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## Article

# Corporate governance and the market value of listed deposit money banks in Nigeria

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### Original Research Article

## **Corporate Governance and the Market Value of Listed Deposit Money Banks in Nigeria**

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### **Abstract**

*This study examined the impact of corporate governance on the market value of listed deposit money banks in Nigeria (DMBs). Data were collected from annual reports and accounts of the selected banks from 2006 to 2015. Data for the study were analysed using descriptive statistics, correlation and Panel data regression techniques using Stata software version 12.00. The study found board size and audit committee size have a positive but insignificant impact on the market value of listed DMBs in Nigeria. However, board composition and firm size have a significant positive impact on market value of listed DMBs in Nigeria. The study recommends that listed DMBs in Nigeria should maintain the statutory provisions on the board size and audit committee size to ensure proper governance. This will also ensure proper stewardship of resources that could improve the market value. Also, the Nigerian deposit money banks should maintain optimum board composition and total assets in ensuring proper governance structure and value creation.*

**Keywords:** Board size, Audit Committee, Firm size, Market value, Tobin's Q.

### **1.0 INTRODUCTION**

The concept of Corporate Governance has in recent years become a leading topical issue in the business world. The ongoing financial crisis that started in late 2007 and recent corporate scandal that led to the demise of some corporate giants across the globe had brought out the importance of

effective corporate governance the world over (Godwin, 2013).

Corporate governance is one of the factors that determine the health of an organisation and its ability to survive economic shocks. The health of the organisation depends on the underlying soundness of its components

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and the connections between them (Ranti, 2011). Corporate governance is a very important element that can provide information on how to maximise the shareholder's wealth. Good corporate governance plays a very effective role in increasing the market value of the firms (Tahir, Rehman & Rehman, 2014). Yaseen and Amarneh (2015) posit that corporate governance issue can have an effect on the various aspects of a firm's management including the performance management, earnings management and capital structure. Gill and Obradovich (2012) argued that maximising shareholders' wealth is one of the corporate goals that cannot be ignored and the market value of the firm is an important measure of the shareholders' wealth.

Sound corporate governance defines the rights and duties of the stakeholder of the business including shareholders, management, and board of the directors. Corporate governance also helps managers to focus on improving the firm's performance. Therefore, sound corporate governance is required by every firm to enhance its market value.

According to the Cadbury Report 1992, corporate governance is defined as the "system by which businesses are directed and controlled". In other words, corporate governance is a general set of customs, regulations, habits and laws that determine how those charged with the responsibility should run a firm.

Nigerian banking industry has been given serious attention by the government because it is one of the major sectors that play an important role in the development of every economy. The choice of this sector is based on the fact that the banking sector's stability has a large positive externality and banks are the key institution maintaining the payment system of an economy that is essential for the stability of the financial sector. Financial sector stability in turn has a

profound externality on the economy as a whole.

The banking industry in Nigeria has been faced with the problem of illiquidity leaving some banks to be financially distressed. According to CBN (2006) "poor corporate governance amongst other things was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country". In 2009 a special audit of the commercial banks in Nigeria was carried out by the CBN, and it was found that ten (10) banks were insolvent, undercapitalised and badly managed (Nigeria Deposit Insurance Corporation, 2011). As a result, the regulators such as Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC) have put in place stringent measures for the regulation of banks in Nigeria. For instance, a code of corporate governance was issued by the Nigeria security and exchange commission for corporations operating in Nigeria in 2003. Specifically, in 2006, a code of corporate governance for banks was issued by the Central Bank of Nigeria. These codes are expected to ensure best practices among corporate bodies in Nigeria.

The adoption of the concept of corporate governance for all business organisations especially deposits money banks in Nigeria become imperative given the incidence of massive financial scandal and the under-performance of some deposit money banks in Nigeria. Mulbert (2010) opines that poor corporate governance of banks has been increasingly acknowledged as the primary cause of financial crisis. Mulbert (2010) also asserts that the absence of good corporate governance in some deposit money banks in Nigeria led to deterioration of their performance, decline in their liquidity position, poor quality of assets and downward trend in their profitability as a result of huge provisioning for non-performing credit and the attendant crash in the market share prices.

