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CORPORATE GOVERNANCE AND MANAGEMENT EFFICIENCY OF DEPOSIT MONEY BANKS IN PORT HARCOURT

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ABSTRACT

The purpose of this research is to examine the corporate governance and management efficiency of deposit money banks in Port-Harcourt. The study specifically investigated the extent of relationship between accountability, transparency, responsibility and management efficiency of deposit money banks in Port Harcourt. The study adopted a cross-sectional survey type of the quasi-experimental method. The study formulated and tested three hypotheses using theSpearman Rank Correlation Coefficient and partial correlation for the moderating variable. The population comprised customers of 4 leading deposit money banks in Port Harcourt and 196 copies of questionnaire were distributed and 170 were useful for the analysis. The findings revealed that corporate governance has a strong positive association with management efficiency of banks in Port Harcourt. The study concluded that corporate governance has a positive impact on management efficiency. The study therefore recommended that banks should embrace corporate governance as a tool for enhancing management efficiency.

KEYWORDS

Accountability, Transparency, Responsibility, Capacity, Efficiency, Management.

1.0 Introduction

Many international expert boards and academics have urged that corporate governance in the financial sector should be examined and strengthened (El-Abiad, Braendle, and El-Chaarani 2023). The corporate governance code for Nigerian banks and other financial entities was defined by the Central Bank of Nigeria (CBN) as "the process by which an institution's business activities are directed and managed." According to another definition (Chen, 2023) the principles, practices, and procedures by which a company is governed and controlled are referred to as "corporate governance." Chen (2023) further stated that corporate governance (CG) is about striking a balance between the various interests of a company's shareholders, top administrators, clients, contractors, investors, the government, and the community. Therefore, shareholders profit from the application of corporate governance since it allows for more thorough oversight of the company's operations, particularly in the areas of disclosure and openness (Grantham, 2020). Good corporate governance is associated with higher valuations, higher profits, faster sales growth, and less capital expenditures, as stated by Drobertz et al. (2003).

There has been a lot of study on the topic of corporate governance. Effective facets of corporate governance that were highlighted by Oino and Itan (2018) include board role and composition, transparency and disclosure auditing and compliance, and risk management. The effects of corporate governance on the success of the Nigerian banking industry were studied by Okoye, Evbuomwan, Achugamonu, and Araghan (2016), evaluating the profitability of the banking sector using ROE and ROA by the writers.

Taking into account the aforementioned and other similar studies, this investigation differed from prior work by evaluating the connection between accountability, transparency, and responsibility as dimensions of corporate governance and profitability as an indicator of managerial efficiency. This study further differs from the existing literature by adding the moderating variable of organizational capacity to analyze its impact on the connection between corporate governance and organizational performance among Port-Harcourt banks. So, we set out to study corporate governance and management efficiency of deposit money banks in Port Harcourt, Nigeria, to learn more about their corporate governance and its effect on management efficiency.

The existence of good corporate governance can act as a problem solver from conflicts of interest which arise from various interested parties.

Aim and Objectives

The study aim to establish the effect of Corporate Governance on Management efficiency of Money depositing institutions in Port Harcourt. To achieve this, the following objectives were formulated to:

i. Determine the nexus between accountability and management efficiency of deposit money banks in Port Harcourt
ii. Establish the nexus between transparency and management efficiency of deposit money banks in Port Harcourt
iii. Ascertain the nexus between responsibility and management efficiency of deposit money banks in Port Harcourt

iv. Examine the moderating role of organizational capacity in the nexus between corporate governance and management efficiency of deposit money banks in Port Harcourt.

Concept of Corporate Governance

According to Garzon-Castrillón (2021), codes of ethics are representations of good business conduct practices, since they take into account a set of guiding principles formulated as part of the same system or code for the good of the firm as a whole. Nițescu and Boitan (2017) posited that the idea initially originated in 1970 in the USA and sought to restore faith in the economy during a period of uncertainty caused by a financial crisis. In 2003, the Security and Exchange Commission (SEC) and the Corporate Affairs Commission (CAC) in Nigeria released the country's first code of corporate governance in an effort to bring it in line with international best practises (Foyeke, Oluku, Titilayo, &Folashade, 2016). The recent measures the government has taken to promote corporate governance with the implementation of the Companies and Allied Matters Act 2020 ("CAMA 2020") stand out among such initiatives. Provisions for the establishment of a Corporate Affairs Commission ("CAC") to regulate the conduct of companies within Nigeria, provisions for protecting minority shareholders, and provisions for disclosing information to shareholders are just some of the ways in which CAMA 2020 promotes transparency, accountability, and responsible business practises (Eferha, 2023). To ensure that firms are well positioned to bring value to investors, they have to be guided by some principles. The study identifies Accountability, Transparency and Responsibility as dimensions of corporate governance.

