Corporate Governance and Its Effects on Accountability and Financial Performance of Organisations

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Abstract:
This research work has been conducted to find out significant relationships between corporate governance and financial performance of the selected banks in Nigeria. Corporate governance is the formal mechanism and the system by which management is held accountable to shareholders for its practices and policies. The independent variables of this study are corporate governance, accountability, organisations financial performance. This research therefore covers the selected two Diamond Banks in Garki and Nyanya, Abuja, Nigeria. The actual population of the study is two hundred and eighty one (281); simple size of 165 was obtained from the population at 5% error tolerance and 95% degree of freedom using Yamane’s statistical formula. 165(100%) of the questionnaires distributed, 160(96.9%) were returned and 5(3.1%) were not answered and returned. Pearson product moment correlation coefficient and simple linear regression test was used to test the hypotheses. On the other hand, the emphasis on corporate governance today came as a result of the realization that corporate governance holds the key to the success and survival of a bank. Governments in both the developed and developing nations know that growth and success of commerce and industry depend on the effective financial intermediation role played by the banking sector.

Keywords: Corporate Governance, Accountability, Financial Performance and Organisational Performance.

1. Introduction:
There has been increasing attention on corporate management hence the recent upsurge of interest in researches on corporate governance. No doubt, banks intermittently face uncertainty and chaotic capital problems and rapid change in processes, towards enhanced competitive advantage and effectiveness. There seems to be several corporate failures and large scale misappropriation of funds, which points to management style and audit independence, ethics, corporate social responsibilities, professionalism, conflict of interest and nefarious practices of board members. Good corporate governance in our contemporary economy appears paramount to the success of banks and other private and public establishments in Nigeria.

Corporate governance embodies structures, systems, mechanisms and framework through which organizations are directed and controlled by those saddled with the duties and responsibilities in the interest of shareholders and other stakeholders.

According to the Organization for Economic Corporation and Development OECD (2004) the tenets of good corporate governance should be fairness, transparency, probity and accountability by management. This ensures that responsibilities are clearly defined amongst all stakeholders in order to facilitate policy implementation. By doing this, it provides guidelines through which organizational objectives are set, as well as the modalities for achievement and monitoring performance (Akinsulire, 2006).

An effective corporate governance structure Kajola (2008) concurred that corporate governance is making sure the business is well managed and shareholders interest is protected at all times. Corporate governance is all about running an organization in a way that guarantees that its owners as stakeholders are receiving a fair return on their investment. It is the process of a virtuous circle that links the shareholders to the board, to the management, to the staff, to
the customer and to the community at large (Clarkson, 1995). They observed that a company is a separate legal entity which no one actually owns. It can therefore be implied that shareholders do not own a company (Ofiafoh and Imoisili, 2010).

A typical organisation is characterized by numerous owners having no management function and managers with no equity interest in the organisation. Shareholders or owners of equity are large in numbers and an average shareholders control a minute proportion of the shares of the organisation. This gives rise to shareholders to take no interest in monitoring of managers, who are left to themselves and maybe pursuing interest different from those of the owners of equity.

Corporate governance has found a way to address this problem which arises and a number of significant researches have been conducted towards resolving it. For instance, Magdi and Nedareh (2002) emphasize the need for organization managers to act in the interest of the organisation, core stakeholders particularly minority shareholders or investors by ensuring that only action that facilitate delivery of optimum returns and other favourable outcome are taken at all times.

Financial scandals around the world and the recent collapse of major corporate institutions in the Nigeria such as Oceanic Bank, Intercontinental Bank and Cadbury have shaken the faith of investors in the capital markets and the efficacy of existing corporate governance practices in promoting transparency and accountability. This has brought to the fore the need for the practice of good corporate governance. Corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, which in-turn, keeps the organization in business and creates a greater prospect for future opportunities.

There have been debates regarding the issue of corporate governance in Nigeria, involving both local and international stakeholders in the business realm. It has been addressed as one of the major factors that have led to a reduction in capital flows and subsequent slow down the rate of economic growth in the country. However, since the adoption of corporate governance code of conducts, there has been a steady trend towards implementing good governance structures both in public and private sectors. The introduction of corporate governance practices in Nigeria is aimed at providing a mechanism to improve the confidence and trust of investor in the management and promote economic development of the country. However, efficiency of the corporate governance structures and practices on corporations operating in the highly volatile environment of Nigeria has not been empirically investigated (Nworji, Olagunju & Adeyanju, 2011).

