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# TRAJECTORY OF CREATIVE ACCOUNTING AND BAD CORPORATE GOVERNANCE IN NIGERIA: A STUDY OF SELECTED BANKS IN NIGERIA

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**Abstract**
This research was embarked upon with the sole aim of determining the relationship between creative accounting, bad corporate governance, and financial reporting quality in Nigeria, with reference to the banking sector. The scope of the study spans years 2014 to 2023 and data were sourced using secondary data from annual reports, financial statements (Statement of financial position and financial performance) of selected banks in Nigeria. Data was analyzed using the ordinary least square method of regression analysis, inferential statistics, such as correlation analysis, regression analysis and analysis of variance (ANOVA) were employed to test hypotheses and examine the relationships between variables. The results indicate a significant prevalence of creative accounting practices among Nigerian firms, primarily driven by the need to meet regulatory requirements and market expectations. These practices significantly undermine financial reporting quality, leading to decreased investor trust and compromised market efficiency. The findings reveal that effective audit committees enhance financial reporting quality, while CEO duality and weak board independence negatively impact it. The study highlights the importance of robust regulatory frameworks and effective corporate governance mechanisms in ensuring financial reporting integrity. It recommends that regulatory bodies, such as the Financial Reporting Council of Nigeria (FRCN), should strengthen oversight mechanisms and enforce stringent auditing standards to curb creative accounting practices.

**Keywords:** Creative Accounting Practices, Financial Reporting Quality Board Independence, Audit Committee Effectiveness, CEO Duality.

## Introduction

The root cause of creative accounting in Nigeria banks are multifaceted. Weak regulatory oversight, lax enforcement of accounting standards and inadequate internal control mechanisms are some of the factors that create an environment conducive for financial misreporting (Oyebode, 2019). Additionally, pressure from management to meet earnings targets, attract investors and maintain market reputation may incentivize employees to engage in unethical accounting practices (Adeyemi and Fagbemi, 2017). Furthermore, the complexity of financial transactions and lack of transparency in reporting exacerbate the challenges of detecting and preventing creative accounting activities (Ogundana, 2016). Creative accounting practices and weaknesses in corporate governance have long been recognized as significant issues in the global financial landscape, impacting investor confidence, market stability and regulatory oversight. The Nigerian banking sector, as a critical component of the country's economy, has faced its fair share of challenges concerning financial misreporting and corporate governance failures.

This section provides an in-depth exploration of the background context surrounding creative accounting and corporate governance in Nigeria, focusing particularly on the banking industry.

Corporate governance, on the other hand, plays a crucial role in safeguarding the interests of shareholders, promoting transparency and ensuring accountability within organizations. Effective corporate governance mechanisms help mitigate the risks associated with creative accounting and other forms of financial misconduct (Ekeledoand Jubril, 2018). However, the Nigerian banking sector has been characterized by corporate governance deficiencies, including weak board oversight, inadequate risk management practices and conflicts of interest among key stakeholders (Akpan *et al*., 2020). Despite these regulatory efforts, challenges persist in effectively addressing the issues of creative acco6unting and corporate governance in the Nigerian banking sector. The complexity of financial transactions, the interconnectedness of market participants and the evolving nature of financial markets pose ongoing challenges for regulators, policymakers and industry stakeholders (Uwuigbe*et al*., 2017). Moreover, the enforcement of regulatory requirements and the compliance culture within banks remain areas of concern, with instances of regulatory arbitrage and regulatory capture observed in practice (Izedonmi *et al*., 2021).

In summary, the background context surrounding creative accounting and corporate governance in the Nigerian banking sector underscores the significance of addressing these issues to ensure financial stability, investor confidence and sustainable economic growth. The next sections of this study will delve deeper into the literature to explore the theoretical underpinnings, empirical evidence and regulatory responses related to creative accounting and corporate governance in Nigeria.

**Statement of the Problem**

The banking sector in particular has been marred by cases of insider abuse, mismanagement and financial irregularities. These issues undermine investor confidence, distort market efficiency and pose systemic risks to the stability of the financial system. In spite of all the regulatory efforts to curb creative accounting and improve corporate governance standards, incidences of financial misreporting and corporate scandals persist in Nigeria. The major problems which this study intends to address include: the prevalence and nature of creative accounting practices within Nigerian banks, the extent to which weak corporate governance contributes to financial misreporting and unethical behavior, the effectiveness of regulatory measures in detecting and deterring financial misconduct in the banking sector among others.