Management Efficiency

Management efficiency is one of the components of Camel financial ratios (e.g., capital to risk), performance (e.g., management and results), profitability (e.g., cash flow)rating of banks. It shows bank management's ability to manage deposits, assets, capitals, shareholders, funds, employees, inventories etc to generate profit (Iheanyi&Sotonye, 2017). Management efficiency, as defined by Grier (2007), is an organization's capacity to monitor and adjust for potential threats to its legal compliance, financial stability, and operational effectiveness. The attendant effect in banks is measured by key performance index such as return on investment which shows how bank management is able to utilize the resources of the stakeholders to generate return or profit for them. As such an appreciable return may attract more stakeholders to the bank (Iheanyi&Sotonye, 2017).

Relationship between Corporate Governance and Management Efficiency

Investor confidence can be bolstered by sound corporate governance, but the disintegration of a firm due to poor governance can lead to scandal and even bankruptcy (Chen, 2023) if not addressed. Management is responsible for running the company in a way that maximizes shareholder interest, and shareholders are in control; incentives should be provided to align management behavior with the goals of shareholders, who provide the company with funding and may withdraw that funding if they are dissatisfied. This will guarantee the effectiveness and efficiency of management throughout perpetuity. In the same way that good corporate governance improves managers' abilities, it's clear that effective management is crucial to every successful business. The success of an organization is crucial to its continued existence in the marketplace (López-Cabarcos, Vázquez-Rodrguez, &Quioá-Pieiro ,2022).

Organizational Capacity as a Moderating Factor

Activities like employing additional workers, strategic planning, educating employees, and automating financial systems all fall under the umbrella of "capacity building," which is undertaken by organizations to improve their efficacy in serving their constituents. (Leonard, 2018). Organizational capacity, according to Biden (n.d.), is "the extent to which an organization is able to marshal its resources effectively and efficiently to achieve its mission." Biden (n.d.) provides the following definition of organizational capacity: Spend money on IT, encourage lifelong education, create good leadership, encourage teamwork, and mine data for insights. It's clear that technology is at the top of the list, as the global banking sector invests three times as much in IT than any other sector (Kitsios,,Giatsidis, &Kamariotou, 2021). E-banking, virtual banking, and service points like e-branch stores are all examples of new electronic platforms that banking organizations can use to provide additional service channels to their customers while also reducing their operating costs (Shin, & Choi, 2019). In the course of this study, it is safe to say that corporate governance is required to enable all the constituents organizational capacity. Hence the hypothesis;

Theoretical Framework

Stakeholders Theory: This study is underpinned by the stakeholders theory. From management point of view, one can agree with the definition of stakeholders theory by Mahajan, Lim, Sareen, Kumar, and Panwar (2023) which states that the theory encourages organizations to acknowledge both their internal and external to promote understanding while managing stakeholders needs. Decision-making in management and the needs of all parties involved are at the heart of this approach (Younas 2022).

Empirical Review

Affes and Jarboui (2023) analyzed the influence of good corporate governance on the financial success of 160 UK companies between 2005 and 2018. Samples were split up into several groups and then analyzed using multivariate regressions based on FGLS models. In conclusion, they discovered that organizations' financial performance, as measured by return on equity, improved after adopting practices that promote strong corporate governance.

