Economics Bulletin

Volume 29, Issue 4

Research Announcement

Coporate governance of banks in nigeria: an examination of the roles of boards of directors

Chuku Agbai Chuku
University of Uyo, Uyo, Nigeria

Abstract

In the corporate governance of banks, bank boards of directors play a significant role by monitoring and advising management in the formulation and implementation of strategies. Our hypothesis is that certain characteristics of bank boards (size, composition and proactiveness) determine the effectiveness of the boards in carrying out its monitoring and advisory roles. After controlling for heterogeneity and endogeneity using the two-step system estimator, we find that admitting new members into the board improves bank performance up to a certain point ‘efficient limit' where continuous increase of the board size begins to destroy value. We observed an inverse relationship between board meetings and bank performance which suggest to us that bank boards that meet more often are only reacting to bank's poor performance. This challenges the widespread belief that frequent board meetings play a role that is more proactive than reactive. We agree that bank boards strategically alleviate the problems of governance in banks and reduce the weakness of other corporate governance mechanisms, especially regulatory and external governance mechanisms. Hence, empowering boards through incentive packages and enlarged responsibilities with authority to monitor, sanction, reprimand and advise management will be the way forward for the Nigerian banking sector.

Submitted on to:
Paper is available at URL:
Chuku Agbai Chuku
University of Uyo, Uyo, Nigeria
chukuachuku@gmail.com
Department of Economics, P.M.B 1017, University of Uyo
Uyo, 234, Nigeria
234 806 724 7177(Phone)

Citation: Chuku Agbai Chuku, (2009) "Coporate governance of banks in nigeria: an examination of the roles of boards of directors", *Economics Bulletin*, Vol. 29 no.4 p.A33.
Submitted: November 10, 2009 **Published:** November 11, 2009.
URL: http://www.accessecon.com/pubs/EB/2009/Volume29/EB-09-V29-I4-A33.pdf