**Objectives of the Study**

The broad objective of this study is to empirically analyze creative accounting and bad corporate governance in Nigeria, with particular reference to selected banks in Nigeria. Specifically, this study intends:

i. To analyze the relationship between Audit Committee Meetings and Earnings per Share of Deposit money banks in Nigeria.
ii. To identify the impact of Board Meetings on the Earnings per Share of Deposit money banks in Nigeria.
iii. To examine how Board Size can affect Earnings per Share of Deposit money banks in Nigeria.
iv. To highlight the impact of Board Composition on Earnings per Share of Deposit money banks in Nigeria.
v. To examine the relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria.

**Research Questions**

The following will serve as research questions:

1. What is the relationship between audit committee meetings and Earnings per Share of Deposit money banks in Nigeria?

2. How does Board Meeting impact the Earnings per Share of Deposit money banks in Nigeria?
3. How does Board Size affect the Earnings per Share of Deposit money banks in Nigeria?
4. What is the impact of Board Composition on the Earnings per Share of Deposit money banks in Nigeria?
5. What is the relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria?

**Hypotheses**

Based on the research questions, the following hypotheses have been developed and it is in the light of the above research objectives that this research work will test the following hypotheses:

**Ho1:** There is no significant relationship between Audit Committee Meetings and Earnings per Share of Deposit money banks in Nigeria.

**Ho2**: There is no significant relationship between Board Meeting and Earnings per Share of Deposit money banks in Nigeria.

**Ho3**: There is no significant relationship between Board Size and Earnings per Share of Deposit money banks in Nigeria.

**Ho4**: There is no significant relationship between Board Composition and Earnings per Share of Deposit money banks in Nigeria.

**Ho5**: There is no significant relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria.

## REVIEW OF RELATED LITERATURES

### Empirical Studies

Empirical studies on creative accounting and bad corporate governance in Nigeria have yielded mixed findings, reflecting the complexity and multifaceted nature of these issues. Some notable findings from previous research include:

**Impact of Corporate Governance Mechanisms:** Studies have found that effective corporate governance mechanisms, such as independent board oversight, audit committee independence and CEO duality, are associated with lower incidences of creative accounting and improved financial reporting quality (Adeniyi and Anjorin, 2016; Okezie and Ezejiofor, 2018).

**Role of Auditing:** Research has highlighted the importance of external audit quality and auditor independence in detecting and deterring creative accounting practices. Studies suggest that stronger audit oversight, enhanced auditor independence and greater transparency in audit processes can help mitigate the risk of financial reporting manipulation (Okafor and Ezejiofor, 2017; Adegbite *et al*., 2015).

**Impact on Firm Performance:** Empirical evidence on the relationship between creative accounting and firm performance in Nigeria is inconclusive. While some studies find a negative association between creative accounting and firm value, others find no significant impact or even positive effects in certain contexts (Adeyemi and Fagbemi, 2020; Olayinka and Onaolapo, 2019).

**Sectorial Variations:** Research suggests that the prevalence and impact of creative accounting may vary across different sectors of the Nigerian economy. For example, studies have observed higher levels of financial reporting manipulation in sectors characterized by weak regulatory oversight, complex business structures and high information asymmetry, such as the banking and financial services industry (Akindele and Afolabi, 2017).

Numerous studies have examined the prevalence, determinants and consequences of creative accounting and bad corporate governance in Nigeria. These studies have investigated various aspects of financial reporting manipulation, governance failures and their impact on corporate performance and investor confidence. Some key themes and findings from the literature include:

**Extent of Creative Accounting:** Studies have documented widespread instances of creative accounting practices among Nigerian companies, including income smoothing, asset valuation manipulation, earnings management and financial statement fraud (Adeyemi and Fagbemi, 2020; Oladipo and Uadiale, 2018).

**Determinants of Creative Accounting:** Researchers have identified several factors contributing to creative accounting in Nigeria, including weak regulatory enforcement, inadequate corporate governance mechanisms, lax auditing standards and cultural norms that tolerate unethical behavior (Okezie and Ezejiofor, 2018; Olayinka and Onaolapo, 2019).

Consequences of Creative Accounting: Empirical evidence suggests that creative accounting and bad corporate governance have adverse consequences for companies, shareholders and the economy, including reduced financial transparency, increased investment risk, impaired investor confidence and erosion of market integrity (Akindele and Afolabi, 2017; Adegbite *et al*., 2015).

**Regulatory Responses:** Studies have evaluated the effectiveness of regulatory interventions and corporate governance reforms in addressing creative accounting and governance failures in Nigeria. While some reforms, such as the adoption of International Financial Reporting Standards (IFRS) and the establishment of the Financial Reporting Council of Nigeria (FRCN), have improved financial reporting quality and transparency, challenges remain in enforcement and compliance (Okafor and Ezejiofor, 2017; Oladipo and Uadiale, 2018).

