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Enhancing Public Confidence in Financial Reporting: The Role of Corporate Governance

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Abstract

Purpose: This study is set out to investigate the "Role of Corporate Governance in Enhancing Public Confidence in Financial Reporting".

Methodology: Relevant data were collected from the Central Bank of Nigeria, using a wellstructured questionnaire. The statistical technique for data analysis and test of hypothetical proposition was Pearson product coefficient of correlation(r.)

Results: The result of the findings revealed that there is significant relationship between the board structure, role /responsibilities and credibility of financial reports. Audit committee plays a significant role in monitoring and promoting the credibility of financial reports. Also, ownership structure of the firm has significant impact on the credibility of financial reports. **Study conclusion and policy recommendations:** The study concluded that Corporate Governance is necessary to the proper functioning of banks and that Corporate Governance can only prevent bank distress only if it is well implemented. Finally the study recommends: that corporate governance should be used as a tool to help stem the tide of distress, as it entails conformity with prudential guidelines of the government; the Central Bank and NDIC should enforce the need for all banks to have approved policies in all their operation areas and strong inspection division to enforce these policies; that government owes the country a patriotic duty to establish and sustain macroeconomic stability in order for the banking system to perform at its optimum capacity , economic and political stability can help prevent bank distress and more importantly, is the need for qualified staff in the banking system as this will enable the utilization of expertise, skill and care in the performance of duties by staff, this will lead to better performance.

1.0 INTRODUCTION

1.1 Background to the Study

Corporate governance involves a system by which governing institutions and all other organizations relate to their communities and stakeholders to improve their quality of life (Ato, 2002). In this regard, corporate governance is not only concerned with corporate efficiency, it relates to a much wider range of company strategies and lifecycle development (Mayer, 2007). It is also concerned with the ways parties (stake holders) interested in the wellbeing of firms ensure that managers and other insiders adopt mechanism to safeguard the interest of the shareholders (Ahmaduand & Tukur, 2005). Corporate governance is based on the level of corporate responsibility a company exhibits with regard to accountability, transparency and ethical values. Thus, a governance system that will promote ethical value, professionalism and transparent application of best practices is desirable.

The management has multiple objective functions to optimize which might conflict with those of the shareholders. In the search for a set of socially legitimate objective functions that would resolve these conflicts, management may focus on short term outcomes and loses sight of ethical issues such as efficient corporate management, professionalism, transparency, accountability, compliance with regulatory requirements and adequate supervision.

Inadequate consideration for ethical values and good governance hinders banks' performance as experienced in the failures of All States Trust Bank Plc, Lead Bank Plc, Assurance Bank Nigeria Limited, Trade Bank Plc, Metropolitan Bank Limited, City Express Bank Limited, Hallmark Bank Plc., Societe Generale Bank of Nigeria Plc., African Express Bank Plc., Gulf Bank of Nigeria Plc etc. Whose licenses were revoked by the Central Bank of Nigeria (CBN) in 2006 and the recent failures of Intercontinental Bank Plc, Oceanic Bank Ltd, Bank PHB in 2011.

The impact of good governance on a firms' reputation cannot be over emphasized. Good corporate governance promotes goodwill and confidence in the financial system. Recent studies from academic researches shows that good corporate governance lead to increased valuation, higher profit, higher sales growth and lower capital expenditure (Wolfgang, 2003). This view was supported by Gompers *et al.* (2003), Klapper & Love (2004).

The turmoil in the Nigerian banking system has required the Government to set up some policies in form of corporate governance to stem the tide of bank failures and distress in Nigeria. Therefore the CBN in conjunction with other supervisory institutions has decided to place emphasis on the monitoring of credit risk and provide incentives on prudent management of banks to aid transparency in the banking system, so that the Nigerian economy can forge ahead.

Corporate Governance in the banking system has assumed heightened importance and has become an issue of global concern because it is required to lead to enhanced services and deepening of financial intermediation on the part of the banks and enables proper management of the operations of banks. To ensure this, both the board and management have key roles to play to ensure the institution of corporate governance. Governance and performance should be mutually reinforcing in bringing about the best corporate governance. Transparency and disclosure of information are key attributes of good corporate governance which banks must cultivate with new zeal so as to provide stakeholders with the necessary information to judge whether interest are being taken care of.

Sound corporate governance, therefore, enhances corporate performance, value as well as providing meaningful and reliable financial report on firms operations. Given this background, this study examines the efficacy of corporate governance with a view to determine its impact on firms' performance and provides measures to enhance corporate financial performance and sound business practices.

1.2 Statement of the Problem

The consistent bank failures and financial crisis during the last two decades has raised questions on the consistency of the Corporate Governance practices in the banking system.In the Nigerian financial sector, poor corporate governance is identified as one of the major factors in virtually all known instances of a financial institution's distress in the country. Research had shown that two-thirds of mergers, world-wide, fail due to inability to integrate personnel and systems as well as due to irreconcilable differences in corporate culture and management, resulting in Board and Management squabbles. In addition, the emergence of mega banks in the post-consolidation era is bound to task the skills and competencies of Boards and Managements in improving shareholder values and balance against other stakeholder interests in a competitive environment.

