.505 [0.05]** |
| BIND | 0.173 [0.589]*** | 0.104 [0.798]*** | 0.173 [0.150]*** | -27.169 [0.002]** |
| MGO | 0.082 [0.660]*** | 0.414 [0.455]*** | 0.082 [0.241]*** | 5.37 [0.024]** |
| OWNCONT | -0.243 [0.279]*** | -0.031 [0.973]*** | -0.243 [0.003]** | -21.572 [0.002]** |
| | (1) | (3) | (4) | (5) |
| ROE (-1) | - | - | - | 0.069 [0.946] |
| R-squared | 0.725 | 0.805 | 0.715 | - |
| Adjusted R-squared | 0.68 | 0.683 | 0.673 | - |
| F-statistics | 1.224 | 0.895 | 8.682 | - |
| Prob (f-statistic) | 0.001 | 0.000 | 0.000 | 0.000 |
| Durbin-watson stat | 1.654 | 1.628 | 2.046 | 2.090 |
| J- Statistics | - | - | - | 8.640 |

**Source: The Researchers' Computation 2018 from E-view 8.0 version**

Table 3 is concerned with the regression estimations methods of the model. Significance levels are reported in three forms. * p< 0.000 is statistically significant at 1% level. ** p< 0.05 is statistically significant at 5% level. ** p> 0.05 is statistically not significant at 1% or 5% level. The [ ] represents the probability value (p – value)

From the table, it can be observed that using the panel OLS estimation (panel A) which is the baseline, the $R^2$ is 0.725 which suggests a 72.5% explanatory ability of the model for the systematic variations in the dependent variable (ROE) with an adjusted $R^2$ value of 0.68 (68%). The F-statistics is 1.224 and p-value is (0.001). The Durbin- Watson statistic is 1.654, an

indication of the absence of serial correlation of the residuals in the model. In random effect panel regression estimation (panel B), the $R^2$ is 0.805, an indication that the model explained about80.5% systematic variation in return on equity (ROE), leaving less 20% unexplained due to the observable presence of error term. The adjusted $R^2$ value is 0.711 (71.1%). The F – statistic is 1.513 with p – value of 0.000. The D.W statistic is 1.628. This shows the removal of serial correlation problem in the regression result. The result of the pooled data regression result (panel C) shows that the $R^2$ is 0.715 which implies that the corporate governance indicators explained about 71.5% systematic variation in performance of the listed commercial banks in the Nigerian financial sector. The adjusted $R^2$, being the coefficient of determination stood at 0.673 (67.3%). The F – statistic is 8.682 with p – value of 0.000. The Durbin-Watson statistic is 2.090, meaning the presence of serial correlation in the regression result is unlikely. Using the GMM to estimate the baseline (panel D), for the effect of endogeneity, it can be observed that the Hansen J – statistic test (8.640) of over – identifying restrictions accepts the joint null hypothesis that the instruments were uncorrelated with the error term and that excluded instruments are correctly excluded from the estimation equation. Judging by the results of the $R^2$, J – statistic, the F–statistic and Durbin-Watson statistic, it can be deduced that the corporate governance contribute significantly to the financial performance of listed commercial banks in the Nigerian financial sector, thus, making the result acceptable for policy prescription.

Commenting on the effects of each of the corporate governance indicators on return on equity, it can be observe that BSIZE has a negative sign (- 1.958) in panel A, (- 0.885) in panel B, (- 1.958) in panel C and (- 47.505) in panel D on financial performance. It was statistically significant in panel C and D only. The result is an indication that a small board size contributes to the financial performance of commercial banks in Nigeria for firms. BLAU (female gender) is observed to have a positive effects (9.326) in panel A, (4.013) in panel B, (9.326) in panel C and a negative (-19.996) in panel D on commercial banks financial performance in the financial sector. It was statistically significant at 5% only in panels C and D. Female board members contribute to banks financial performance if they are in a high proportion on the a firm board. Otherwise they contribute very poorly to financial performance since they are a token on the corporate board. Managerial ownership (MGO) appears to have positive effect (0.082) in panel A, (0.414) in panel B, (0.082) in panel C and (5.437) in panel D on bank financial performance. It was statistically significant only in panel D (p = 0.02) at 5% level. It points to the fact that a specific proportion of ownership by managers contributes positively and higher to financial performance the commercial 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 (-0.243) in panel A, (-0.031) in panel B, (-0.243) in panel C and (-21.572) in panel D on return on equity in the period under reference. It was statistically significant (p = 0.003, p = 0.002) at 5% levels in panels C and D only. This translates to the evidential effect that of OWNCONT at influencing financial performance. A 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 positive effects (0.173) in panel A, (0.104) in panel B, (0.173) in panel C and a negative sign (-27.169) on financial performance in Nigeria.