2. Statement Of The Problem:

The failure associated with corporate governance has assumed multifarious dimensions with implications, especially for profit oriented business organizations like the banks and has become an issue of global significance. The potential for individuals and organization to behave unethically is limitless. Unfortunately, this potential is too frequently realized. Unfortunately, unethical organizational practices are embarrassingly very common today. It is easy to define such practices as defrauding customers’ funds, overcharging of interest on loans and withdrawals, etc.

Yet these and many other unethical practices go on almost routinely in many organizations. Nigerian business encounters a number of challenges. For instance, there are a number of ethical concerns facing Nigerian business-persons. Corruption is a noteworthy challenge.

The effect of corporate governance on the financial performance of organisations was an important issue since the last financial distresses over the world. Thus, the main idea of this study is to examine whether or not the independent variable factors (Corporate Governance) taken into consideration in this study can influence the performance indicators of the organisations’ financial performance. Therefore, the major intention of this study is to examine the relationship between corporate governance practices and organisations’ financial performance in the manufacturing sector in Nigeria. In order words, the issue of concern is to find out the effects of corporate governance and accountability on organisational financial performance in the selected commercial banks.

3. Objectives Of The Study:

The overall objective of this study is to examine corporate governance and its effects on
accountability and financial performance of organisations. Specifically, the study seeks, to:

I. To examine the impact of corporate governance and accountability on organisations financial performance

II. To determine if there is any significant relationship between the level of corporate governance disclosure and the financial performance of organisations.

4. Research Hypotheses:

There are several hypotheses that have been developed to facilitate the objective of this study to investigate employee’s performance. The alternate hypotheses are;

H1: There are significant impact of corporate governance and accountability on organisations financial performance

H2: There is a significant relationship between the level of corporate governance disclosure and the financial performance of organisations

5. Literature:

5.1 Conceptual Framework on Corporate Governance and Accountability:

Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solutions lie in multidisciplinary fields i.e. economics, accountancy, finance among others (Cadbury, 1992). As such it is essential that a comprehensive framework be codified in the accounting framework of any organization. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends on the underlying soundness of its individual components and the connections between them.

It is therefore important that good corporate governance ensures transparency, accountability and fairness in reporting. In this regard, corporate governance is not only concerned with corporate efficiency, it relates to a much wider range of company strategies and life cycle development (Mayer, 2007). It is also concerned with the ways parties (stake holders) interested in the wellbeing of organisations ensure that managers and other insiders adopt mechanism to safeguard the interest of the shareholders (Ahmadu and Tukur, 2005).

Corporate governance is based on the level of corporate responsibility a company exhibits with regard to accountability, transparency and ethical values.

According to Morck, et al (1989), among the main corporate governance has been looked at and defined variedly by different scholars and practitioners. However they all have pointed to the same end, hence giving more of a consensus in the definition. Coleman and Nicholas (2006) defined corporate governance as the relationship of the enterprise to shareholders or in the wider sense as the relationship of the enterprise to society as a whole. However, Mayer (2007) offers a definition with a 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. It is upon this system that specifications are given for the division of competencies and responsibilities between the parties included (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 managers will act in their interests.

Good corporate governance can also be considered as the diligent way in which providers of corporate financial capital guarantee appropriate rewards in a legal and ethically moral way. There are both internal and external ways of achieving this (Jensen, 1993). The first is through the structure of ownership (shareholding concentration and voting rights), and board of directors or supervisory board in some regulatory regimes (who monitor organisations and are supposed to work in the interest of shareholders). The second is through the market for corporate control (takeover threats), regulatory intervention, and product and factor markets. Corporate governance codes that serve as templates of achieving value to shareholders (and stakeholders) have been written in several countries.