The consequences of institutional failure (considering the multiplier effect of financial institutional failure on the real sector of the economy) are unacceptably costly to a developing country like Nigeria. This affects the level of confidence the public has in various corporate establishments. The consequences of ineffective governance systems leading to corporate failure will not only affect the shareholders but also, the employees, suppliers, consumers and the nation as a whole.

1.3 Research Objectives

i. To ascertain the relationship between the board structure, role /responsibilities and credibility of financial reports. ii. To determine if audit committee plays a significant role in monitoring and promoting the credibility of financial reports.

iii. To ascertain if ownership structure of the firm has significant impact on the credibility of financial reports.

iv. To identify if effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports.

v. To identify if competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

1.4 Research Hypotheses

Hypothesis One

HI: There is significant relationship between the board structure, role /responsibilities and credibility of financial reports.

H0: There is no significant relationship between the board structure, role /responsibilities and credibility of financial reports.

Hypothesis Two

HI: Audit committee plays a significant role in monitoring and promoting the credibility of financial reports.
H0: Audit committees do not play a significant role in monitoring and promoting the credibility of financial reports.

Hypothesis Three

H_I: Ownership structure of the firm has significant impact on the credibility of financial reports.

H_0: Ownership structure of the firm has no significant impact on the credibility of financial reports.

Hypothesis Four

H_I: Effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports.

H_0: Effective coordination and supervision of the compensation committee has no impact on the credibility of financial reports.

Hypothesis Five

H_I: Competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

H_0: Competent and helpful institutional shareholders are not vital in improving the credibility of financial reports.

2.0 LITERATURE REVIEW

2.1 Conceptual Framework

The experience of business failure and financial scandals around the world brought about the need for good governance practices. The United States of American, Brazil, Canada, Germany, France, England, Nigeria all witnessed financial failures in the 90s and in recent periods. This view was supported by Bell et al (2000), that the last 20 years witnessed several bank failures throughout the world. Financial distresses in most of these countries we reattributed to a high incidence of non – performing loans, weak management and poor credit policy. In the view of Omankhanlen (2011), the development was said to have reflected the deterioration in the quality of credit facilities, coupled with the ongoing reclassification of bank assets.

The banking institution occupies a vital position in the stability of the nation's economy. It plays essential roles on fund mobilization, credit allocation, payment and settlement system as well as monetary policy implementation. Management is expected to exhibit good governance practices to ensure achievement of it objectives and avoid the consequences of failure leading to loss of confidence. This view was supported by Wilson (2006) that poor corporate governance can lead market to lose confidence in the inability of a bank to properly manage it assets and liability, including deposits which could in turn trigger a bank liquidity crisis.

Oluyemi (2005) considered corporate governance to be of special importance in ensuring stability of the economy and successful realization of bank strategies. In achieving this, strict compliance to standards of lending high risky loan should be adequately secured. Deposits as major sources of income need to be well managed in a culture that depicts good banking practices and high transparency level to safeguard the integrity of the banks. Alan Greenspan (2001) noted that most bad loans were made through aggressive lending without considering credit worthiness of the borrowers and the significance of collateral. An unfortunate situation is the return of collateral of high risky loans to borrowers while loan is yet to be repaid.

Corporate governance has been gaining more grounds in the academic world especially since the well celebrated cases of Enron and World Com in the United States. Various scholars are beginning to view corporate governance from different perspectives, however, one of the most popular definitions was the one given by Cadbury report (2012) which defined corporate governance as a system by which companies are directed and controlled. David et al, (2004 :12) also described corporate governance as a set of mechanisms that influence the decisions made by managers when there is a separation of ownership and control some of these monitoring mechanisms are the board of directors, institutional shareholders and operation of the market for corporate control. Levitt (1999:9) opined that, corporate governance is the processes "indispensable to effective market discipline". He further affirmed that, corporate governance is the link between a company's management, directors, and its financial reporting system. He further explained that governance that does not promote a culture of strong independent oversight risks the organization's very stability and future health. This clearly reflects his regulatory position and concern about financial reporting.

In the same manner, the Organization for Economic Co-operation and Development (DECD, 1991) saw that corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set and the means of attaining these objectives and monitoring performance are determined. Also "Good Corporate governance" should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring.

Monks and Minow (2001 : 45) defined corporate governance as the relationship which exists among various participants in determining the direction and performance of corporations and the participants are shareholders, management and the board of directors.

From the fore-goings, it is pragmatically obvious that most definitions rendered by various scholars alluded to the fact that corporate governance is basically a process to conspicuously build absolute credibility, transparency, accountability, honesty and complete disclosure of relevant information to the relevant parties that will ensure good performance and win public confidence.

Corporate governance is basically an emancipation of the separation of ownership and control and therefore the ensuing relationship between shareholders and directors on the one hand and the relationship between company's agents and stakeholders on the other hand. Ori (2003) demonstrated that the issuer of effective corporate governance requires a practice focused state of mind on the part of directors, the chief executive officer and senior management, who at all-time must be committed to business success and its long term sustainability through maintenance of the highest standards of responsibility and ethics. In other words a good structure is a working system for principle goal setting, effective decision making and appropriate monitoring of compliance and performance through such a vibrant and responsive structure, the executive officer, the management team and the board of directors can interact effectively and respond quickly to changing circumstances, within a frame work of solid corporate value, to provide enduring value to the stockholders who invest in the enterprise.