Al-Ahdal, Alsamhi, Tabash, and Farhan (2020) looked into the connection between good company governance and profits. 160 companies in the United Kingdom were analyzed to determine the impact that good corporate governance had on their bottom lines between 2005 and 2018, with consideration given to the unique characteristics of each industry. Dividing our data into distinct groups, we utilized multivariate regressions using FGLS models. The results showed that when companies practiced effective corporate governance, their financial performance as assessed by return on equity improved.
Specifically, Delima and Ragel (2017) looked at how corporate governance affected the performance of financial institutions in the Batticaloa area. 115 management responders and 115 customers from all financial institutions in the Batticaloa district filled out questionnaires to contribute to the study. Univariate and multivariate analyses of the data were performed, respectively. The results showed that good corporate governance has a positive effect on the performance of businesses, especially those in the financial sector.

Methodology

Research Design

To get the most out of this research, a cross sectional survey type of the quasi-experimental was adopted. Due to the need to draw conclusions about the whole population, the researcher opted for a cross-sectional study design.

Population of the Study

The study is concerned with the nature of the relationship between the variables as they apply to banks in Port Harcourt. The accessible population for this study is restricted to Access Bank, Ecobank, Zenith Bank and UBA. The choice for the selection is that these banks have maintained the top spot as the largest banks in Nigeria based on the value of their total assets and are the only banks that are worth over 10 trillion and above in assets as of December 2022.

Table 1

S/N	Names of Bank	Total Assets (NGN)
1.	Access Bank	15 trillion
2.	Ecobank	13.37 trillion
3.	Zenith Bank	12.29 trillion
4.	United Bank for Africa (UBA)	10.86 trillion

Source:https://businessday.ng/market-intelligence/article/here-are-nigerias-10-biggest-banks-by-assets/

Sampling and Sampling Size Determination: The purposive sampling technique was adopted. In order to establish the actual sample size of this study, the study adopted Freneund and William (2009) formula for determining an infinite population. Based on this, one hundred and ninety-six (196) became our sample size in this study. The questionnaire was structured using a Five-Point Likert scale from SA=Strongly Agree (5), A=Agree (4), U=Undecided (3), Disagree (2), Strongly Disagree (1).

Validity and Reliability: Validity is a survey instrument used to trace the consistency of a measure. A measure is believed to be reliable if it produces the same result consistently. The reliability for the study was tested using Cronbach Alpha, which establishes the consistency of the research instrument.

Table 2 Shows the Cronbach Alpha Reliability Results

Constructs	No of Items	Cronbach Alpha
Accountability	4	0.709
Transparency	4	0.847
Responsibility	4	0.893
Management Efficiency	4	0.864
Organizational Capacity	4	0.872

Results of the reliability analysis in Table 2 showed that all variables have high Cronbach Alpha Reliability Coefficients. All the coefficients were greater than 0.7

Method of Data Analysis: Data from the survey were analyzed using the Spearman Rank Correlation Coefficient, using Partial Correlation to examine the moderating effect of organizational capacity.

Results and Discussions

One hundred and ninety-six (196) copies of the questionnaire were distributed amongst the branches of the 4 leading banks in Port Harcourt. 170 (88%) copies were accurately filled while the remaining 26 (12%) contained certain inconsistencies, hence not valid for analysis. Therefore, the analysis was based on 170 copies filled accurately.

Hypothesis Testing

Ho$_1$: In the banking industry, there is no substantial link between responsibility and financial success.

Table 3Correlation between accountability and management efficiency in banks

			Accountability	Profitability
Spearman'srho	Accountability	Correlation Coefficient	1.000	.761**
		Sig. (2-tailed)	.	.000
		N	170	170
	Profitability	Correlation Coefficient	.761**	1.000
		Sig. (2-tailed)	.000	.
		N	170	170

**. Correlation is significant at the 0.01 level (2-tailed)
SPSS output, Version 26

To see how responsibility and long-term viability are related to one another, we ran Spearman's rank-order correlation (see Table 3above). The stated value of the correlation coefficient between accountability and sustainability is highly positive (rho =.761**, p =.000 0.05 alpha value), indicating a substantial association between the two concepts. In conclusion, we refute Ho$_1$ and conclude that there is a considerable link between bank accountability and profitability.

Ho$_2$: Financial institutions do not see a correlation between transparency and management efficiency.