Corporate governance, as a concept, can be viewed from at least two perspectives. The narrow view is
concerned with the structures within a corporate entity or enterprise receives its basic orientation and direction. The broad perspective is regarded as being the heart of both a market economy and a democratic society (Oyejide and Soyibo, 2001) the narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory. Corporate governance has been looked at and defined variedly by different scholars and practitioners. However they all have pointed to the same end, hence giving more of a consensus in the definition.

This study therefore adopts the broader view and defines corporate governance in the context of banking as the manner in which systems, procedures, processes and practices of a bank are managed so as to allow positive relationships and the exercise of power in the management of assets and resources with the aim of advancing shareholders’ value and shareholders’ satisfaction together with improved accountability, resource use and transparent administration.

5.2 Corporate Governance Mechanisms:

One consequence of the separation of ownership from management is that the day to today decision-making power (that is, the power to make decision over the use of the capital supplied by the shareholders) rests with persons other than the shareholders themselves. The separation of ownership and control has given rise to an agency problem whereby there is the tendency for management to operate the organisation in their own interests, rather than those of shareholders. This creates opportunities for managers to build illegitimate empires and, in the extreme, outright expropriation. Various suggestions have been made in the literature as to how the problem can be reduced. Some of the mechanisms and their impediments to monitor and shape banks’ behaviour are discussed below:

i. Shareholders

Shareholders play a key role in the provision of corporate governance. Small or diffuse shareholders exert corporate governance by directly voting on critical issues, such as mergers, liquidation, and fundamental changes in business strategy and indirectly by electing the boards of directors to represent their interests and oversee the myriad of managerial decisions. Incentive contracts are a common mechanism for aligning the interests of managers with those of shareholders. The Board of directors may negotiate managerial compensation with a view to achieving particular results. Thus small shareholders may exert corporate governance directly through their voting rights and indirectly through the board of directors elected by them.

However, a variety of factors could prevent small shareholders from effectively exerting corporate control. There are large information asymmetries between managers and small shareholders as managers have enormous discretion over the flow of information. Also, small shareholders often lack the expertise to monitor managers accompanied by each investor's small stake, which could induce a free-rider problem.

Large (concentrated) ownership is another corporate governance mechanism for preventing managers from deviating too far from the interests of the owners. Large investors have the incentives to acquire information and monitor managers. They can also elect their representatives to the board of directors and thwart managerial control of the board. Large and well-informed shareholders could be more effective at exercising their voting rights than an ownership structure dominated by small, comparatively uninformed investors. Also, they could effectively negotiate managerial incentive contracts that align owner and manager interests than poorly informed small shareholders whose representatives, the board of directors, can be manipulated by the management. However, concentrated ownership raises some corporate governance problems. Large investors could exploit business relationships with other organisations they own which could profit them at the expense of the bank. In general, large shareholders could maximize the private benefits of control at the expense of small investors.

ii. Debt Holders

Debt purchasers provide finance in return for a promised stream of payments and a variety of other covenants relating to corporate behaviour, such as the value and risk of corporate assets. If the corporation violates these covenants or default on the payments, debt holders typically could obtain the rights to repossess collateral, throw the corporation into bankruptcy proceedings, vote in the decision to reorganize, and remove managers. However, there could be barriers to diffuse debt holders to effectively exert corporate governance as
envisaged. Small debt holders may be unable to monitor complex organization and could face the free-rider incentives, as small equity holders. Also, the effective exertion of corporate control with diffuse debts depends largely on the efficiency of the legal and bankruptcy systems. Large debt holders, like large equity holders, could ameliorate some of the information and contract enforcement problems associated with diffuse debt. Due to their large investment, they are more likely to have the ability and the incentives to exert control over the organisation by monitoring managers. Large creditors obtain various control rights in the case of default or violation of covenants. In terms of cash flow, they can renegotiate the terms of the loans, which may avoid inefficient bankruptcies. The effectiveness of large creditors however, relies importantly on effective and efficient legal and bankruptcy systems. If the legal system does not efficiently identify the violation of contracts and provide the means to bankrupt and reorganize organisations, then creditors could lose a crucial mechanism for exerting corporate governance. Also, large creditors, like large shareholders, may attempt to shift the activities of the bank to reflect their own preferences. Large creditors for example, as noted by Myers (1997) may induce the company to forego good investments and take on too little risk because the creditor bears some of the cost but will not share the benefits.