Bridging the gap between the management, board of directors, external and internal auditors is within the purview of audit committee. Audit committee is normally established as a committee to the Board having a primary reporting line to the board. In order words, audit committee support the Board by offering objective advice on issues concerning risk, control and governance of the organization.

Considering the quantum of corporate collapses and failure, it is imperative that audit committee be taken more seriously in every corporate organization. In fact Maitin (1993), positioned it that, every public limited company as a matter of compulsion should institute an audit committee that will be responsible to the board. Also Codes of corporate governance in Nigeria (2002 : 6), emphasizes the importance of audit committee by stating that companies should established audit committees with the key objective of raising standards of corporate governance.

Devitt (1998 : 18-19) suggested that audit committee is needed because without investors confidence there would not be adequate capital for business to thrive. Audit committee represents the most reliable guardians of publicly quoted company. Also Olowokure (1989) was critical on the need to set-up audit committee for public quoted companies in Nigeria to restore the credibility of the system of financial reporting.

2.2 Corporate Governance in Nigeria

Recently, Nigeria has put in place the pillars of corporate governance by sponsoring a series of legislative, economic and financial reforms that intended to promote transparency, accountability and the rule of law in the economic life of the country. Managerial inefficiency and accounting scandals alert the legislators', government and management of banks and big corporations to the danger involved in the absence of constraints governing corporate governance. The lake of constraints was viewed as being conductive to definite losses by the shareholders and those who hold interests in these enter parties, to destabilize the national economy and investment climate. All of that have reinforced interest in consolidating the foundation and principles of corporate governance in the Jordanian economy.

Over the years, Nigeria as a nation has suffered a lot of decadence in various aspects of her national life, especially during the prolonged period of military dictatorship under various heads. The political and business climate had become so bad that by 1999 when the nation returned to democratic rule, the administration of Obasanjo inherited a pariah state noted to be one of the most corrupt nations of the world. For a developing country such as Nigeria corporate governance is of critical importance. In its recent history, the lack of corporate governance has led to economic upheavals. Two examples illustrate the point being made. In the late 1980 and early 1990s the country witnessed a near collapse of the financial sector through the phenomenon of failed banks and other financial institutions. In consequence, the Failed Banks (Recovery of Debt) and Financial Malpractice in Banks Act was promulgated to facilitate the prosecution of those who contributed to the failure of banks and to recover the debt owed to the failed banks. Secondly, the privatization and commercialization programme of the Nigerian Government was a reaction to the failure of corporate governance in state owned enterprises (SOE). According to El-Rufai: Data obtained from various government department estimates reveal that in 1998, Nigerian PEs [Public Enterprises] enjoyed about N265 billion in transfers, subsidies and waivers, which could have been better invested in our education, health and other social sectors. There is virtually no public enterprise in Nigeria today that functions well. While they were created to alleviate the shortcomings of the private sector and spearhead the development of Nigeria, many of them have stifled entrepreneurial development and fostered economic stagnation. Public enterprises have served as platforms of patronage and the promotion of political objectives, and consequently suffer from operational interference by civil servants and political appointees. Our experience in the last four years has shown many examples that clearly establish the poor levels of corporate governance in public enterprises, including the banking industry.

In this programme the Federal Government sought to divest its equity shareholding in some of these firms through privatization on the one hand and through commercialization on the other. It sought to enable some of these enterprises to be operated on a profit- oriented basis. Privately owned companies did not fare any better than state-owned enterprises regarding their corporate governance practices. A few examples will suffice. The first example is Savannah Bank. The Central Bank of Nigeria withdrew the banking license of Savannah Bank on Feb 15, 2002 because of a number of reasons. In a press release dated 18th February 2002, The CBN listed the reasons as the ineffectiveness of the board as well as the ineptitude and instability of the management; the false and unreliable returns to the regulatory authorities; the insolvent and deteriorating financial position of the bank; and the urgent need to protect the interest of depositors, both existing and prospective and the banking system and the inability of the bank to respond to various regulatory initiatives. Onwuka Interbiz is the second example. This company was a wholly owned Nigerian company, which was listed on the second-tier securities market of the Nigerian Stock Exchange on 9thSeptember 1991. Six years later, it was de-listed and folded up. The third example of the failure of corporate governance in privately owned companies is the recent revocation of the banking license of Peak Merchant Bank by the Central Bank of Nigeria. In a press release dated 28th February 2003, the apex bank noted that the bank had been licensed on 15th February 1991 and that it was revoking its license because of weak and incompetent management; insolvency; the over bearing influence of the Chairman who was also the majority shareholder of the bank; persistent liquidity problem; poor asset quality; significant insider abuses; poor track of profitability; un-seriousness, inability and unwillingness of shareholders to recapitalise; reckless granting of credits; complete absence of focus and lack of corporate governance.(Nigeria Deposit Insurance Company annual report 2005 and Corporate Governance and firms performance.)