**Discussion of Findings**

This section robustly discusses the impact of corporate governance mechanisms on commercial performance in Nigeria. 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 determine the commercial banks financial performance as found in the empirical estimation 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. Prior studies like Desai and Dharmapala (2006); Hanlon and Slemrod (2009); Lanis and Richardson (2007) have also reported that corporate governance indicators impact positively and significantly on firm performance; while studies such as Chen, Chen and Shervlin (2010); Aliani and Zarai (2012) established a contrary result. Estimations of the individual corporate governance indicators revealed that board size is negative and exerts significant impact on financial performance. Literarily the finding is somewhat consistent with the postulation of Jensen (1993) that the impact of the board depends on its size. The result obtained in this regard is not surprising! Generally, small board size smoothen decision making unlike large board size which promote managerial opportunisms and squabbles. The finding is in line with Minnick and Noga (2010); Lanis and Richardson (2007); Mahenthiran and Kasipilai (2012) who found that small board size is significant and negatively impact on firm financial performance. Particularly, Minnick and Noga (2010) reported that small board of directors strengthens the good performance while large boards do prove ineffective because of the difficulties in decision – making certain policy. Boussaidi and Hamed (2015) in their finding reported that the smaller corporate board is likely to increase the decision – making and regulatory compliance and thereby improving firm performance. The study finding did not agree with the findings of prior researchers like Aliani and Zarai (2012); Koanantachai (2013); Zemzam and Flouhi (2013) which found an insignificant and positive relationship between board size and bank performance. Board gender diversity was found to be significant and negatively related with financial performance of the sampled commercial banks in Nigeria. This affirms the women risk aversion theory. The finding agrees with that of Adams and Funk (2012); Boussaidi and Hamed (2015), Chen et al. (2010). The finding is however contrary to other studies like Aliani and Zarai (2012); Oyeleke et al. (2016), which reported positive and non – significant relationship between board gender and bank performance. 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 favour 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

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more likely to join committee that monitor performance, inclusive of the level of tax aggressiveness.

Board independence is significant and exerts a negative influence on financial performance of firms, including commercial banks in Nigeria. 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. Ownership concentration is positive and significantly impact on commercial bank performance. It is a common knowledge in literature that the concentration of ownership is another way agency problems can be minimized. This is a correlate to Florackis (2008) who noted that shareholders with small participation a have little incentives to monitor management; but if they own a significant stake of shares, they will have the interest and intention to actively and effectively monitor management. Sometimes, major shareholders could have some incentives to induce managers to influence performance since their benefits by way of high earnings outweigh the minority resources owners. The finding is consistent with Chen et al. (2010), Desai and Dharmapala (2006), Ying (2011), Christensen and Murphy (2004) and Koanantachai (2013). It fails to agree with the finding of Boussaidi and Hamed (2015); and Grubert et al. (1993). The result differential may be due to country specific data, sample size / period and method of data estimation differentials. Managerial ownership exerts positive and significant impact on firm performance in the Nigerian financial sector. The finding is in tandem with Ying (2011); Chen et al. (2010), Ribeiro (2015). It is however not in consonance with the finding of Boussaidi and Hamed (2015), Chen et al. (2010), Konstantinos (2016), and Florackis (2008). For instance, Florackis (2008) argues that and adequate level of managerial ownership reduces manager's incentive for perk consumption and engagement in non – maximizing activities; but on the other hand, if there is a high level of managerial ownership, managers have more opportunities to extract own benefits and to intensify the entrenchment effect.

**Conclusion and Recommendations**

The study has empirically examined the relationship between corporate governance mechanisms and financial performance of Nigerian Commercial banks. The study conclude that a positive relationship exist between corporate governance mechanisms and commercial bank financial performance in Nigeria. Board gender as 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 should 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 negatively affects the profitability of banks.

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