According to Oman (2001), corporate governance mechanisms including accounting and auditing standards are designed to monitor managers and improve corporate transparency. Furthermore, a number of corporate governance mechanisms have been identified analytically and empirically. Davis et al (1997) suggest that governance mechanisms “protect shareholders’ interest, minimise agency costs and ensure agent-principal interest alignment”. They further opined that agency theory assumptions are based on delegation and control, where controls “minimise the potential abuse of the delegation”. This control function is primarily exercised by the board of directors.

5.3 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 Banking 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 boards of directors and senior management. This thus affect how banks:

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

The Committee further enumerates basic components of good corporate governance to include:

a) The corporate values, codes of conduct and other standards of appropriate behaviour and the system used to ensure compliance with them;
b) a well-articulated corporate strategy against which the success of the overall enterprise and the contribution of individuals can be measured;
c) The clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the board of directors;
d) Establishment of mechanisms for the interaction and cooperation among the board of directors, senior management and auditors;
e) Strong internal control systems, including internal and external audit functions, risk management functions independent of business lines and other checks and balances;
f) Special monitoring of risk exposures where conflict of interests are likely to be particularly great, including business relationships with borrowers affiliated with the bank, large shareholders, senior management or key
decisions makers within the organisation (e.g. traders);  
g) The financial and managerial incentives to act in an appropriate manner, offered to senior management, business line management and employees in the form of compensation, promotion and other recognition;  
h) Appropriate information flows internally and to the public.  

King and Levine (1993) emphasized the importance of corporate governance of banks in developing economies and observed that: first, banks have an overwhelmingly dominant position in the financial system of a developing economy and are extremely important engines of economic growth. Second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for majority of organisations. Third, as well as providing a generally accepted means of payment, banks in developing countries are usually the main depository for the economy’s savings.  

Banking supervision cannot function if there does not exist what Hettes (2002) calls “correct corporate governance” since experience emphasizes the need for an appropriate level of responsibility, control and balance of competences in each bank. Hettes explained further on this by observing that correct corporate governance simplifies the work of banking supervision and contributes towards corporation between the management of a bank and the banking supervision authority.  

Crespi, Cestona and Salas (2002) contend that corporate governance of banks refers to the various methods by  

Although banking supervision and the regulation of banks’ risk positions can go some way towards countering the effects of poor governance, supervision by some external official agency is not a substitute for sound corporate governance practices. Ultimately, banking risks are most likely to be reduced to acceptable levels by fostering sound risk management practices within individual banks. An instilling sound corporate governance practice within banks is a crucial element of achieving this.  

5.4 Elements of Corporate Governance in Banks  

Different authors and management specialists have argued that corporate governance requires laid down procedures, processes, systems and codes of regulation and ethics that ensures its implementation in organization (Altunbas, Evans and Molyneux, 2001). Some suggestions that have been underscored in this respect include the need for banks to set strategies which have been commonly referred to as corporate strategies for their operations and establish accountability for executing these strategies.  

El-Kharouf (2000), while examining strategy, corporate governance and the future of the Arab banking industry, pointed out that corporate strategy is a deliberate search for a plan of action that will develop the corporate competitive advantage and compounds it. In addition to this, the BCBS (1999) contends that transparency of information related to existing conditions, decisions and actions is integrally related to accountability in that it gives market participants sufficient information with which to judge the management of a bank.  

The Committee advanced further that various corporate governance structures exist in different countries hence, there is no universally correct answer to structural issues and that laws do not need to be consistent from one country to another. Sound governance therefore, can be practiced regardless of the form used by a banking organization. The Committee therefore suggests four important forms of oversight that should be included in the organizational structure of any bank in order to ensure the appropriate checks and balances. They include:  

a. Oversight by the board of directors or supervisory board;  
b. Oversight by individuals not involved in the day-to-day running of the various business areas;  
c. Direct line supervision of different business areas, and;  
d. Independent risk management and audit functions.  