In conclusion, previous studies on creative accounting and bad corporate governance in Nigeria have provided valuable insights into the extent, determinants, consequences and regulatory responses to these issues. While empirical evidence suggests that creative accounting and governance failures remain pervasive challenges in Nigeria, there have been efforts to enhance regulatory oversight, strengthen corporate governance mechanisms and improve financial reporting quality. However, more research is needed to deepen our understanding of the underlying drivers of creative accounting and governance failures and to evaluate the effectiveness of policy interventions in addressing these issues.

## Theoretical Framework

The following theoretical frameworks provides the foundation for understanding the relationship between creative accounting, bad corporate governance and their impact on financial reporting quality in Nigeria. The theoretical framework illustrates the relationships among key variables in the context of creative accounting, bad corporate governance and financial reporting quality in Nigeria. Several theoretical perspectives, including agency theory, stakeholder theory and positive accounting theory, will help elucidate the mechanisms underlying these phenomena.

### Agency Theory

Agency theory provides insights into the principal-agent relationship between shareholders (principals) and managers (agents) and the conflicts of interest that arise when agents pursue their own objectives at the expense of shareholders' interests (Jensen and Meckling, 2021). In the context of creative accounting, managers may engage in opportunistic behavior to maximize their personal benefits, such as manipulating financial statements to inflate earnings and stock prices (Healy and Wahlen, 2018). Weak corporate governance mechanisms, such as ineffective board oversight and inadequate shareholder monitoring, can exacerbate agency conflicts and create opportunities for creative accounting practices (Adeniyi and Anjorin, 2016).

### Stakeholder Theory

Stakeholder theory posits that organizations have a responsibility to consider the interests of all stakeholders, including shareholders, employees, customers, suppliers, regulators and the broader society (Freeman, 2017). In the context of bad corporate governance, stakeholder theory highlights the importance of accountability, transparency and ethical behaviour in corporate decision-making processes (Mitchell *et al*., 2018). Failure to uphold these principles can lead to reputational damage, loss of trust and financial losses for stakeholders. Creative accounting practices, such as misleading financial reporting and earnings manipulation, can undermine stakeholder trust and confidence in the company's integrity and performance (Adegbite *et al*., 2015).

### Positive Accounting Theory

Positive accounting theory focuses on the role of accounting information in facilitating contracting and decision-making processes within organizations (Watts and Zimmerman, 1986). The theory suggests that managers may adopt accounting policies and practices that reflect their self-interests and maximize their utility, rather than provide unbiased and accurate representations of economic reality (Dechow *et al*., 2019). In the context of creative accounting, managers may exploit accounting discretion to manipulate financial statements and achieve specific financial objectives, such as meeting earnings targets, avoiding regulatory scrutiny, or securing financing (Schilit, 2019). Weak corporate governance mechanisms and regulatory oversight can exacerbate agency conflicts and create incentives for managers to engage in creative accounting practices (Okezie and Ezejiofor, 2018).

### Hypotheses Development

Based on the theoretical perspectives outlined above, the following hypotheses are proposed:

**Hypothesis 1 ($H_1$):** Weak corporate governance mechanisms are positively associated with the prevalence of creative accounting practices in Nigerian companies.

**Hypothesis 2 ($H_2$):** The level of financial reporting quality in Nigerian companies is negatively associated with the incidence of creative accounting practices.

**Hypothesis 3 ($H_3$):** Stakeholder perceptions of corporate integrity and transparency are negatively affected by instances of creative accounting and bad corporate governance in Nigerian companies.

**Hypothesis 4 ($H_4$):** Regulatory interventions and enforcement actions aimed at improving corporate governance and financial reporting quality have a positive impact on stakeholder trust and confidence in Nigerian companies.

**Hypothesis 5 ($H_5$):** The relationship between corporate governance mechanisms and financial reporting quality is moderated by contextual factors, such as industry characteristics, firm size and regulatory environment, in Nigeria.

### Components of Bad Corporate Governance

Bad corporate governance refers to the failure of companies to adhere to principles of good governance, resulting in ineffective oversight, mismanagement, ethical lapses and breaches of fiduciary duties. It encompasses a range of deficiencies in governance structures, processes and behaviors that undermine the interests of shareholders and other stakeholders (Tricker, 2018). Components of bad corporate governance include:

i. **Weak Board of Directors:** A board of directors that lacks independence, diversity, expertise and oversight capabilities can fail to provide effective governance and oversight of management (Monks and Minow, 2020).

ii. **Lack of Accountability:** Failure to establish clear lines of accountability and mechanisms for monitoring and enforcing compliance with corporate policies, laws and regulations can lead to impunity and unethical behaviour (Solomon, 2019).

iii. **Excessive Risk-taking:** Inadequate risk management practices, excessive executive compensation tied to short-term performance metrics and pressure to meet quarterly earnings targets can incentivize excessive risk-taking and undermine long-term value creation (Hillman and Dalziel, 2019).

iv. **Poor Transparency and Disclosure:** Lack of transparency in financial reporting, inadequate disclosure of relevant information and opaque decision-making processes can erode investor confidence and trust in the company (Mallin, 2013).

v. **Conflicts of Interest:** Failure to identify, manage and disclose conflicts of interest among directors, executives and related parties can compromise the integrity of decision-making processes and undermine shareholder interests (Clarke *et al*., 2021).