In Nigeria, there were a large number of studies on corporate governance. Most of these studies were conducted on corporate governance and financial performance of firms and not firm value. For instance, Ranti (2011) concludes that negative but significant relationship exists between board size, board composition and the financial performance of banks in Nigeria. Also, Mohammed (2011) concludes that corporate governance significantly contributes to positive performance in the banking sector in Nigeria. Godwin (2013) found among other things that noncompliance with corporate governance code in the Nigerian banking industry hampers bank's performance. Most of the findings on the impact of corporate governance are inconclusive and mixed. Joshua, Gambo and Tauhid (2013) found that there is no significant relationship between board structure and banks' financial Performance and suggest that other corporate governance indices should be considered in measuring the financial performance of deposit money banks in Nigeria. This shows that there is the need to add to the existing literature on corporate governance and firm value.

Therefore, this study attempts to extend the literature by examining the impact of corporate governance variables (board size, board composition, audit committee size) on the market value of listed deposit money banks in Nigeria. The main objective of the study, therefore, is to examine the impact of corporate governance on the financial performance of the listed Nigerian deposit money banks. The study covers ten year period.

## 2.0 LITERATURE REVIEW

The impact of corporate governance differs because of different corporate governance structures resulting from different social, economic, and regulatory conditions (Rouf, 2011). Bhabra (2007) found that firm value is sensitive to differences in governance structures across markets. Black (2001)

found that a firm's corporate governance behaviour can have huge effects on its market value. Gompers (2003) used incidence of 24 governance rules to construct a "Governance Index" and found that the firms with stronger shareholder rights had higher firm value; that is, strong corporate governance improves the value of the firm. Klapper and Love (2004) opine that firms can partially compensate for ineffective laws and enforcement by establishing good corporate governance and providing credible investor protection.

Yinusa and Badalona (2012) in their study the impact of corporate governance on the capital structure of Nigerian firms found a significant positive relationship between corporate governance and capital structure of Nigeria firms and that corporate governance has a positive significant impact on firm's profitability. Chugh, Joseph and Ashwani (2011) also found a significant positive relationship between corporate governance and firm's performance and corporate governance has a positive impact on firm's performance.

### 2.1 Board size and firm value

Board size is the number of individuals serving on the board of a firm. The corporate governance code states that the board should be of a sufficient size relative to the scale or complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The membership of the board should not be less than five (5) but subject to a maximum board size of 20 directors (CBN 2006) and 15 directors (SEC 2003).

The argument is that some scholars conclude that the effectiveness of the board tends to increase as the board size grows, while other empirical studies argued that as the board size grows the performance and firm value will also be reduced. Fama and

Jensen (1983) posit that an increase in the number of the board size slows down the decision-making processes of the firm leading to a decrease in firm value and effectiveness. Lipton and Lorsch (1992) and Jensen (1993) empirically measure the relationship between the board size and firm performance. Thus conclude that as board size grows, the decision making processes slow down and this causes communication problems and affects the firm performance negatively. Mak and Kusnadi (2003) using sample of firms from Malaysia and Singapore found that firm valuation is highest when sboard has five (5) directors. In Nigeria Sanda (2008) found that firm performance is positively correlated with small board size as opposed to firms with large boards.

The conclusion made by Switzer and Tang (2009), larger board sizes are detrimental to performance. In examining the impact of corporate governance and financial leverage on the value of American firms, Gill and Abradovich (2012) found that larger board size negatively impacts the value of American firms. This is also in agreement with Bawa and Lubabah (2012); who found a significant negative relationship between board size and firm value Olubukunula and Samuel (2012) found that there is a significant negative relationship between board size and financial performance of the banks in Nigeria.

On the other hand, Srilanka, Donashana, and Ravivathani (2013) found that board size has a positive and significant impact on firm performance. Topal and Dogan (2014) in their study titled Impact of Board Size on Financial Performance found a positive relationship between the size of the board and Return on Asset (ROA) and Z Altman score. The reviewed studies show that there is the need for further research to provide empirical evidence on the relationship between board size and firm value. Based on the objective of the study, the following

hypothesis is formulated in null form to guide the study:

H<sub>01</sub>: Corporate governance has no significant impact on the market value of the listed deposit money banks in Nigeria.