2.3 Benefits of Corporate Governance

Corporate governance has become more prominent today than ever before. Becht, Bolton, and Rosell, (2012)identify several reasons for that. Among those reasons is the takeover wave of the 1980s and the 1997 East Asia Crisis. Yoshikawa &Phan (2001) note that intensifying global competition and rapid technological changes result in lower price/cost margins which in turn force firms to focus on maximizing asset efficiency and shareholder value if they want to access funds to fuel growth opportunities.

Aggarwal *et al.* (2007) asserts that good governance helps firms to have favourable access to capital markets although this benefit holds little value to firms in under-developed capital markets or for firms with limited growth opportunities. Better governance restricts controlling shareholders' expropriation of minority and this loss of private benefits is even more in countries with low investor protection. Hence, countries that have weak protection for investors are expected to have worse corporate governance and hence enhanced firm level governance can lead to a marked improvement in firm value.

Corporate failures have come about as a result of bad corporate decisions made by its leaders in attempts to expropriate rents. The enactment of good corporate governance across the globe justifies the importance of this research topic. Most studies focus on the link between on or a few corporate governance mechanisms but increasingly, data being compiled by rating agencies has allowed the totality of governance mechanisms to berated and linked to firm performance, although, most of the rating agencies rank US listed firms. In other advanced economies, some studies have been reported. In Germany, Drobetz et al. (2004) find appositive link between corporate governance and expected stock returns, after constructing a German governance score. Beiner *et al.* (2006) find a positive link between firm specific corporate governance and firm valuation. Odegaard and Bohren (2003) use Tobin's Q as firm value for firms listed on the Oslo stock Exchange in Norway and report a significant effect of good governance ratings on firm's value.

Elsewhere in South Korea, Black et al. (2006) also find that good governance practices (and very markedly, board independence) positively affect market valuation (Tobin's Q, market to book and market to sales) using listed firms in the Korean Stock Exchange. Investors and firms are using corporate governance reports to reduce risks and improve market value of firms. Weak governance in a firm does affect the value of shares and yet firms still continue to survive. FTSE ISS CGI Series Research Report for April, 2005 argues that "it is more the risk that poor corporate governance becomes pervasive throughout the firm, and it is this fact that leads ultimately to poor share price performance."Himmelberg et al. (2009) use capital expenditures to capital stock as a proxy for the link between high growth and opportunities for discretionary projects. Klapper and Love (2004) also proxy future growth as the average of real growth rate in sales for the last three years. They observe past growth to be positively associated with good governance. Seifert et al. (2005) also use sales growth.

Effective corporate governance reduces "control rights" shareholders and creditors confer on manager, increasing the probability that managers invest i positive net present value projects (Shleifer & Vishny, 1997). Effective corporate governance has been identified to be critical to all economic transactions especially in emerging and transition economies (Dharwardkar *et al.*, 2010). At varying levels of agency interactions, market institutional conditions that reduce informational imperfections and facilitate effective monitoring of agents impinge on the efficiency of investment. Likewise, corporate governance has assumed the centre stage for enhanced corporate performance. 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, it keeps the organization in business and creates a greater prospect for future opportunities.

2.4 Corporate Governance and Banks Performance

It has been argued that the governance structure of banks has little or no relationship to their financial performance due to the presence of external regulators at both the state and federal level. Consistent with this statement, Simpson and Gleason (1999) found that there was no relationship between the structure of banks' board of directors and subsequent failure. Further, Prowse (1997) argues that the change in corporate control in commercial bank is the result of regulatory intervention. As evidence by the recent crisis, it is apparent that regulatory forces were not effective in promoting a safe and fair allocation of bank resources. It is important to demonstrate that even in the presence of regulation, weak corporate governance was a contributing factor to the poor performance underlying the subprime crisis and to poor loan quality.

Prior research suggests that banks strongly influence economic development and the efficient allocation if funds resulting in a lower cost of capital to firms, a boost in capital formations, and an increase in productivity (Levine, 2004). The passing of various acts which deregulated the banking industry heightened the importance of internal regulatory mechanisms of banks such as corporate governance. In particular corporate governance is expected to affect bank's valuation, cost of capital, performance and risk taking behavior (Polo, 2007).Agency theory (Jensen and Meckling , 1976) suggests that strong corporate governance leads to better performance and accounting outcomes.

Elyasiani and Jai (2008) reports that banks' financial performance is positively associated with the stability of ownership by institutional investors. Although the institutional holdings of banks may be lower than other firms, evidence suggests that institutional holding promote good financial performance. Institutional investors such as pension funds, investment trusts, and mutual funds own large blocks of public company stock. Due to these large investments they often play an active monitoring role of corporate managers(Shleifer and Vishny, 1997). Other empirical findings suggest institutional investors promote short term financial performance at the expense of long-term financial performance (Coffee, 1991; Bushee, 1998).Banking supervision cannot function well if sound corporate governance is not in place, and consequently, banking supervisors have strong interest in ensuring that there is effective corporate governance at every banking organization. Changes in bank ownership during the 1990s and early 200s substantially altered governance of the worlds banking organizations.

In the banking industry, well-functioning banks promote economic growth. When banks efficiently mobilize and allocate funds, this lowers the cost of capital to firms and accelerates capital accumulation and productivity growth. In addition, banks play important roles in governing firm to which they are major creditors and in which they are major equity holders (Caprio, Leaven and Levine, 2004). Thus, if bank managers face sound governance mechanisms, this enhances the likelihood that banks will raise capital inexpensively, allocate society's savings efficiently, and exert sound governance over the firm they fund.

Generally banks occupy a delicate position in the economic equation of any country such that its performance invariably affects the macro economy of the nation. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility to broader macroeconomic implications, such as contagion risk and the impact on payments systems. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities including deposits, which could in turn trigger a bank run or liquidity crisis (Inam; 2006).

The economics and functions of banks differ from those of industrial firms. Because of these differences, banks are subject to stringent prudential regulation of their capital and risk. Moreover, these differences are reflected in corporate governance practices observed in the banking sector and in theoretical works on the "good corporate governance of banks". With respect to corporate governance practices, a particularly striking and almost unique feature of banks has been the prevalence of remuneration schemes that provide high-powered incentives, not only for executive directors (officers), i.e., members of the management board in a two-tier system, but also for senior managers at lower levels, and even for more junior employees in some functions, in particular the trading and sales function.

The performance of the individual banks which makes up the banking sector is a function of the decisions of the management governing these banks. In other words, corporate governance has a major role to play in the development of the banking sector. This is in line with the argument of Block, Jang and Kim (2006) andClaessen (2006) that the concern over corporate governance stems from the fact that sound governance practices by organizations, banks inclusive results in higher firm's market value, lower cost of funds and higherprofitability.Commitment to the organization for selfish reasons. No wonder, the banks astronomical growth and all indices used to package their shares are not commensurate to economic growth and transformation. It was obvious that the core banking practices have been traded off and the most beneficial are the CEO's and their loyalties.

3.0 METHODOLOGY

In this study, survey design was used. The data for this research work was collected from both primary and secondary sources of data. The primary sources were personal interview and the administration of questionnaires. The secondary sources from which data was collected include: textbooks, journals, manuals, statistical data and different websites on the internet.

The population for this study is taken from the banking industry. The population of study consists of auditors and corporate staff in Central Bank of Nigeria Awka, Anambra State. The population was based on the data provided by the management of the organizations under study. These respondents are seasoned auditors and members of staff with extensive experience on the issue under discuss. The estimated population figure is 110 respondents.

In determining the sample size, the researcher used Alien Taro Yamane (1967) method. This formula was used to obtaina sample size of 110. A 95% confidence level and level of maximum variability (P= 0.5) are assumed. The sampling method used to select respondents out of the population was simple random sampling technique.

A survey approach was adopted in generating data for the study. This was achieved through the distribution of 110 copies of questionnaires (only 105 were returned) and personal interviews.

The data collected were analyzed using descriptive statistics such as tables and percentages. A Likert scale technique was used in analyzing the data. The various scores are summed up for each of the respondents. Simple percentage was used to determine the direction of their perception and belief concerning the subject under review. Tool of analysis and test of hypothetical proposition is the Pearson product coefficient of correlation (r), used in analyzing and interpreting responses connected with the main variables of the hypothesis.

Pilot survey was used to test the reliability before administering the questionnaire to the respondents. The instrument was validated by giving it to experts in the field of guidance and counseling for vetting. Based on their suggestions, the initial draft was modified for suitability. The modified copy was administered twice to 20 selected respondents. The Cronback alpha coefficient of 0.76 obtained was deemed high enough to justify the usage of the questionnaire for the study.

A reliability test was done on the result of the data analysis by means of a test of significance in order to determine the reliability of the findings and further justify the result of the correlation test done. The test of significance was used to justify the results. The statistical formulae Pearson product coefficient of correlation (r) was used in analyzing and interpreting responses connected with the main variables of the hypothesis. The Pearson product moment of correlation is given as:

$$r=\frac{n\sum xy-\sum x\sum y}{\sqrt{\{n\sum x^2-(\sum x)^2\}\{n\sum y^2-(\sum y)^2}}$$

From the formula: n= number of options

x= points allocated to the options y =

number of responses from respondents

Where X and Y are the variables being considered. The dependent variable is denoted as Y while the independent variable is denoted as X.

The interpretation of the result of r is that when r=0, there is no relationship between the variables tested. When0<r<0.4, there is weak correlation between the variables and when r≥0.5 then there is a strong correlation between the variables. When r is negative the (-) the variables are inversely related and if positive (+) the variables are directly related.

4.0 DATA PRESENTATION AND ANALYSIS

Table 1: Sex distribution of respondents

Sex of the Respondents	No.	%
Male	62	59.0
Female	43	41.0
Total	105	100.0

Source: Research survey, 2016.

The data in Table 1 reveals that males consist 59.0% and females 41.0%.

Table 2: Age distribution of respondents

Age	Number of respondents	Percentage
22 - 30 years	22	21.0
31 – 40 years	63	60.0
Above 40 years	20	19.0
Total	105	100.0

Source: Research survey, 2016.

Table 2 shows that 21.0% of the respondents are between 22 - 30 years, 60.0% are between 31 - 40 years i.e. their prime and 19.0% are above 40 years.