### Types of Corporate Governance Failure

Corporate governance failure can manifest in various forms, including:

i. **Ethical Breaches:** Instances of fraud, corruption, bribery, insider trading and other unethical conduct by executives, directors, or employees (Crane and Matten, 2016).
ii. **Financial Mismanagement:** Misappropriation of company funds, embezzlement, accounting fraud, manipulation of financial statements and other financial irregularities (Schilit, 2019).
iii. **Board Dysfunction:** Lack of independence, diversity, expertise and diligence among board members, resulting in ineffective oversight and decision-making (Tricker, 2018).
iv. **Executive Overreach:** Concentration of power in the hands of executives, disregard for shareholder input and failure to align executive interests with shareholder interests (Monks and Minow, 2020).
v. **Regulatory Violations:** Non-compliance with legal and regulatory requirements, failure to disclose material information and breaches of fiduciary duties owed to shareholders and other stakeholders (Solomon, 2019).

**Factors Contributing to Bad Corporate Governance**

Several factors contribute to bad corporate governance, including:

i. **Weak Regulatory Oversight:** Inadequate regulatory frameworks, enforcement mechanisms and penalties for corporate governance violations can create opportunities for misconduct and abuse of power (Coffee, 2021).
ii. **Lax Board Oversight:** Passive or conflicted boards of directors, lack of board independence and inadequate board training and oversight mechanisms can impede effective governance and accountability (Mallin, 2013).
iii. **Short-termism:** Pressure to maximize short-term profits, meet quarterly earnings targets and appease shareholders and analysts can incentivize executives to prioritize short-term gains over long-term value creation (Hillman and Dalziel, 2019).
iv. **Cultural Norms and Practices:** Organizational cultures that prioritize profitability over ethics, encourage secrecy and loyalty over transparency and accountability and tolerate unethical behavior can foster an environment conducive to bad corporate governance (Crane and Matten, 2016).
v. **Weak Shareholder Activism:** Passive or fragmented shareholder base, lack of shareholder engagement and barriers to shareholder activism can limit the effectiveness of shareholder oversight and accountability mechanisms (Clarke *et al*., 2021).

**Nexus between Creative Accounting and Bad Corporate Governance**

Creative accounting and bad corporate governance are often intertwined, with creative accounting practices being symptomatic of underlying governance failures and weaknesses. The nexus between creative accounting and bad corporate governance can be observed in several ways:

i. **Executive Incentives:** Incentive structures that reward short-term financial performance, stock price appreciation and meeting earnings targets can incentivize executives to engage in creative accounting practices to manipulate financial results and maximize personal compensation (Healy and Wahlen, 2018).
ii. **Board Oversight:** Weak board oversight, lack of independence and insufficient expertise among directors can enable executives to engage in creative accounting without adequate scrutiny or accountability (Solomon, 2019).

iii. **Auditor Independence:** Pressure from management, conflicts of interest and cozy relationships between auditors and clients can compromise auditor independence and integrity, leading to inadequate detection and reporting of creative accounting practices (Schilit, 2019).

iv. **Regulatory Compliance:** Inadequate regulatory oversight, lax enforcement and regulatory capture can create opportunities for companies to engage in creative accounting with impunity, knowing that the likelihood of detection and punishment is low (Coffee, 2021).

**Intersection of Accounting Practices and Corporate Governance Failures**

The intersection of accounting practices and corporate governance failures is evident in numerous cases of financial fraud, accounting scandals and corporate collapses. Examples include:

i. **Enron:** The Enron scandal, one of the largest corporate frauds in history, involved extensive use of off-balance sheet financing, special purpose entities and mark-to-market accounting to conceal losses and inflate profits (Healy and Palepu, 2019).

ii. **WorldCom:** WorldCom engaged in massive accounting fraud by inflating reported earnings through improper capitalization of expenses, fraudulent revenue recognition and manipulation of reserves and accruals (Solomon, 2019).

iii. **Satyam Computer Services:** Satyam Computer Services, a leading Indian IT company, perpetrated a $1.5 billion accounting fraud by overstating revenues, inflating cash balances and fabricating customer contracts to create a false impression of financial health (Mallin, 2013).

iv. **Lehman Brothers:** Lehman Brothers' collapse was precipitated by accounting irregularities, including the use of repo 105 transactions to temporarily remove billions of dollars of assets from its balance sheet, thereby masking its true leverage and financial risk (Schilit, 2019).