## **2.2 Board composition and firm value**

A board is composed of inside and outside members. Inside members are selected from the executive officers of the firm. Outside directors are members whose relationship with the firm is their directorship. The code of corporate governance issued by CBN (2006) asserts that ‘the majority of the board members should be non-executive directors, and at least two (2) non-executive board members should be independent directors ( who do not represent any particular shareholding interest and hold no special business interest with the bank) appointed by the bank on merit.

Hermalin and Weisbach (1991) posit that there is no relationship between the proportion of independent directors and superior firm performance. Conversely Mehran (1995) found that increasing the level of the proportion of independent directors directly increase firm performance because they are more effective monitors of managers. Also, Agrawal and Knoeber (1996) found positive correlation between the proportion of independent directors and the firm value. Rouf (2011) opines that the role the independent director plays on the board of directors is to effectively monitor and control firm activities in reducing opportunistic managerial behaviours and expropriation of firm’s resources. This study expects the positive significant impact of board composition on the market value of the listed deposit money banks in Nigeria.

## **2.3 Audit committee size and firm value**

An audit committee is a committee consisting of non-executive directors which are able to view the company’s affairs in a detached and independent way and liaise effectively with the main board of directors

and the external auditors. Every public company is required by law to establish an audit committee. The principles of corporate governance suggest that audit committee should work independently and perform their duties with professional care and at least one board member of the committee should be financially literate.

Klein (1998) reported a positive relationship between the audit committee and value of the firms (earnings management). Kajola (2008) found that there is no significant relationship between audit committee and value of the firm. Rouf (2012) could not provide a significant relationship between the value of the firm measures (ROA and ROE) and audit committee. Gill and Abradovich (2012) conclude that audit committee positively impact on the value of American firms. This is in line with the opinion of Donashana and Ravivathani (2013). Tahir, Rehman and Rehman (2014) opined that audit committee has insignificant impact on firm market value. Thus, literature is still unresolved on the impact of audit committee and firm value. However, this study expects positive and significant impact of audit committee on firm value.

## 2.4 Firm size and firm value

Firm size as a control variable has been used by many researchers some of which included Gill and Abradovich (2012) who found that firm size positively impacts on the value of American firms. However, Tahir, Rehman and Rehman (2014) study corporate governance and financial leverage impact on the value of firms (evidence from textile sector Pakistani listed companies). The result shows a positive but insignificant relationship between firm size and firm value. Fallatah and Dicson (2012) study corporate governance and performance on firm value. The result revealed that firm size has no significant impact on firm value. The current study expects positive relationship to exist.

The overall reviewed literature revealed mixed results on the impact of corporate governance and firm value. This study expects positive significant impact of corporate governance on the value of the listed deposit money banks in Nigeria.

## 3.0 METHODOLOGY

### 3.1 Theoretical Framework and Model Specification

Theories are analytical tools for understanding, explaining and making predictions about a given subject matter. There are various theories with regards to corporate governance. Sanda, Mikaila, and Garba (2005) and Ranti (2011) identified the agency theory, the stewardship theory and the stakeholder theory as the three prominent theories of corporate governance. This current study is anchored on agency theory. Literature on corporate governance can traced to the pioneer work of Jensen and Meckling (1976). According to the Agency Theory as presented by Jensen and Meckling (1976) agency problems occur when the interests of agents are different from those of principals. Depending on the parties involved in conflicts, agency problems can be categorized into four: managerial agency (between stockholders and management), debt agency (between stockholders and bondholders), social agency (between private and public sectors); and political agency (between agents of the public sector and the rest of society or taxpayers). Jensen and Meckling (1976) posit that shareholders are the residual claimants after other parties; their rights are the weakest. Corporate governance is therefore made to protect and promote the interests of shareholders. This study will focus on the agency-principal problems (between managers and stockholders) and debt agency problem (between stockholders and bondholders).

Furthermore, Agency Theory suggests a positive correlation between good corporate governance and firm value. The basis of this

hypothesis is the agency costs (monitoring costs, bonding costs and residual loss). Firm value can be increased either by an increase of expected future cash flow or by a decrease of the cost of capital. Corporate governance variables can help to increase future cash flow (FCF) and reduce weighted average cost of capital (WACC).

The following multiple regression models as used by Tahir, Rehman and Rehman (2014), is adopted for this study.

$$Q = \alpha + \beta_1 BS_{it} + \beta_2 BC_{it} + \beta_3 AC_{it} + \lambda_1 (FS)_{it} + \mu_{it} \quad (1)$$

$$Q = \alpha + \beta_1 BS_{it} + \beta_2 BC_{it} + \beta_3 AC_{it} + \lambda_1 (FS)_{it} + \mu_{it} \quad (2)$$

Where:

BS= Board Size

BC= Board composition

AC= Audit committee size

FS= Firm size

$\mu_{i,t}$  = The error term

$i,t$  = Value of firm  $i$  in time  $t$

$Q$  = Tobin's  $Q$

$\beta_0$  = Intercept for bank  $i$  in point  $t$ .

$\beta_1 - \beta_4$  = Regression coefficient of IVs for bank  $i$  in point  $t$ .

$\lambda_1 - \lambda_2$  = Regression coefficient of CVs for bank  $i$  in point  $t$ .

The study analyzed the data using descriptive statistics, correlation and Panel data regression technique of OLS and GLS random effect using STATA software version 12.00

### 3.2 Research Design

A non-survey research design was used for the study. This is due to the fact that the data required for the study are obtainable from the published annual reports and accounts of the banks under study. The population of the study comprised all the fifteen (15) deposit money banks listed in the Nigerian Stock Exchange (NSE) as at 31st December 2015. The study covers a period of ten years starting from 2006 to 2015. Table 1 shows the list of the population of the study.

**Table 1: Listed banks in Nigeria**

S/No	Name	Year of Incorporation	Year Listed on NSE
1	Access Bank Plc	1989	1998
2	Diamond Bank Nigeria Plc	1990	2005
3	Eco Trans Incorp Plc	1985	2006
4	Fidelity Bank Plc	1987	2005
5	First Bank of Nigeria Plc	1894	1971
6	First City Monument Bank Plc	1982	2004
7	Guaranty Trust Bank Plc	1990	1996
8	Skye Bank Plc	1989	2005
9	Stanbic-IBTC Bank Plc	1989	2005
10	Sterling Bank Plc	2006	2006
11	Union Bank of Nigeria Plc	1917	1971
12	United Bank for Africa Plc	1961	1970
13	Unity Bank Plc	2006	2006
14	Wema Bank Plc	1969	1991
15	Zenith Bank Plc	1990	2004

The sample size of the study is derived using the sample selection formula used by Collins and Schultz (1995), and as cited in the work of Kantudu (2006) and Barde (2009).

The sample size formula is:

$$n = N / 1 + Ne^2$$

Where:

N= is the population size

n = is the sample size

e = is the marginal error at 25%

By substitution, the sample of the study was determined as follows.

N = 15, and e = 25%

$$N = 15 / 1 + 15 (0.25)^2$$

$$n = 15 / 1 + 15 (0.0625)$$

$$n = 15 / 1 + 0.9375$$

$$n = 15 / 1.9375$$

n = 7.742 i.e. approximately 8 firms formed the sampled size for the study.

From the above, the sample size of the study is approximately 8 banks out of 15 listed deposit money banks in Nigeria. Therefore, the sample of the study (8 banks) was selected using simple random sampling technique through ballot system procedure. Table 2 shows the sampled banks for the study as follows:

**Table 2: Sampled banks for the Study**

S/No	Name	Year of Incorporation	Year Listed on NSE
1	Access Bank Plc	1989	1998
2	Diamond Bank Nigeria Plc	1990	2005
3	First City Monument Bank Plc	1982	2004
4	Fidelity Bank Plc	1987	2005
5	Guaranty Trust Bank Plc	1990	1996
6	First Bank of Nigeria Plc	1894	1971
7	United Bank for Africa Plc	1961	1970
8	Zenith Bank Plc	1990	2004

The study used secondary source of data which was obtained from the published annual reports and accounts of the sampled deposit money banks for the study. This is done to enable the researcher extract the relevant variables for the study. This study also used Central Bank of Nigeria (CBN) bulletin and the Nigerian Stock Exchange Fact Book.

The variables under consideration are the dependent variable, independent variables and control variable. The dependent variable is the market value of listed deposit money banks which is calculated using Tobin's Q. This is obtained by adding market value of equity plus book value of debt (Long term + Short term) divided by total assets. This is consistent with the studies of Gill and Abradovich (2012), Himmelberg (1999), Palia (2001), Bhagat and Jefferis (2002),

Tahir, Rehman and Rehman (2014). Independent variables are board size, calculated as total number of board of directors; board composition, measured as the proportion of non- executive directors sitting on the board to the total number of directors; audit committee size, measured as total number of audit committee members. The control variable is firm size, which is measured by taking the natural logarithm of total assets.

#### 4.0 RESULTS AND DISCUSSION

This section presents analyses and interprets the result obtained from the regression models derived from both OLS and GLS (Random effect) estimations. It starts with descriptive statistics followed by correlation, robustness test of data and lastly regression analysis



#### 4.1 Descriptive Statistics:

Table 3 shows the summary statistics of the dependent variable (Market value), independent variables (board size, board

composition and audit committee size) and control variable Firm size. This provides a basic insight into the nature of the data upon which the analysis is done.

**Table 3: Descriptive Statistics of the Variables**

Variables	Obs	Mean	Std. Dev.	Minimum	Maximum
Tobinq	80	1.082792	.0541206	1.009061	1.258502
BS	80	13	2.762515	6	20
BC	80	.6445	0.1112973	0.29	0.83
ACS	80	6	0.3091434	4	6
FS	80	8.8975	0.4378	8.0278	9.6378

Table 3 shows a Tobin's Q mean total score of 1.0827 of the sampled deposit money banks in Nigeria. This means that on average the market value of the listed DMBs within the period is higher than replacement cost of its asset which indicates that market value of DMBs stock is overvalued. The minimum market value of 1.00 signifies that at a particular point in time the stock or market value is equal to its replacement value. Likewise, the maximum value of 1.26 indicates the extreme value of the stock which means that market value is higher than the replacement value. The standard deviation of 0.054 shows a little variation in the market value among the listed deposit money banks.

As indicated in Table 3, the mean board size is about 13 members with minimum of 6 members and maximum of 20 members. The standard deviation of 3.05 shows a significant variation in the size of the board of the sampled DMBs in Nigeria. In addition, the mean board composition of 0.6445 shows that, the average of the proportion of non-executive directors on the board is about 64%. This implies that the board is largely made up of independent, external directors compared to about 36% non-independent or internal directors. It also shows that at minimum listed DMBs have 29% non-executive directors and a maximum of 83% respectively. This reflects a vital role that non-executive directors play

on the board effectively. The standard deviation of 0.111 indicates that there is no much difference in composition of membership of the board among the sampled DMBs in Nigeria.

Also, listed DMBs have average audit committee size of 6 members. It also indicates at minimum Nigerian DMBs have 4 members at the audit committee and a maximum of 6 across the banks as being specified in the code of corporate governance. The standard deviation of 0.309 indicates a low level of dispersion in the composition of audit committee size as a significant number of banks has equal members representing the board. Moreover, also the average firm size of 8.89% indicating that the average size of the firm is ₦889 billion with a minimum of ₦802 billion and maximum size of ₦963 billion when converted in naira term. The standard deviation of 0.437 indicates little dispersion and variation among the sampled DMBs.

#### 4.2 Correlation Results

The results of the Pearson's correlation between the dependent variable (Firms Value) and explanatory variables (board size, board composition, audit committee size and firm size) are presented in Table 4. It also shows the relationship between all pairs of variables in the regression model; the relationship between all explanatory variables individually with explained

variable and the relationship between all the explanatory variables themselves. This gives an insight into the magnitude and

extent of the pairs of the explanatory variables.

**Table 4: Correlation Matrix of the Dependent and Explanatory Variables**

Variable	Tobins Q	BS	BC	ACS	SIZE	VIF
Tobins Q	1.0000					
BS	0.1263	1.0000				1.35
BC	0.0452	-0.4186	1.0000			1.40
ACS	0.1299	-0.0300	0.1019	1.0000		1.05
FS	0.4442	0.3623	-0.4260	0.1065	1.000	1.41

Table 4 shows the correlation coefficients on the relationship between the dependent variable (firm value) and independent and control variables (board size, board composition, audit committee size, and firm's size). The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative), the absolute values of the correlation coefficient indicates the strength, with larger values indicating stronger relationships. The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear relationship with itself.

As shown in table 4, the correlation coefficient board size and value of DMBs is 0.1263 which is not close to 1; this indicates that Board size has a weak positive correlation on the value of deposit money

banks in Nigeria. The correlation results presented in table 4.2 also indicate that board composition is 0.0452 which implies positive and weak relationship between board composition and value of DMBs in Nigeria. Likewise, weak and positive relationship exists between audit committee size and value of DMBs with a correlation value of 0.1299. Similarly the relationship between audit committee size and other explanatory variables is weak and positive except its relationship with board composition which is positive and significant. Similarly, firm size has a positive significant relationship with value DMBs with a correlation figure of 0.4442. This indicates that bank size has stronger relationship with value. Firm size also has positive relationship with other variables except board composition which shows negative relationship.

**Table 5: Regression Results**  
**OLS**

					<b>Random</b>			
Variable	Coefficient	Std error	T	p>/z/	Coefficient	Std error	T	p>/z/
Constant	.3697062	.1592049	2.32	0.023**	.364188	.1450202	2.51	0.012**
BS	.0019086	.002226	0.86	0.394	-.0011934	.0022023	-0.54	0.588
BC	.1340983	.0561199	2.39	0.019**	.109466	.0492475	2.22	0.026**
ACS	.0087884	.0175154	0.50	0.617	-.0037441	.0155204	-0.24	0.809
FS	.060648	.014333	4.23	0.0000***	.0754267	.0143316	5.26	0.000***
<b>Robustness Test</b>								
Heteroskedasticity test	0.8825							

Hausman Specification Test	0.6151		
Normality test of the Residuals	0.30046		
R square	0.3040		
Ajd R	0.2468		
F value	5.31		
P value	0.0001		
R square			0.3577
Within			
Between			
Overall			
P value			
			0.1715
			0.2741
			0.0000

NOTE: \*\*\*, \*\* and \* indicate 1% and 5% and 10% significant levels respectively; the t-value is presented in parenthesis while the other figures represent the coefficient.

Table 5 presents the regression results of OLS and random effect and the discussion is done on OLS and RE estimations. The OLS regression result is presented after preliminary test of its assumption. The result of Breusch-pagan/Cook-weiberg test for heteroskedasticity reveals that the variation of the residuals is constant as evidenced by the insignificant probability (p-value) of the chi square 0.8825. This signifies the absence of heteroskedasticity and presence of homoskedasticity in the model. To check for strict exogeneity, the result of hausman specification test reveals that the two models (Fixed and Random effect) are not correlated with chi square probability (p-value) 0.6151; hence to reject the fixed effect model in favour of the random effect model. Also, the Shapiro-Wilk W test for normality of data reveals normal distribution with p-value 0.30046. From the results of the robustness tests performed to determine the accuracy and reliability of the research data used in testing the study hypothesis, it shows that the data is free of regression errors capable of invalidating the research's regression assumptions.

The OLS regression results reveal the adjusted  $R^2$  (0.25) which gives the proportion or percentage of the total

variation in the dependent variable (firms Value) explained by the explanatory variables jointly. Hence, it signifies 25% of total variation in the value of listed deposit money banks in Nigeria is caused by board size, board composition, audit committee size and firm size. This indicates that the model is fit and the explanatory variable are properly selected, combined and used.

In both OLS and RE estimations, the regression result in table 5 reveals that board size has positive but insignificant effect on the value of DMB's at 5% level. This implies that board size alone is not adequate to influence the value of deposit money banks in Nigeria. This is consistent with the findings of Fama and Jensen (1983), Lorsch (1992), Jensen (1993) and Sanda (2008) who found that for an increase in the number of board member may slow down the mantle of decision making and hence negatively affect the future value of firms. This finding has contrasted the findings of Kusnadi (2003) and Donashana and Ravivathani (2013) who found that board size has a positive and significant impact on firm performance and value.

The OLS and RE regression results shows that board composition is positively and

statistically significant with value of listed deposit money banks in Nigeria at 5% level of significance. The findings contrasted the findings of Hermalin and Weisbach (1991), Mehran (1995) who posit that there is no relationship between the proportion of independent directors and superior firm value. The results are consistent with the findings of Agrawal and Knoeber (1996), Rouf (2011) who discover that there exist a significant positive association between the board composition and the value of listed firms. They also argue that the presence of outside directors plays a critical role in the release of adequate information. A firm may have a higher value if the board consists of more outside directors. The finding of this study implies that, the higher the proportion of non-executive directors on the board, the higher the market value of listed deposit money banks and vice versa.

Considering the association between audit committee size and market value of DMBs, the OLS and GLS RE regression result in table 4.3 reveals that audit committee size is positive but insignificantly associated with market value of DMBs in Nigeria. This implies that size of audit committee does not have bearing effect on the market value of listed DMBs in Nigeria. This finding is in line with the findings of Kajola (2008), Rouf (2012), Donashana and Ravivathani (2013) and Tahir, Rehman and Rehman (2014) who opined that audit committee size has insignificant impact on firm's value. However, the result contrasted the findings of Klein (1998) who reported a positive relationship between audit committee size and market value of the firms.

The study's result implies that an increase in the number of audit committee does not significantly affect the market value of listed DMB's, this result indicates that audit committee size alone is not adequate enough to influence the market value. A number of important points such as the experience of audit committee members, their power and

independence are perhaps much more important in determining market value.

Considering relationship between firm size and market value, the OLS and GLs RE result shows that firm size has positive significant effect on market value of listed DMBs in Nigeria at 1% level of significance for OLS and RE regression respectively. This finding is in line with the findings of previous studies on market value (such as: Abradovich 2012, Tahir, Rehman and Rehman 2014, Fallatah and Dicson 2012, Al-Amarneh 2013). The finding of this study shows that bigger banks in terms of assets have better market than smaller ones. This implies that an increase in the size of the firm by one unit, other variables remaining constant, will increase the extent of market value. Thus, large firms have more potential to influence its market than small ones because of their total asset base.

The overall p value 0.000 suggests that corporate governance has significant impact on the market value of the listed deposit money banks in Nigeria. This result leads to the rejection of our null hypothesis that there is no significant impact of corporate governance on the market value of the listed deposit money banks in Nigeria.

## 5.0 CONCLUSION AND RECOMMENDATIONS

The study concludes that the role of board size in ensuring governance and evaluating management ability to control and promote value-creating activities is not adequate enough to actually influence the market value of the listed deposit money banks. The study concludes that board composition plays a prominent role in improving the market value of listed DMBs. This is because presence of non-executive directors helps in ensuring proper governance structure and value creation. The audit committee size does not stand to ensure effective value creation hence cannot influence the market value of listed deposit money banks in Nigeria. This means that

size of the audit committee of DMBs does not monitor closely the activities of the independent auditors hence cannot influence the market value of listed DMBs. Firm size was found to be a major determinant of DMBs market value. Therefore, this study concludes that the larger the size the better the ability of companies to create value, hence the better market value.

The study therefore, recommends that listed deposit money banks should give board size the necessary attention it deserves by increasing size to the maximum standard. Particular, the appointment criteria should give priority to literacy and expertise since it has the overall responsibility of the long-term success of the organisations. Also, board composition should be improved for effective monitoring and decision making process of Nigerian deposit money banks. Audit committee size should be should be maintained to effectively monitor the financial reporting and auditing processes of the organisations. This would improve the market value of the listed deposit money banks in Nigeria.

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## APPENDIX A

VIF

. vif

Variable	VIF	1/VIF
size	1.41	0.708836
bc	1.40	0.715836
bs	1.35	0.738467
acs	1.05	0.952477
Mean VIF	1.25	

## APPENDIX B

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of tobinq

chi2(1) = 0.02  
 Prob > chi2 = 0.8825

## APPENDIX C

predict e  
 (option xb assumed; fitted values)

. swilk e

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
-----+-----					
e	80	0.98150	1.270	0.523	0.30046

## APPENDIX D

. hausman fe re

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fe	re	Difference	S.E.
-----+-----				
bs	-.0019147	-.0011934	-.0007212	.000694
bc	.10306	.1094667	-.0064068	.0102796
acs	-.0050711	-.0037441	-.001327	.0033339
size	.079509	.0754267	.0040823	.004661
-----				

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(6) = (b-B)'[(V\_b-V\_B)^(-1)](b-B)  
 = 4.46  
 Prob>chi2 = 0.6151