Table 4 Correlation between transparency and profitability in banks

			Transparency	Sustainability
Spearman's rho	Transparency	Correlation Coefficient	1.000	.640**
		Sig. (2-tailed)	.	.000
		N	170	170
	Management Efficiency	Correlation Coefficient	.640**	1.000
		Sig. (2-tailed)	.000	.
		N	170	170

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

SPSS output, Version 26

The connection between transparency and management efficiency is explored in Table 4 via a Spearman rank-order correlation. There appears to be a significant association betweentransparency and management efficiency, as indicated by a high positive correlation coefficient value (rho =.640**, p =.000 0.05 alpha value). As a result, we thereby reject the null hypothesis (Ho2).

Ho$_3$: There is no significant nexus between responsibility and management efficiency in banks

Table 5 Correlation between responsibility and profitability in banks

			Responsibility	Profitability
Spearman's	Responsibility	Correlation Coefficient	1.000	. 665**
		Sig. (2-tailed)	.	.000
		N	170	170
	Management Efficiency	Correlation Coefficient	.665**	1.000
		Sig. (2-tailed)	.000	.
		N	170	170

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

SPSS output, Version 26

To see how accountability affects management efficiency, we analyzed Spearman's rank-order correlation (see Table 5). There is a statistically significant positive association between responsibility and management efficiency, as indicated by a high value for the correlation coefficient (rho =.665**, p =.000 0.05 alpha value). Accordingly, we conclude that there is a considerable connection between accountability and management efficiency in banking, and we reject the null hypothesis (Ho3).

Table 6 Moderating role of organizational capacity

			Corporate governance	Management efficiency
Organizational Capacity	Corporate Governance	Correlation	1.000	0.569
		Significance (2-tailed)	.	0.000
		df	0	233
	Management Efficiency	Correlation	0.569	1.000
		Significance (2-tailed)	0.000	.
		df	233	0

Moderating- cells contains zero-order Pearson Correlation SPSS output, Version 26

The analysis shows that organizational capacity makes a major contribution to the causality between corporate governance and management efficiency. The result shows a strong interplay of corporate governance and management efficiency which creates an R1 causality at 0.877, but the regulated direct effect of R2, at 0.569, is identified as having an obvious impact on the nexus as a moderator.

Discussion of Findings

Relationship between accountability and Management Efficiency

The analysis shows that accountability contributes positively to management efficiency in banks. Results from this analysis are consistent with those from a study by Egypti (2022) that found that corporate governance indicators like board size, audit committee size, and audit quality significantly affected business management efficiency.

Relationship between transparency and management efficiency

The results show that accountability contributes positively to management efficiency in banks. The importance of regulatory monitoring in enforcing accountability and transparency was explored by Costello, Granja, and Weber (2019), who concluded that stricter regulations had a positive effect on the enforcement of financial accounting.

Relationship between responsibility andmanagement efficiency

A positive correlation between the two variables was found. This supports the findings of a study by Onozare, Okpanachi, Nyor, and Yahaya (2018), in which the authors found that CSR has a positive and significant impact on proxy measures of management efficiency such as the margin of net profits, the return on total assets, and return on equity.

Moderating effect of Organizational capacity on the Relationship between corporate governance and management efficiency

This study's findings suggest that organizational capacity is a powerful moderator of the connection between corporate governance and management effectiveness, indicating that businesses need to be equipped to deal with challenges, establish and reach goals, and acquire and apply knowledge and experience in order to be successful (Rankonyana, 2015).

Conclusion

Understanding corporate governance implementation enhancesmanagement efficiency, reduces occurrences of bank collapses and restores confidence in the banking industry. Corporate governance can only be effectively implemented with the involvement of the bank's upper management, the adoption of global best practices, training, and the raising of awareness. The investigation leads the authors to the conclusion that corporate governance has a beneficial effect on the management efficiency of Port Harcourt's deposit money institutions. This research adds to our understanding of how to effectively adopt corporate governance practices.

Recommendations

In view of the research and the importance of corporate governance and management efficiency:

1. Using reliable accounting, auditing, and transparency practises that are widely recognised internationally and that foster market discipline
2. Showing responsibility to the community and customers in order to build customer loyalty.
3. The strategic corporate values of the bank should be approved by the board of directors and monitored to ensure they are effectively disseminated throughout the bank. The board of directors should also establish and strictly uphold strict organizational reporting structures.
4. The implementation of corporate governance of banks is a continuous task for bank management. In banking, ethics is indispensable and the tone from the top matters a great deal

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