Bad corporate governance poses significant risks to companies, shareholders and the broader economy, undermining trust and confidence in financial markets and institutions. By understanding the definition, components, types and contributing factors of bad corporate governance, as well as its nexus with creative accounting and intersection with accounting practices, stakeholders can identify warning signs, implement effective governance mechanisms and mitigate the risks associated with governance failures. Regulatory responses, shareholder activism and cultural changes that prioritize ethics, transparency and accountability can help promote good corporate governance and restore trust in corporate institutions.

**Research Design**

The research adopts a mixed-methods approach, combining both quantitative and qualitative techniques to obtain a holistic understanding of the phenomena under investigation. The quantitative component involves the analysis of numerical data to examine the relationships between variables, while the qualitative component involves in-depth exploration of underlying factors, motivations and perceptions through interviews, case studies and textual analysis (Creswell and Creswell, 2017).

**Data Collection Methods**

**Quantitative Data:** Quantitative data is collected through a survey questionnaire distributed to a sample of Nigerian companies listed on the Nigerian Stock Exchange (NSE) and selected using stratified random sampling. The questionnaire includes closed-ended questions designed to measure variables related to corporate governance mechanisms, financial reporting quality and perceptions of creative accounting practices.

**Qualitative Data:** Qualitative data is collected through semi-structured interviews with key informants, including corporate executives, auditors, regulators and industry experts. The interviews are conducted using open-ended questions to explore participants' perspectives, experiences and insights into creative accounting and corporate governance practices in Nigeria.

**Documentary Analysis:** Documentary analysis involves the review and analysis of corporate governance reports, financial statements, regulatory filings, audit reports and other relevant documents to supplement survey and interview data. This helps triangulate findings and provide additional context to the research.

**Sample Selection**

The sample consists of Nigerian companies listed on the NSE across various sectors, including banking, telecommunications, oil and gas, manufacturing and services. The sample is selected using a stratified random sampling technique to ensure representation from different industries and size categories. Within each stratum, companies are randomly selected to participate in the study, with the aim of achieving a diverse and representative sample.

**Variables and Measurement**

**Dependent Variable:** The dependent variable in the study is financial reporting quality, which is measured using proxies such as earnings management, financial statement accuracy and compliance with accounting standards (Dechow *et al*., 2019). For the purpose of this study. Earnings per share (EPS) was used to regress the independent variables.

**Independent Variables:** independent or Control variables such as firm age, profitability, leverage and industry type are included to account for potential confounding effects and enhance the robustness of the analysis. For the purpose of this study, the following independent variables will be used to regress against the dependent variable, thus; BS - Board Size, BC - Board Composition, ACM - Audit Committee Meeting, BM - Board Meeting, GD - Gender Diversity

**Data Analysis Techniques**

**Descriptive Statistics:** Descriptive statistics are used to summarize the characteristics of the sample, including means, frequencies and percentages, to provide an overview of the data.

**Inferential Statistics:** Inferential statistics, such as correlation analysis, regression analysis and analysis of variance (ANOVA), are employed to test hypotheses and examine the relationships between variables.

**Qualitative Analysis:** Qualitative data analysis involves thematic coding, categorization and interpretation of interview transcripts and textual data to identify patterns, themes and insights related to creative accounting and bad corporate governance practices in Nigeria.

**Triangulation:** Triangulation involves comparing and contrasting findings from quantitative and qualitative data sources to corroborate evidence, validate interpretations and enhance the credibility and reliability of the study (Creswell and Creswell, 2017).

**Model Specification**

In this study on creative accounting, bad corporate governance, and financial reporting quality in Nigerian companies, we specify the following econometric models to test the hypotheses:

**Econometric Model:**

**Model Specifications:**

$EPS=a_0 + a_1BS$ ----------------------------------------------------------------------------------1

$EPS=a_0 + a_1BC$ ---------------------------------------------------------------------------------2

$EPS=a_0 + a_1ACM$ ----------------------------------------------------------------------------3

$EPS=a_0 + a_1BM$ --------------------------------------------------------------------------------4

$EPS=a_0 + a_1GD$ --------------------------------------------------------------------------------5

The models can therefore be combined and stated thus;

$EPS= a_0 + a_1BS + a_0 + a_2BC + a_0 + a_3ACM + a_0 + a_4BM + a_0 + a_5GD$----------------------6

Where;

BS - Board Size

BC - Board Composition
ACM - Audit Committee Meeting
BM - Board Meeting
GD - Gender Diversity
EPS - Earnings per Share

This model allows us to analyze the impact of corporate governance and creative accounting practices on financial reporting quality, controlling for firm-specific characteristics.

## DATA PRESENTATION AND ANALYSIS

Data presentation, analysis and test of hypotheses represent a 3-phase approaches which serve as a link between the research objectives and research findings. In this chapter, the researcher takes decisive action at presenting the variables obtained from annual reports and accounts of the four (4) deposit money banks in the study.

### Data Presentation

Howard (2012) points out that data presentation include the description of the data set disseminated with the main variables covered, the classifications and breakdowns used, the reference area, a summary information on the time period covered and, if applicable, the base period used. In another view, Osuala (2015) hints that data presentation entails the use of tables, charts and graphs to demonstrate the trend, pattern and behavior of any research data.

In line with the above views, the study obtains annual reports and accounts of four (4) quoted Deposit Money Banks in Nigeria and their analysis are shown below:

### Data Analysis

As stated in the research methodology the techniques for data analysis would be simple regression, by ordinary least squares (OLS) and SPSS framework. The simple regression analysis was used because it enabled the author to test each of the independent variable on the dependent variable.

### Test of Hypothesis

Five hypothesis formulated in the chapter one of this study are tested below using the results obtained from the regression analysis. The hypothesis will be tested using the decision rule as stated below:

**Decision Rule:** Reject null hypothesis (H0) if p-value is less than 0.05 (5%) and if not, accept the null hypothesis. The beta coefficient value shows the degree change caused by the independent variables (ACM, BM, BS, BC and GD) and its resultant effect on dependent variable (EPS). The t-test value is used to describe the nature of the relationship between the two variables (positive or negative).

### Test of Hypothesis One

Ho1: There is no significant relationship between Audit Committee Meetings and Earnings per
Share of Deposit money banks in Nigeria.

Table 1: OLS, using observations 2014-2023 (T = 10)
Dependent variable: EPS

| | Coefficient | Std. Error | t-ratio | p-value |
|---|---|---|---|---|
| Const | 1.152906 | 2.6769706 | 1.1778 | 0.27273 |
| ACM | 0.435266 | 0.0255885 | 5.2862 | 0.00074 |

Source: OLS version 20

From the above result we find that Audit committee meeting (ACM) has a positive effect on Earnings per Share (EPS) such that a unit change the ACM will lead to 0.11increase in Earnings per share as obtained in the Beta coefficient value. From tables 4.4.1, the P-value and significant values of Audit committee meetings are 0.00074 and 0.038

respectively and these are less than the set value. Thus, the rejection of the null hypothesis ($H_{O1}$) which states that there is no significant relationship between Audit committee meeting and Earnings per Share of Deposit money banks in Nigeria. The alternate hypothesis is therefore accepted which states that there is significant relationship between audit committee meeting and Earnings per Share of Deposit money banks in Nigeria.

**Test of Hypothesis Two**

Ho2: There is no significant relationship between Board Meeting and Earnings per Share of Deposit money banks in Nigeria.

Table 2: Model 4 OLS, using observations 2014-2013 (T = 10)

Dependent variable: EPS

| | Coefficient | Std. Error | t-ratio | p-value |
|---|---|---|---|---|
| Const | 4.08354e+06 | 3.89251e+06 | 1.0491 | 0.32480 |
| BM | 0.3521696 | 650.409 | 3.3266 | 0.01044 |

Source: OLS version 20

From the above result we find that Board meeting (BM) has a positive effect on Earnings per Share (EPS) such that a unit change the BM will lead to 0.34increase in Earnings per share as obtained in the Beta coefficient value.

From tables 2, the P-value and significant values of Board meeting are 0.01044 and 0.025 respectively and these are less than the set value. Thus, the rejection of the null hypothesis ($H_{O2}$) which states that there is no significant relationship between Board meeting and Earnings per share of Deposit money banks in Nigeria. The alternate hypothesis is therefore accepted which states that there is significant relationship between Board meeting and Earnings per share of Deposit money banks in Nigeria.

**Test of Hypothesis Three**

Ho3: There is no significant relationship between Board Size and Earnings per share of Deposit money banks in Nigeria.

Table 3: OLS, using observations 2014-2023 (T = 10)

Dependent variable: EPS

| | Coefficient | Std. Error | t-ratio | p-value |
|---|---|---|---|---|
| Const | 2.1111906 | 2.8388306 | 0.6437 | 0.27834 |
| BS | 0.48253 | 0.0278766 | 5.3182 | 0.00071 |

Source: OLS version 20

From the above result we find that Board Size (BS) has a positive effect on Earnings per Share (EPS) such that a unit change the BS will lead to 0.221 increase in Earnings per share as obtained in the Beta coefficient value. From tables 3, the P-value and significant values of Board size are 0.00071 and 0.039 respectively and these are less than the set value. Thus, the rejection of the null hypothesis

($H_{O3}$) which states that there is no significant relationship between Board size and Earnings per Share of Deposit money banks in Nigeria. The alternate hypothesis is therefore accepted which states that there is significant relationship between Board size and Earnings per Share of Deposit money banks in Nigeria.

**Test of Hypothesis Four**

Ho4: There is no significant relationship between Board Composition and Earnings per Share of Deposit money banks in Nigeria.

Table 4: OLS, using observations 2014-2023 (T = 10)

Dependent variable: EPS

| | Coefficient | Std. Error | t-ratio | p-value |
|---|---|---|---|---|
| Const | 845767 | 3.804206 | 0.2223 | 0.82964 |
| BC | 0.67569 | 0.749248 | 4.2385 | 0.00284 |

Source: OLS version 20

From the above result we find that Board Composition (BC) has a positive effect on Earnings per Share (EPS) such that a unit change the BC will lead to 0.346 increase in Earnings per share as obtained in the Beta coefficient value. From tables 4, the P-value and significant values of Board Composition are 0.00284 and 0.037 respectively and these are less than the set value. Thus, the rejection of the null hypothesis ($H_{O4}$) which states that there is no significant relationship between Board composition and Earnings per Share of Deposit money banks in Nigeria. The alternate hypothesis is therefore accepted which states that there is significant relationship between Board composition and Earnings per Share of Deposit money banks in Nigeria.

**Test of Hypothesis Five**

Ho5: There is no significant relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria.

Table 5: OLS, using observations 2014-2023 (T = 10)

Dependent variable: EPS

| | Coefficient | Std. Error | t-ratio | ap-value |
|---|---|---|---|---|
| Const | 1.56085 | 2.739606 | 5.6972 | 0.00046 |
| GD | 0.14979 | 0.712545 | 0.2237 | 0.02861 |

Source: OLS version 20

From the above result we find that Gender Diversity (GD) has a positive effect on Earnings per Share (EPS) such that a unit change the GD will lead to 0.28increase in Earnings per share as obtained in the Beta coefficient value. From tables 5, the P-value and significant values of Gender Diversity are 0.02861 and 0.049 respectively and these are less than the set value. Thus, the rejection of the null hypothesis ($H_{O5}$) which states that there is no significant relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria. The alternate hypothesis is therefore accepted which states that there is significant relationship between Gender Diversity and Earnings per Share of Deposit money banks in Nigeria.

**Discussion of Findings**

The full results from the simple regression equations, by Ordinary Least Square version 20 (OLS) and SPSS version 23. The equation employed Earnings per Share as its dependent variable while Board Size (BS), Board Composition (BC), Audit Committee Meeting (ACM), Board Meeting (BM), and Gender Diversity (GD) are the independent variables. In regressing Audit Committee Meeting (ACM) against Earnings per Share (EPS), it showed a significant value of 0.00074 and 0.038 (which are lesser than 0.05 level of significant) as seen in table 1. The t-test value showed 0.029 indicating a positive relationship between Audit Committee Meeting (ACM) and Earnings per Share (EPS). This indicates that Audit Committee Meeting has a significant positive relationship with Earnings per Share which implies that an increase in number of Audit Committee Meeting will lead to an increase in Earnings per Share. This result is in consistence with Hsu (2012), Jackling and Johl (2013), Lipton and Lorsch (2012), Khanchel (2014), and Ishaya, Francis, and Solomon A.(2013) they found a significant positive relationship between Audit Committee Meetings and firm performance so the study revealed that the more the number of Audit Committee Meetings, the more the performance of the banks.

However, the result is in line with the apriori expectation, which states that the higher the Audit Committee Meetings, the more the Earnings per Share.

In regressing Board Meeting (BM) against Earnings per Share (EPS), it revealed a p-value and a sig. value of 0.01044 and 0.025 respectively (which are lesser than 0.05 level of significant) as seen in table 2. The t-test value showed 1.234, indicating a positive relationship Board Meeting (BM) and Earnings per Share (EPS). This indicates that Board Meeting has a significant positive relationship with Earnings per Share, i.e. an increase in number of Board Meetings during the year will lead to a significant increase in banks performance. This result is in line with the findings of Kang and Kim (2011), Hsu and Petchsakulwong (2013), Hasnah (2015), Khanchel (2012), Vafeas (2015) and Lin, Ma, and Su, (2012) they found a significant positive association between board meeting and financial performance of firm. The outcome of the regression is also in consistence with the apriori expectation.

The Board Size (BS) showed a significant positive relationship when regressed against Earnings per Share (EPS) as seen in table 3. it has a p-value and a sig-value of 0.00071 and 0.039 respectively.(which is less than 0.05 level of significant). The t-test value showed a positive value of 0.641. This shows that Board Meeting has a significant positive relationship with Earnings per Share, which implies that the higher the number of board Meetings held in a year, the higher the financial performance of the banks and the lower the number of Board Meeting, the lower the performance. This result is in consistence with the findings of Swamy (2013), Najjar (2012), Li, Kankpang and Okonkwo (2012), Khan and Javid (2012), Kang and Kim (2011), Larmou and Vafeas (2015). Abdullah (2014), and Al-Matari, AL-Swidi and Faudziah,(2014). They found a significant positive relationship between board size and firm performance. However, the apriori expectation agrees with the result of the regression. (The more the Board Size, the more the Earnings per Share).

In regressing Board Composition (BC) against Earnings per Share (EPS), it showed a p-value and a sig. value of 0.00284 and 0.037 respectively (which are lesser than the 0.05 level of significant) as seen in table 4. The t-test value is 1.043, indicating a positive relationship between Board Composition (BC) and Earnings per Share (EPS).This indicates a significant positive relationship between the two variables (Board Composition and Earnings per Share) This implies that an increase in Board Composition (outside Directors) will lead to an increase in Earnings per Share. That is to say that increase in the number of outside directors serving on the board will improve or increase the firm financial performance, and a reduction in the number of outside Directors will reduce performance, this study is in line with the findings of Hsu and Petchsakulwong (2013), Kang and Kim (2014), Nuryanah and Islam (2015), Obiyo and Lenee (2011), Swamy (2012), Uadiale (2012), Saibaba and Ansari (2013), and Shan and Mclver (2011), the found a significant positive relationship between Board Composition and firm performance. Also, the study is in consistence with the believe of Agency theory and Resource dependence theory.

However, the apriori expectation did not agree or is not in consistence with the regression result. It was earlier expected that the less the number of non-executive Directors, the higher the Earnings per Share. But after running the regression analysis, the result revealed that the higher the non-executive directors (outside Directors) the more the earnings per share (performance). This is so because the outside Directors safeguard the interest of the shareholders more effectively as compared with their executive (dependent Directors) counterparts. Also, outside Directors provide superior performance benefits to the firm as a result of their independence from firm management.

In regressing Gender Diversity (GD) against Earnings per Share (EPS), it revealed a p-value and a significant value of 0.02861 and 0.049 respectively (which are lesser than 0.05 level of significant) as seen in table 5. However, the t-test value is 0.078, indicating a positive relationship between the two variables. This shows that Gender Diversity has a significant positive relationship with Earnings per Share. i.e. the more the number of female Directors on the board, the more the performance of the banks. The finding shows that female Directors have a positive effect on financial performance of banks. The finding is in line with the conclusions of Simpson (2012), Schrader (2013), Carter, Simkins, and Simpson (2013), Hudson (2014), Upadhyaya and Puthenpyrackal (2013) and Nowell and Tinkler (2014), they found a positive relationship between gender diversity and firm performance. The result of the regression is also in line with the apriori expectation earlier stated.

**Summary of Findings**

The study revealed that a significant positive relationship exists between Audit Committee Meetings, Board Meetings, Board Size, Board Composition, Gender Diversity and Financial Performance of deposit money banks in Nigeria. (Significant positive relationship exists between the dependent and independent variables). This shows that an increase in the independence variables (Audit Committee Meeting, Board Meeting, Board Size, Board Composition, and Gender Diversity) will lead to an increase in the dependent variable (Earnings per share).

**Conclusion**

This study is considered to have achieved its main objective, which is to explore the relationship between corporate governance characteristics and financial performance of deposit money banks in Nigeria. However, the study therefore concludes that there is significant positive relationship between corporate governance characteristics (Audit Committee Meetings, Board Meeting, Board Size, Board Composition and Gender Diversity) and Financial Performance of Deposit money banks in Nigeria.

**Recommendations**

Based on the findings of the research work, the following recommendations which will be useful:

1. The management of deposit money banks in Nigeria, as a matter of fact, should try to increase the number of board meetings in a year, in order to increase its positive effect on financial performance of deposit money banks in Nigeria. Since board meeting has a significant positive relationship with financial performance of banks.
2. The banks through its regulatory authority should increase the number of Audit committee meetings in a year since the audit committee meetings have a significant positive relationship with the financial performance of Deposit money banks in Nigeria.
3. The banks should increase the board size (number of board members) in order to benefit from its positive effect on financial performance. Since board meetings have significant positive relationship with banks financial performance.
4. The banks should try to increase the number of female directors on the board, because it has been proven by the study that gender diversity (GD) has a significant positive relationship with the banks financial performance.
5. Finally, the deposit money banks in Nigeria through its regulatory agencies should increase the number of outside director (Board composition) on the board, since it has a significant positive effect on the financial performance of banks.

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