In summary, they demonstrate the importance of key personnel being fit and proper for their jobs and the potentiality of government ownership of a bank to alter the strategies and objectives of the bank as well as the internal structure of governance hence, the general principles of sound corporate governance are also beneficial to government-owned banks. The concept of good governance in banking industry empirically implies total quality management, which includes six performance areas
(Klapper and Love, 2002). These performance areas include capital adequacy, assets quality, management, earnings, liquidity, and sensitivity risk. Klapper and Love argued that the degree of adherence to these parameters determines the quality rating of an organization.

5.5 The Imperatives of Good Corporate Governance in Nigeria Banking System:

The hallmark of banking is the observance of high degree of professionalism, transparency and accountability, which are essential for building strong public confidence. Due to the systemic distress witnessed in the nation’s banking system and its unpleasant consequences on all stakeholders as a result of inadequacies in corporate governance of banks in recent times, series of initiatives had been taken by the nation’s regulatory/supervisory authorities to encourage sound corporate governance in the system. Some of the initiatives included enhancing the legal framework; enhancing the surveillance activities of the financial system; strengthening the roles of internal and external auditors; developing of a code of best practices of corporate governance in the system; issuance of guidelines and circulars on matters such as pre-qualification for appointment to board and top management positions in banks, insider related credits, etc.

While all the above-mentioned efforts are in the right direction, it is equally important to indicate some imperatives of good corporate governance for banks so as to ensure the safety and soundness of emerging bigger banks in the post-consolidation era with a view to enhancing public confidence in the nation’s banking system. Some of the imperatives as identified by Oluyemi (2006) include:

Raising Awareness and Commitment To The Value of Good Corporate Governance Practices among Stakeholders

Awareness and commitment among banks’ directors, shareholders, depositors and other stakeholders including regulators of the value of good corporate governance are very critical for ensuring the quality of corporate governance practices. Raising awareness means convincing people that good corporate governance is in their self-interest. Investors and all members of the public that have stake in the proper functioning of the banking system should be aware of their responsibility towards ensuring good corporate governance practices.

On the legislative side, the situation is promising as almost all the important laws for fostering good corporate governance practices in Nigeria are in place or being reviewed. A major breakthrough in these series of efforts has been the publication of a Code of Best Practices for Corporate Governance in Nigeria based on the work of the AtedoPeterside Committee.

Also, regulatory authorities’ roadmap for the development of the banking system organisationly puts corporate governance at the forefront. That had over the years been demonstrated through regular issuance of guidelines/circulars on critical issues bordering on corporate governance in banks.

While refinements of existing laws and elimination of discrepancies with international best practices may certainly add further value, it is important that the discussion on awareness and commitment to corporate governance should not be limited to mere compliance with regulatory authorities’ rules, guidelines or circulars. To improve the quality of corporate governance in a consolidated Nigerian banking system, there is the need for strict adherence to internationally recognized corporate governance codes such as those of the Organisation for Economic Cooperation and Development (OECD) and the Basel Committee report on Banking Supervision. Apart from observing these universally acceptable standards, banks must develop their own codes, particularly with respect to corporate Directors and Board members. Efforts must also be made by bank management to draw up a binding code of ethical and professional practice for all members of staff.

The development and maintenance of a robust corporate governance framework in a consolidated banking system calls for the commitment of all stakeholders. Regulatory bodies, courts and professional bodies like the Chartered Institute of Bankers of Nigeria (CIBN), Institute of Chartered Accountants of Nigeria (ICAN), Nigeria Institute of Management (NIM), etc, must establish, monitor and enforce legal norms actively and strictly.

i. The Responsibilities of the Board

The ultimate responsibility for effective monitoring of the management and of providing strategic guidance to the bank is placed with the board. The OECD Principles provide that “board members should act on a fully-informed basis, in good faith,
with due diligence and care, and in the best interest of the company and shareholders”. The formulation lays out the basic elements of a director’s fiduciary duty. The need to act on a “fully-informed” basis demands a base level of experience and competence on a director’s part.

The OECD Principles require directors to act “with due diligence and care”. This standard, like others, is contextual; it arises from a blend of laws, regulation and appropriate private sector practices. This would require developing and disseminating voluntary codes of conduct for directors. Governance is a professional activity. Under the new consolidated banking environment, banks should make provision for an explicit code in their governing documents in order to ensure good corporate governance practices. Codes of conduct would no doubt; assist the Board of Directors in its performance by publicly detailing the minimum procedures and effort that make up “due diligence and care”. At the minimum, all banks should issue an annual corporate governance report detailing establishment and actions of key committees, involvement of independent directors and related-party transactions considered by the board.