Table 3: Educational Qualification of respondents

Highest Qualification	No.	%
OND/NCE	11	10.5
Bachelor's Degree	48	45.7
Higher National Diploma	22	21.0
Masters' Degree	17	16.2
Postgraduate Diploma	07	6.7
Total	105	100.0

Source: Research survey, 2016.

Also from Table 3, respondents with Bachelor's degree rank highest with 45.7% followed by Higher National Diploma holders with 21.0% and Master's degree holders 16.2%. This shows that respondents are knowledgeable and well trained enough to understand the concept of conflict management.

Table 4: Working Experience of Respondents

Working Experience (years)	No.	%
1-5	09	8.6
6-10	18	17.1
11-15	47	44.8
16-20	20	19.0
16-20	11	10.5

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Total	105	100.0

Source: Research survey, 2016.

The respondents who have working experience of 11-15 years are in the majority (44.8%), followed by those that have worked for 16-20 years. The third ranked is those who have 6-10 years experience. The implication of this is that most of the respondents have worked enough to have experienced organizational conflict and how it was managed.

Table 5: Management is effective in discharging their oversight function and aid effective corporate governance.

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	34	32.4
Agree	20	19.0
Undecided	8	7.6
Disagree	24	22.9
Strongly Disagree	19	18.1
TOTAL	105	100.0

Source: Research survey, 2016.

From the above table 5, 34 respondents strongly believe that management is effective in discharging their oversight function and aid effective corporate governance, 20 agree, 8 respondents were indifferent, 24 respondents disagree while 19 respondents strongly disagree.

Table 6: Performance of banks in developing countries compare favorably with those of western economies.

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	28	26.7
Agree	23	21.9
Undecided	10	9.5
Disagree	19	18.1
Strongly Disagree	25	23.8
TOTAL	105	100.0

Source: Research survey, 2016.

28 respondents strongly believe that performance of banks in developing countries compare favorably with those of western economies, 23 agree, 10 respondents were indifferent, 19 respondents disagree while 25 respondents strongly disagree. It is clear therefore that the percentage of those that disagree (41.9%) is less than the percentage of those that agree (48.6%)

%) by 6.7%. This shows that the performance of banks in developing countries do not compare favorably with those of western economies.

Table 7: Corporate governance is an important driver for changing role of internal audit function.

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	21	20.0
Agree	28	26.7
Undecided	20	19.0
Disagree	16	15.2
Strongly Disagree	20	19.0
TOTAL	105	100,0

Source: Research survey, 2016.

21 respondents strongly believe that corporate governance is an important driver for changing role of internal audit function, 28 agree, 20 respondents were indifferent, 16 respondents disagree while 20 respondents strongly disagree. From the above table, the sum total of those that Disagree = 16+20= 36 = 34.2% of the total respondents. While the sum total of those that Agree = 21+ 28= 49 = 46.7% of the total respondents.From the table above it is observed that 35.42% disagree that corporate governance is an important driver for changing role of internal audit function.

Table 8: The use of ICT to audit transaction and monitor internal control make corporate governance more effective.

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	22	21.0
Agree	26	24.8
Undecided	12	11.4
Disagree	26	24.8
Strongly Disagree	19	18.1
TOTAL	105	100.0

Source: Research survey, 2016.

22 respondents strongly believe that the use of ICT to audit transaction and monitor internal control make corporate governance more effective, 26 agree, 12 respondents were indifferent, 26 respondents disagree while 19 respondents strongly disagree.

From the above table, the sum total of those that disagree = 26+19= 45, While the sum total of those that agree = 22+26 = 48. From the table above it is observed that 42.9 % disagree that the use of ICT to audit transaction and monitor internal control make cor porate governance more effective while 45.7% agree.

Table 9: Corporate governance affects performance of Nigerian banks positively.

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	13	12.4
Agree	47	16.2
Undecided	7	6.7
Disagree	20	19.1
Strongly Disagree	18	17.1
TOTAL	105	100

Source: Research survey, 2016.

Majority of the respondents are of the opinion that corporate governance affects performance of Nigerian banks positively. 13 respondents strongly agree, 47 agree, 7 respondents were indifferent, 20 respondents disagree while 18 respondents strongly disagree.

Table 10: Corporate Governance can prevent bank distress

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	58	55.2
Agree	44	41.9
Undecided	3	2.9
Disagree	0	0.0
Strongly Disagree	0	0.0
Σ	105	100.0

Source: Research survey, 2016.

From the above table 4.10, 58 respondents strongly believe that Corporate Governance can prevent bank distress, 44 agree, 3 respondents were indifferent, none of the respondents disagree nor strongly disagree.

Table 11: Good Corporate Governance assist Banks to operate in safe and sound manner

RESPONSE	N0 OF RESPONDENTS	% SCORE
Strongly Agree	52	49.5
Agree	51	48.6
Undecided	2	1.9
Disagree	0	0.0
Strongly Disagree	0	0.0
Σ	105	100.0

Source: Research survey, 2016.

103 respondents are of the opinion that good Corporate Governance may assist Banks to operate in safe and sound manner, 52 respondents strongly agree, 51 agree, 2 respondents were indifferent.

Test of Hypotheses Hypothesis

1:

HI: There is significant relationship between the board structure, role /responsibilities and credibility of financial reports.

H0: There is no significant relationship between the board structure, role /responsibilities and credibility of financial reports.

To test this hypothesis, the responses to the statement "there is strong relationship between the board structure, role /responsibilities and credibility of financial reports" contained in the questionnaire was used.

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Table 12: Calculation of Correlation

N.B. The options are allocated points ranging from 5-1from strongly agreed to indifferent on that order.

OPTION	POINTS (X)	RESPONSES(Y)	XY	X^2	Y^2
SA	5	58	290	25	3364
A	4	13	52	16	169
U	1	13	13	1	169
SD	3	10	30	9	100
D	2	11	22	4	121
∑	15	105	407	55	3923

Source: Research survey, 2016.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2}} \quad r$$

$$= \frac{5(407) - 15(105)}{\sqrt{\{5(55) - \ (15)^2\}\{5(3923) \ \ -(105)^2}}$$

r = 0.7019

Decision: since r is 0.8684 and it is greater than 0.4 we reject Ho and accept H1. This means that there is significant relationship between the board structure, role /responsibilities and credibility of financial reports.

Significance Test:

$$\text{T. calculated} = r\sqrt{\frac{n-2}{1-(r)^2}}$$

$$= 0.7019\sqrt{\frac{5-2}{1-0.4927}}$$

T calculated =12.544

Final Decision: Since the t calculated of 12.544 is greater than the 2.32 at 95% significance level where degree of freedom is 3, therefore we simply reject the Ho and accept H1.From this we conclude that, there is significant relationship between the board structure, role /responsibilities and credibility of financial reports.

Hypothesis 2:

Ho: Audit committees do not play a significant role in monitoring and promoting the credibility of financial reports.

H1: Audit committees play a significant role in monitoring and promoting the credibility of financial reports.

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Table 13: Calculation of Correlation

N.B. The options are allocated points ranging from 5-1from strongly agreed to indifferent on that order.

OPTION	POINTS (X)	RESPONSES(Y)	XY	X^2	Y^2
SA	5	58	290	25	3364
A	4	44	175	16	1936
U	1	3	3	1	9
SD	3	0	0	9	0
D	2	0	0	4	0
Σ	15	105	468	55	5309

Source: Research survey, 2016.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2}} \quad r$$

$$= \frac{5(468) - 15(105)}{\sqrt{\{5(55) - (15)^2\}\{5(5309) \quad - (105)^2}}$$

r = 0.8684

Decision: since r is 0.8684 and it is greater than 0.4 we reject Ho and accept H1. This means that the audit committees play a significant role in monitoring and promoting the credibility of financial reports. **Significance Test:**

$$\text{T. calculated} = r\sqrt{\frac{n-2}{1-(r)^2}}$$

$$= 0.8684\sqrt{\frac{5-2}{1-0.754118}}$$

T calculated =3.03

Final Decision: Since the t calculated of 3.03 is greater than the 2.32 at 95% significance level where degree of freedom is 3, therefore we simply reject the Ho and accept H1.From this we conclude that, the audit committees play a significant role in monitoring and promoting the credibility of financial reports.

Hypothesis 3:

HI: Ownership structure of the firm has significant impact on the credibility of financial reports.

H0: Ownership structure of the firm has no significant impact on the credibility of financial reports.

Table 14: Calculation of Correlation

OPTION	POINTS (X)	RESPONSES(Y)	XY	X^2	Y^2
SA	5	22	110	25	484
A	4	31	124	16	961
U	1	12	12	1	144
SD	3	8	24	9	64
D	2	32	64	4	1024
∑	15	105	334	55	2677

Source: Research survey, 2016.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2}} \quad r$$

$$= \frac{5(334) - 15(105)}{\sqrt{\{5(55) - (15)^2\}\{5(2677) \quad -(105)^2}}$$

r = 0.4766

Decision: From the calculation above, r is 0.4766 and is therefore greater than 0.4. We reject Ho and accept H1. This means that the ownership structure of the firm has significant impact on the credibility of financial reports. **Significance Test**

$$\text{T. calculated} = r\sqrt{\frac{n-2}{1-(r)^2}}$$

$$= 0.4766\sqrt{\frac{5-2}{1-(0.4766)^2}}$$

T= 17.21

Decision: the t calculated of 17.21is greater than 2.32 at 95% significance level when degree of freedom is 3. Therefore, it is sufficient to say that we reject Ho and accept H1. We conclude that the ownership structure of the firm has significant impact on the credibility of financial reports.

Hypothesis 4:

Ho: Effective coordination and supervision of the compensation committee has no impact on the credibility of financial reports.

H1: Effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports.

Table 15: Calculation of Correlation

OPTION	POINTS (X)	RESPONSES(Y)	XY	X_2	Y_2
SA	5	52	260	25	2704
A	4	51	204	16	2601
U	1	2	2	1	4
SD	3	0	0	9	0
D	2	0	0	4	0
Σ	15	105	466	55	5305

Source: Research survey, 2016.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2}} \quad r$$

$$= \frac{5(466) - 15(105)}{\sqrt{\{5(55) - (15)^2\}\{5(5305) \quad -(105)^2}}$$

r = 0.8576

Decision: From the calculation above, r is 0.8576 and is therefore greater than 0.4. We reject Ho and accept H1.This means that the effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports. **Significance Test**

$$\text{T. calculated} = r\sqrt{\frac{n-2}{1-(r)^2}}$$

$$= 0.8576\sqrt{\frac{5-2}{1-(0.8576)^2}}$$

T= 2.88

Decision: the t calculated of 2.88 is greater than 2.32 at 95% significance level when degree of freedom is 3.Therefore, it is sufficient to say that we reject Ho and accept H1. We conclude that the effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports.

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Hypothesis 5:

HI: Competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

H0: Competent and helpful institutional shareholders are not vital in improving the credibility of financial reports.

Table 16: Calculation of Correlation

N.B. The options are allocated points ranging from 5-1from strongly agreed to indifferent on that order.

OPTION	POINTS (X)	RESPONSES(Y)	XY	X^2	Y^2
SA	5	28	140	25	784
A	4	29	116	16	841
U	1	33	33	1	1089
SD	3	11	33	9	121
D	2	4	8	4	8
Σ	15	105	330	55	2843

Source: Research survey, 2016.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2}} \quad r$$

$$= \frac{5(330) - 15(105)}{\sqrt{\{5(55) - (15)^2\}\{5(2843) - (105)^2}}$$

r = 0.4188

Decision: since r is 0.4188 and is greater than 0.4 we reject Ho and accept H1. This means that competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

Significance Test:

$$\text{T. calculated} = r\sqrt{\frac{n-2}{1-(r)^2}}$$

$$= 0.4188\sqrt{\frac{5-2}{1-0.4188}}$$

T calculated =50.1432

Final Decision: Since the t calculated of 50.1432 is greater than the 2.32 at 95% significance level where degree of freedom is 3, therefore we simply reject the Ho and accept H1.From this we conclude that, competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

i. There is significant relationship between the board structure, role /responsibilities and credibility of financial reports.
ii. Audit committee plays a significant role in monitoring and promoting the credibility of financial reports.
iii. Ownership structure of the firm has significant impact on the credibility of financial reports.
iv. Effective coordination and supervision of the compensation committee has an impact on the credibility of financial reports.
v. Competent and helpful institutional shareholders are vital in improving the credibility of financial reports.

5.2 Conclusion

In view of the above analysis it can be concluded that, Corporate Governance is necessary to the proper functioning of banks and that Corporate Governance can only prevent bank distress only if it is well implemented. That is, to prevent bank distress through adequate corporate governance is not just about the government setting rules and regulations but actually ensuring that the laid down rules and regulations are being strictly adhered to in every operation of the bank.

In spite several reforms put to strengthen this sector, banks were still prone to failure. The loss associated with this failure is enormous on their reputation and industrial growth. Strong governance framework that enhances compliance and sanction non- compliance to corporate governance codes becomes imperative.

Review of relevant literatures however, showed that court procedures, audit committee and board of directors' efficiency determine the effectiveness of compliance to the governance laws. Hence, more effort is desirable to ensure adequate compliance to corporate governance code, as well as it attractiveness and effectiveness in improving performance.

Both developed and developing economies were not immune against banking failure. The study depicted that poor loan policy and management of assets where to a large extent, contributory to bank failures. Thus, control processes that will safeguard the quality of their services and products should be secured in the interest of shareholders and market efficiency. Conclusively, continuous review of the governance codes became imperative due to the complexity and constant changing environment of the banking sector in Nigeria. The international codes of corporate governance should be properly adopted to meet the need of Nigerian governance environment.

5.3 Recommendations

In view of the prevailing bank distress in the economy, corporate governance should be used as a tool to help stem the tide of distress, as it entails conformity with prudential guidelines of the government. The Central Bank and NDIC should enforce the need for all banks to have approved policies in all their operation areas and strong inspection division to enforce these policies.

The management staffs have important roles to play in ensuring that there exists a sound internal control system in their banks and that laid down procedures are reviewed regularly. This will help to frustrate the activity of the fraudsters. It is also important to stress the need for all banks to comply with statutory requirements of rendering returns for effectiveness of all the policy measures which the government, monetary and supervisory bodies might design to curb distress in the financial industry. A good manager must be conversant with tools that will enable him measure performance and trend over time for the achievement of the desired organizational and decision making objectives especially in an unstable economic environment like ours. In this connection therefore, the use of bankruptcy prediction model for determining the current and potential business failure proves handy and appropriate. This will afford effective resource management instead of distress classification that amounts to medicine after death.

The government owes the country a patriotic duty to establish and sustain macroeconomic stability in order for the banking system to perform at its optimum capacity as it has been seen from our findings that, economic and political stability can help prevent bank distress. The government must perform this duty without compromise. More importantly, is the need of qualified staff in the in the banking system as this will enable the utilization of expertise, skill and care in the performance of duties by staff. This will lead to better performance.

It is important to note that all these factors necessary to curtail bank distress sums up to effective corporate governance. Therefore, it is recommended that the new code of corporate governance for banks should be strictly adhered to by all banks in the nation, as this will enable banks to operate in a safe and sound manner and as such, lead to restoration of public confidence in the banking system, thus, ensuring a better economy.

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