In a consolidated banking system, the importance of independence, both in fact and appearance is essential for the board to be able to fulfill its responsibilities. Having the right people on the board is just as important as having the right rules under which the board operates. Efforts must therefore be made by shareholders to identify competent individuals who possess an independent spirit, which allows board members to raise difficult questions and probe issues relating to management’s decisions to ensure that the bank operates honestly and in the interest of all stakeholders. There is the need to prevent low level, inexperienced relative of controlling shareholders from finding their way onto boards as “straw men” which are there to cover for “shadow” directors that do not occupy board seats themselves but are real decision makers.

Under the new dispensation, bank directors must commit adequate time to be informed participants in their banks affairs and must devote sufficient time and energy to their duties.

Board members have a responsibility to educate themselves about their bank’s operations and seek advice of external experts as and when appropriate. Even if board members are independent, they can be ineffective as directors if they lack expertise or knowledge relevant to banking and its business. Therefore, board members must also be willing to educate themselves about their bank and the risk it faces.

Although effective risk management has always been central to safe and sound banking practices, it has become even more important now than hitherto as a result of the ongoing consolidation which is bound to alter the size, complexity and speed of financial transactions in the merging banking system. It is therefore important to indicate that the ability of a bank to identify, measure, monitor and control risks under the emerging banking environment can make the critical difference between its survival and collapse. For a bank to effectively play its role under the emerging dispensation therefore, the deployment of an effective risk-management system with an active board and senior management oversight is imperative.

Another major issue that has generated interest and which should be of interest to all stakeholders in post-consolidated banking system is the appropriateness of the Chairman of the Board of Directors serving as Chief Executive Officer (CEO). This no doubt, could present potential conflicts resulting from a single individual functioning in these dual roles. To ensure the protection of shareholders’ interest, a suitable governance structure that has been advocated is the one where the Chairman of the Board is not the same person as the CEO. A situation where a person takes on the role of the executive chairman thereby sitting in judgment over its activities, could lead to a gross abuse of power. The separation of the CEO and Chairman of the board positions would amount to recognizing the differences in their roles and would eliminate conflict of interest.

Chaining the Board and heading the Management team are also different roles, usually calling for quite different capabilities. Apart from the traditional role of attending board meetings, a Chairman should restrict himself to overseeing top executive and management, stimulating strategy, ensuring that transparency and accountability are maintained.

i. Internal Control – The Role of Internal and External Auditors:

The need for banks to continue to recognize internal and external auditors as an important part of the corporate governance process cannot be overemphasized. Adequate internal control system
will help to discipline banks in their daily business by ensuring compliance with internal and external regulations as well as help the board to effectively evaluate the bank’s risks and ultimately its future strategy. The Basel II Accord on Capital Adequacy reinforces the need for a strong and independent internal control system that provides the bank’s governing bodies with timely and accurate data to enable them perform their necessary oversight and control functions.

The accounting profession needs to rigorously work to rebuild its greatest assets i.e. public trust, in order to restore faith in the integrity and objectivity of the profession. The professional development and growth in experience of internal auditors and internal control officers will be critical to the further development of the banking sector. There is need for the effective functioning of the board of directors’ audit committee. The job of the Audit Committee is critical because the directors cannot oversee the bank effectively without reliable audits. Under the new dispensation, the committee members should consist of independent directors who are adequately informed and knowledgeable about the activities of the bank.

Still in the search for strategies to ensure good corporate governance is an examination of the role of external auditors. A major challenge in the emerging consolidated banking system would be the need to continue to ensure their independence, such that no matter the position their clients take on accounting, reporting and regulatory compliance, the auditor’s duty will always be towards public good. More than ever before, the external auditors of banks should be obliged to commit themselves to clarity with regard to their independence, professionalism and integrity. They must continue to adhere to all applicable standards, code of ethics and legislation. As the conscience of the nation, external auditors must strive to rebuild confidence in the profession through the preparation and presentation of credible and reliable financial reports.

**i. Information Disclosure And Transparency:  
**The quality of information provided by banks is fundamental to corporate governance in a consolidated banking system. Transparency would enable the financial markets, depositors and other stakeholders to form a fair view of a bank’s value and to develop sufficient trust in the quality of the bank and its management. The more transparent the internal workings of the banks, the more difficult it will be for managers and controlling shareholders to expropriate bank’s assets or mismanage the bank. The current information disclosure requirements in the industry are grossly inadequate to effectively bridge the information asymmetry between banks and investing public in a consolidated banking system. With consolidation, it is important that the accounting as well as disclosure requirements of emerging banks be reviewed. Apart from its effect on individual banks performance and market valuation, disclosure and transparency will also affect the country’s ability to attract domestic and foreign investment.

Banks should be encouraged to disclose information that goes beyond the requirements of law or regulation. The new consolidated banking environment will call for timely and accurate information to be disclosed on matters such as the bank’s financial and operating results, its objectives, major share ownership, remuneration of key executives, and material issues regarding employees and other stakeholders, and the nature and extent of transactions with affiliates and related parties. Transparency under the new banking environment will also call for sharing mistakes with the bank’s board and shareholders. Since financial statements do not present all information that is material to investors, comprehensive disclosure should also be made to include non-financial information.

The quality of information disclosure depends on the standards and practices under which it is prepared and presented. Full adoption of international accounting standards and practices will facilitate transparency, and comparability, of information across banks. Banks must be made to disclose whether they follow the recommendations of internationally accepted principles and codes in their documents and, where they do not, such institutions should provide explanations concerning divergent practices.

**6. Methodology:**

This research therefore covers the selected two Diamond Banks in Garki and Nyanya, Abuja, Nigeria. Secondary data were collected from several sources which include text books, journals, annual reports, internet, and magazines. Empirical reviews of other scholars were consulted. The actual population of the study is two hundred and eighty one (281); simple size of 165 was obtained from the population at 5% error tolerance and 95% degree of freedom using Yamane’s statistical
formula. 165(100%) of the questionnaires distributed, 160(96.9%) were returned and 5(3.1%) were not answered and returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to guarantee the validity of the instrument. Pearson product moment correlation coefficient and simple linear regression test was used to test the hypotheses.

7. Test Of Hypotheses:

Test of Hypothesis one

H₀: There are no significant impact of corporate governance and accountability on organisations financial performance

H₁: There are significant impact of corporate governance and accountability on organisations financial performance

| Table 7.1 Descriptive Statistics |
|-------------------------------|---------------------|-----------------|
|                               | Mean    | Std. Deviation | N   |
| corporate governance          | 1.7532  | .95348        | 160 |
| accountability on organisations financial performance | 1.9948  | .64304        | 160 |

| Table 7.2 Correlations |
|------------------------|-----------------|-----------------|
|                          | corporate governance | accountability on organisations financial performance |
| Pearson Correlation     | 1.000            | .808            |
|                         | .808             | 1.000           |
| Sig. (1-tailed)         |                 | .000            |
|                         |                 |                 |
| N                      | corporate governance | accountability on organisations financial performance |
|                         | 160              | 160             |

| Table 7.3 Model Summaryᵇ |
|--------------------------|-----------------|-----------------|
| Model 1                  | R               | R Square        | Adjusted R Square |
|                          | .808ᵃ           | .795            | .693             |
| Std. Error of the Estimate | .90787        | Durbin-Watson  | .044             |
| a. Predictors: (Constant), corporate governance |
| Dependent Variable: accountability on organisations financial performance |
Table 7.4 Coefficients

<table>
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<th>Standardized Coefficients</th>
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<td>corporate governance</td>
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<td>.808</td>
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a. Dependent Variable: accountability on organisations financial performance

Table 7.5 ANOVA\(^b\)

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<td>1</td>
<td>66.109</td>
<td>80.207</td>
<td>.000(^a)</td>
</tr>
<tr>
<td>Residual</td>
<td>633.008</td>
<td>606</td>
<td>.824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>699.117</td>
<td>607</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R = 0.808
R\(^2\) = 0.795
F = 80.207
DW = .044

Interpretation:

The regression sum of squares (66.109) is less than the residual sum of squares (633.008), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.808, indicates that there is a significant relationship between corporate governance and accountability on organisations financial performance. R square, the coefficient of determination, shows that 79.5% of the variation in accountability on organisations financial performance is explained by the model.

With the linear regression model, the error of estimate is high, with a value of about 0.90787.

The Durbin Watson statistics of .044, which is not, tends to indicates there is no autocorrelation. Corporate governance coefficient of 0.513 indicates a positive significance between corporate governance and accountability on organisations financial performance, which is statistically significant (with t = 24.956). Therefore, the null hypothesis should be rejected and the alternate hypothesis accordingly accepted.

Test of Hypothesis two

H\(_0\): There is no significant relationship between the level of corporate governance disclosure and the financial performance of organisations

H\(_1\): There is a significant relationship between the level of corporate governance disclosure and the financial performance of organisations

Table 7.6 Descriptive Statistics

<table>
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<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>level of corporate governance</td>
<td>1.8261</td>
<td>1.16043</td>
<td>160</td>
</tr>
<tr>
<td>financial performance of organisations</td>
<td>1.9065</td>
<td>1.26713</td>
<td>160</td>
</tr>
</tbody>
</table>
Table 7.7 Correlations

<table>
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<th>level of corporate governance</th>
<th>financial performance of organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>level of corporate governance</td>
<td>Pearson Correlation 1</td>
<td>.955**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) 160</td>
<td>.000</td>
</tr>
<tr>
<td>financial performance of</td>
<td>Pearson Correlation .955**</td>
<td>1</td>
</tr>
<tr>
<td>organisations</td>
<td>N 160</td>
<td>160</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)

Table (7.6) shows the descriptive statistics of level of corporate governance via, financial performance of organisations with a mean response of 1.8261 and std. deviation of 1.16043 for level of corporate governance and a mean response of 1.9065 and std. deviation of 1.26713 for financial performance of organisations with sample size (160). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table (7.7) is the Pearson correlation coefficient for level of corporate governance and financial performance of organisations. The correlation coefficient shows 0.955. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant relationship between level of corporate governance and financial performance of organisations(r = .955). The computed correlations coefficient is greater than the table value of r = .195 with 383 degrees of freedom (df. = n-2) at alpha level for a two tailed test (r = .955, p< .05). However, since the computed r = .955, is greater than the table value of .195 we reject the null hypothesis and conclude that there is a significant relationship between the level of corporate governance disclosure and the financial performance of organisations(r = . 955, P<.05).

8. Conclusion:

There has been renewing call for Managers and Director of commercial banks in Nigeria to protect the stakeholder’s interest they face corporate failure, globalizing and liberalization. The study uses a consolidated commercial bank in Nigeria namely Diamond bank of Nigeria, to examine corporate governance and its effects on accountability and financial performance of organisations. Like any corporate governance issues result were quite diverse. In the estimation, financial performance and accountability show statistical significant and positively related to organization’s performance. This implies that regulator should prescribe a tenor system to avoid entrenchment.

Also, board size is positively significant with financial performance, it indicate that while large board size command financial performance, it not accounting viable to maintain large board size.

However, the result was by no means conclusive as the result is determined by data availabilities and not by probability. The emphasis on corporate governance today came as a result of the realization that corporate governance holds the key to the success and survival of a bank. Governments in both the developed and developing nations know that growth and success of commerce and industry depend on the effective financial intermediation role played by the banking sector.

9. Recommendations:

The results of this study have certain implications for improving corporate governance and ensuring higher performance of the organization. The first practical implication of this study is to have a strong corporate governance mechanism. The managers of organizations need to understand that there exist an association between corporate governance and organizational performance.

When managers understand about this important association, they are more likely to govern
companies effectively. The second implementation of this study is for the regulatory authorities to develop strong and effective corporate governance mechanisms and policies for the entire sector because corporate governance directly influences organizational performance.

Finally, there is need to have a strong and effective communication between management and shareholders of the organizations. This is because when both communicate with each other; they remain aware of the corporate governance practices followed in the organization and are more likely to positively influence the organizational performance.

References:


