

Corporate Governance and Capital Buffer of Deposit Money Banks in Nigeria

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Abstract

This study examined the effect of corporate governance on capital buffer of Deposit Money Banks in Nigeria. The population for this study comprised twenty-four listed DMBs. Purposive sampling was used in this study for selecting 11 Deposit Money Banks whose stocks were actively traded on the stock market during the sample period and for which pertinent data were readily available. The study employed secondary data. Data used were sought from the financial statement of twelve listed deposit money banks from 2010-2021. The finding revealed that Board Independence (BIN), Female Directorship (FED), Institutional Ownership (INTO), Chairman's Share (CHS), Leverage (Lev) and Authorization (AUT) negatively and significantly affecting capital buffer; while Firm Size (SIZ) positively and significantly affect capital buffer. The study therefore, recommended that the Regulators should be mandated to constantly review the corporate governance of the DMBs in a bid to enhance capital buffer of banks and investors' confidence.

Keywords: Capital Buffer, Corporate Governance, Deposit Money Banks.

JEL Classification Code: G34, G32

1. Introduction

The efficiency or otherwise of the financial institutions can affect the economic development of nations. For this reason, banks are highly regulated compared to other sectors. One factor that has been contemplated in the literature as a probable factor in determining the efficiency or otherwise of banks is capital adequacy Jha and Hui (2012); Farhan *et al* (2018). The adequacy of capital required by financial regulation for a deposit money bank is known as capital adequacy. It determines the ability of the bank to fulfil its obligations, take on risks, serving as a buffer against losses, and protect lenders and depositors. In Nigeria, the Central Bank of Nigeria (CBN) uses international standards to set capital adequacy. The CBN raised the capital requirement for Deposit Money Banks (DMBs) from two billion naira to twenty-five billion naira in 2004. A stream of literature argues that capital is a driver of efficiency and this explains why highly capitalized banks operates more efficiently than less capitalized banks (Fiordelisi, Marques & Molyneux, 2011).

Nevertheless, the 2008-2009 global financial crisis revealed that poor efficiency may results from inadequate capital which may be attributable to myriads of factors such as sudden changes in asset quality. Banks that were bailed out by the government, for example, had enough capital just before the crisis. As a result, many banks have resorted to capital buffer, which is the capital above the regulatory minimal capital requirement, to signal soundness and provide a cushion against unforeseen losses. Therefore, a better understanding of capital buffer, how it varies across banks and remains an empirical gap that needs to be solved in the Nigeria banking industry.

The adoption of capital buffer may force financial institutions to change the way

they operate in terms of corporate governance. Corporate governance refers to the ways in which all parties involved in the well-being of the organisation attempts in ensuring that managers and other stakeholders adopt mechanisms or take measures that protect the stakeholders' interest. Stakeholders use corporate governance to ensure that directors manage corporate resources properly and efficiently (Rajan and Zingales 1998). Financial institutions have been asked by the Basel Committee on Banking Supervision (BCBS) to review, value, and enhance their corporate governance. The BCBS pushed for governance structures that included senior management and board of directors. The BCBS message is based on the belief that strong corporate governance improves monitoring efficiency. In other words, corporate governance may have a role to play on capital buffer. It is in the light of the above discussions; this study tends to consider the effect of corporate governance on capital buffer of Deposit Money Banks in Nigeria between 2010 and 2021.

1.1 Statement of the Research Problem

Deposit Money Banks (DMBs) play a significant role in the Nigerian economy, and their stability is critical for sustainable economic growth. One of the key factors that can influence the stability of DMBs is their capital buffer, which serves as a cushion against potential losses. Corporate governance, on the other hand, provides a framework for effective decision-making, accountability, and risk management. Therefore, it is essential to understand the relationship between corporate governance and capital buffer management in DMBs in Nigeria.

The relevance of capital adequacy for various banks and the global financial system has once again been highlighted by the existing financial crisis. The challenges of the banking industry in Nigeria occasioned by changing global economies have been pointed out as one of the factors that necessitated the Nigerian bank reforms of 2004. The financial sector's overview highlights the stages of Nigeria's banking reforms. The reforms were made at improving efficiency. The banking industry continues to be characterised by inefficiency which then throw up deliberations into the consideration of some other factors that may influence efficiency. Capital buffer and corporate governance are interrelated and the relationship different across countries (Akhter, 2018). In an attempt to shore up efficiency, banks' governance structure may opt for capital in excess of statutory capital (capital buffer).

Corporate governance and capital buffer are essential components for the stability and growth of financial institutions. However, there is limited empirical evidence on the relationship between corporate governance practices and capital buffer management in the Nigerian banking industry. This lack of understanding raises concerns about the effectiveness of corporate governance practices and capital buffer management in mitigating the risks faced by deposit money banks, particularly in the face of economic shocks and financial crises. In terms of capital buffer management, studies have shown that adequate capital buffers are essential for banks to absorb losses and maintain their solvency during periods of financial stress (Laeven and Valencia, 2020; Shim, 2013). However, to the best of the authors knowledge, there is limited empirical evidence on the effect of corporate governance mechanisms on the capital buffer of deposit money banks in Nigeria. There is therefore the need to analyse the effect of corporate governance on capital buffer of Deposit Money Banks. Hence, this study tends to investigate the effect of corporate governance on capital buffer.

2. Literature Review

2.1 Conceptual Review

2.1.1 Capital Buffer

Capital buffer reveals additional minimum capital requirement that financial organizations are required to retain in addition to their needed capital. According to Basel III regulatory reform, which was created by the Basel Committees on Banking Supervisions, guidelines that target the production of sufficient capital buffer are aimed at reducing the procyclical nature of lending by encouraging the formation of countercyclical buffer. Capital buffer is defined as required capital that financial institutions are required to hold. Under Basel III regulation reform, which was implemented in the wake of global financial crisis between 2007 and 2008, capital buffer was mandated. A capital buffer contributes to stronger global banking systems.

The [2007-2008 global crisis](#) exposes the flaws in statement of financial position of most banks globally. Practices with respect to bank lending were considered risky, for instance with the issue of [subprime mortgage loans](#), however the bank's capital was not all the time sufficient to cover up for losses. Some banks are regarded as [too enormous to fail](#) because they are very vital to global economy. In December 2010, Basel Committees on Banking Supervisions issued an official regulatory standard with the intention to create a much stronger global financial systems, most importantly when addressing the [liquidity](#) concerns. Capital buffer recognized in Basel III reform includes *countercyclical capital buffer*, which were determined by the Basel Committee members jurisdiction and varies according to a percentage of [risk-weighted assets](#), and *capital conservation buffer*, which are built up outside period of the [financial stress](#).

According to an international convention, banks' regulatory capital should not be less than 8%. Nigeria establishes a 10% threshold as the minimum. In Nigeria, deposit money banks (DMBs) fall into one of three categories: international banks, national banks, or regional banks. Each has a different capital adequacy requirement. International banks have a minimal threshold of 15.0 %, compared to regional/ national banks' minimum requirement of 10% (CBN, 2014).

2.1.2 Corporate Governance

The Latin term *gubanare*, which meaning "to steer," is where the word governance originates. The typical definition of governance is that process of leading and overseeing an entity's operations. A legal fiction is a business entity, whether public or private, or a statutory organization. Once created, a company becomes a corporate citizen with its own life separate from its owners. Individuals who directs and governs the activities of an entity are referred to as the directors and are usually nominated by the owners referred to as the shareholders for public and private firms or the Government or Ministers for parastatal agencies. The Organization for Economic and Development's (OECD) defines corporate governance as: The CG was a network of connections between an entity's leadership, board, the shareholders, and other appropriate stakeholders. Additionally, corporate governance offers frameworks for setting goals for the company, achieving them, and monitoring performance (OECD, 2004).

Corporate Governance is a structure by which powers are exercised and shared by various stakeholder in ensuring achievements of a goals of an entity. It also includes all attempts to improve board members' responsibility to shareholders, as well as ethical efforts and fair play in attaining business success. Tricker (2015) stated that Corporate Governance is regarded as a manner in which power is being exercised over the corporate firms. It comprises of the board undertakings of the firm and its relationship with shareholders,

managers and other stakeholders. Researcher similarly pointed out difference between Corporate Governance and the executive management. Tricker (2015) stated that executive management takes responsibility of running activities of the corporations, Corporate Governance ensures that the organisation runs in the right directions and running it well. Similarly, the Cadbury Committees (1992) also explained Corporate Governance as a system by which firms are being directed and controlled.

2.2 Theoretical Review

2.2.1 Capital Buffer Theory

Capital buffer theory is a concept in finance that refers to the amount of capital that financial institutions hold in excess of the regulatory minimum requirements, as a cushion against potential losses. The idea is that holding a capital buffer above the minimum requirement can protect financial institutions from unexpected losses, which can arise from various sources, such as credit risk, market risk, or operational risk. Capital buffer theory also refers to the concept of holding a certain amount of capital above the regulatory minimum requirements by financial institutions, such as banks. The idea behind this theory is that the additional capital serves as a cushion against potential losses and provides a greater degree of financial stability for the institution.

Excess capital that is held above the minimal requirements is referred to as Capital Buffer. It suggests that many financial institutions keep raising their capital ratio as they get closer to the necessary minimum level. According to the buffer theory, banks that have capital that is just a little bit above the required minimum ratio may be enticed to reduce risk and upsurge capital in a bid to evade the regulatory penalties for failing to satisfy the minimum requirements (Milne and Whalley 2002). Berger *et al.* (1995) financial institutions may store a significant amount of cash in an effort to take advantage of unforeseen investment possibilities in the future. The concept of capital buffer theory has gained renewed attention in the aftermath of the global financial crisis of 2008, which exposed the vulnerabilities of financial institutions that held inadequate capital buffers. As a result, regulators have increased their focus on capital buffer requirements and have introduced stricter regulations, such as the Basel III capital requirements, to ensure that financial institutions hold sufficient capital buffers to absorb potential losses.

3. Methodology

For this study, the longitudinal research design is appropriate. A longitudinal study design is deemed appropriate because it allows for a sizable amount of data collection. The Deposit Money Banks (DMBs) listed on the Nigeria Exchange Group is the subject of this study. As of 2021, there are 21 DMBs listed on the Nigeria Exchange Group that makes up the population of study. The study employed purposive sampling technique to select DMBs whose stocks were actively traded on the stock market during the sample period and for whose data were readily available. 11 Deposit Money Banks were purposively selected. The study employed purposive selection technique to select DMBs whose stocks were actively traded on the stock market during the sample period and for whose data are readily available. Data required for this study includes capital buffer, corporate governance variables and some other control variables.

Different analytical technique, including both the inferential and descriptive analyses is used in addressing the objectives of this study. In order to examine the nature of the variables of interest, a measure of central tendency, such as mean, median, and mode, is used in the descriptive analysis. The dispersion from the measure of central tendency is measured by the standard deviation and variance. Kurtosis, Jarque-Bera, and skewness is

used in a descriptive test of normalcy. Variance inflation factor and Correlation matrix is used in examining the degree of multicollinearity among the explanatory variables. Also, heteroskedasticity and auto correlation Test is employed as part of the diagnostic test. The study employed Pooled Ordinary Least Square, Fixed Effect Model, and Panel Generalised Lease Square

3.1 Model Specification

This study examined the effect of corporate governance on capital buffer. This study considered board characteristics in addition to ownership structure for corporate governance variables and used a linear regression model. The model for the achievement of the objective is as follows:

Capital Buffer = f (Corporate Governance, Control Variables)..... (Equation 3.1)

Capital Buffer = f (Board Characteristics, Ownership Structure, Control Variables).... (Equation 3.2)

Where Capital buffer is the dependent variable while Corporate Governance is the independent variable. Corporate Governance were subdivided into Board Characteristics and Ownership Structure. Board Characteristics were proxied using Board Meeting, Board Size, Board Independence, Female Directorship while Ownership Structure were proxied by Institutional Ownership, Chairman Share, Ownership concentration and Chief Executive Officer's Share. This study explored regression model where size, leverage and Authorisation are control variables. This proposed study used the following regression function,

$$CAB = BMEET_{it} + BSIZE_{it} + BIND_{it} + FED_{it} + INT_{it} + CHS_{it} + CES_{it} + OWC_{it} + LEV_{it} + SIZ_{it} + AUT + \varepsilon_{it} \dots\dots\dots (3.3)$$

Table 1:
Measurement of Variables

S/N	Variables & Coding	Definition	Sources
DEPENDENT VARIABLE			
1	Capital Buffer (CAB)	Amount in excess of statutory capital requirement. Excess of Capital Adequacy Ratio.	Jokipii & Milne (2011); Shim (2013).
INDEPENDENT VARIABLES			
Board Characteristics			
	Board Meetings (BMET)	Number of Board Meetings in a year	Mohamed et al (2017)
2			
3	Board Size (BS)	Board Size representing the number of directors sitting in the board	Ashenafi et al (2013), Masoumeh and Nowrouz, (2015), Bulathsinhalage et al (2017)
4	Board Independence (BIND)	Number of Non - Executive Directors/Total Number of Board Members	Bulathsinhalage et al (2017)
5	Female Directorship (FED)	Number of Foreign Directors/Total Number of Board Members	Mohamed et al (2017)
Ownership Structure			
6	Institutional Ownership (INT)	Ratio of Shares held by Institutional Ownership/Total Number of Shares	Patibandla (2006); and Dwivedi and Jain (2003);

7	Chairman Share (CHS)	Total No of Shares owned by the Chairman/ Total Number of Shares	Kochhar and David(1996); Patibandla (2006);
8	Ownership concentration(OWC)	This is the percentage of the five largest shareholders in relation to the total number of shares	Patibandla (2006)
9	Chief Executive Officers Share (INO)	Ratio of Shares held by Chief Executive Officer by the Total Number of Shares	Kochhar and David(1996); Patibandla (2006);
Control Variables			
10	Bank Size (SIZ)	Natural Logarithm of total assets	Ashenafi <i>et al</i> (2013), Bulathsinalage <i>et al</i> (2017), Mohamed et al (2017)
11	Leverage (LEV)	This is the Ratio of Total debt to Equity	Masoumeh and Nowrouz, 2015
12	Authorisation (AUT)	A dummy variable represents 1 if International, 0 otherwise	

Source: Author's Compilation (2023)

4 Data Analysis and Discussion of Findings

4.1 Descriptive Statistics

Table 2 showed the summary statistics of the variables under review. It was observed that on average Capital Buffer (CAB) and Board Meeting (BMET) among these firms was approximately 0.03 and 7 approximately respectively. It depicted that the selected Deposit Money Banks had an average of 3 percent increase above the capital adequacy ratio while the average Board Meeting of 7 reveals that the board meet on an average of 7 times a year. The Board Independence (BIN) and Chief Executive Officers Share (CES) revealed an average value of 0.578 and 0.005. This implied that an average of 57.8 percent of Non-Executive Directors constitute the Board; this is in a bid to ensure independence of the board. Also, the Chief Executive Officers Share in the total share showed an average value of 5 percent. The standard deviation for BIN and CES are 0.123 and 0.013 respectively. The table showed an average of 15 percent of female directors (FED) constitute the board size.

Kurtosis and skewness values were taken into account while evaluating the distribution's shape. While kurtosis indicated the distribution's peakness, skewness revealed the distribution's percentage. Positive values of kurtosis indicated a peaked distribution, whereas negative values indicated a flat distribution. When the kurtosis value was less than +1 or -1, it was deemed inconsequential, according to Holmes-Smith et al. (2006). From the table, none of the variables is less than 1. The positive kurtosis scores in this study demonstrated the fundamental character of the variables that were assessed.

**Table 2:
Descriptive Statistics**

	Mean	St.Dev	Min	Max	Skewness	Kurtosis
CAB	0.028	.327	-2.1	.45	-5.534	36.128

BMET	6.503	2.532	3	16	1.143	3.836
BS	13.934	2.772	7.000	25.000	6.118	4.100
LEV	.834	.224	.001	2.033	.007	17.178
CES	.005	.013	0	.095	5.368	35.655
AUT	.727	.447	0	1	-1.021	2.042
BIN	.578	.123	.182	0.916	.482	4.749
FED	.15	.11	0	.5	.38	2.513
INTO	.293	.531	0	5.828	7.621	78.512
CHS	.01	.026	0	.113	2.65	8.745
SIZE	20.591	1.073	18.485	22.686	-.175	2.177
OWC	.026	.08	0	.909	9.535	104.727

Source: Authors' Computation (2023)

4.2 Correlation Analysis

Capital Buffer (CAB) and the explanatory variables exhibit correlations that are less than 0.8 across the relationships, according to Table 3 is display of the correlation analysis among the variables. The outcome demonstrated that there is no more than a 0.8 correlation between the explanatory variables. This suggested that the model was free of the multicollinearity issue, which could cause the standard error to be understated or overstated.

Table 3:
Pairwise Correlations Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) CAB	1.000											
(2) BMET	0.039	1.000										
(3) BS	0.20*	0.052	1.000									
(4) LEV	-0.60*	0.014	0.070	1.000								
(5) CES	0.094	0.077	0.005	-0.035	1.000							
(6) AUT	0.30*	0.095	0.32*	-0.28*	0.151	1.000						
(7) BIN	0.149	-0.031	-0.25*	-0.45*	-0.21*	0.047	1.000					
(8) FED	-0.21*	0.045	0.22*	0.28*	-0.18*	0.056	0.044	1.000				
(9) INTO	-0.16*	-0.065	-0.039	0.009	-0.122	-0.26*	0.048	0.17*	1.000			
(10) CHS	-0.29*	-0.039	-0.22*	0.20*	-0.106	-0.22*	0.038	-0.027	0.052	1.000		
(11) SIZE	0.083	0.102	0.39*	0.26*	-0.045	0.52*	-0.105	0.51*	-0.104	0.070	1.000	
(12) OWC	-0.012	-0.019	-0.030	-0.030	0.182*	-0.104	-0.042	0.010	0.77*	0.132	-0.052	1.000

* Shows significance at the 0.05 level

Source: Authors' Computation (2023)

4.3 Diagnostic Tests

The residual's normality was shown in Table 4. The outcome showed that the residual is normally distributed in all of the models, as shown by its non-significant p-value of 0.5642, which is greater than the 5% level of significance. Also, a test for multicollinearity among the independent variable as was also carried out exploring Variance inflation factor (VIF). The outcome supported Men and Zhongxian's claim that the variance

inflation factor (VIF) is less than 10. (2016).

The heteroskedasticity test by Cameron and Trivedi was used in the investigation. A p-value of 0.001, or less than 5%, in the result suggested that there is a heteroskedasticity problem. But a panel regression model that could withstand heteroskedasticity was employed. The study conducted Wooldridge test for autocorrelation and the study revealed the presence of auto correlation in the model with a p-value of 0.0030

Table 4:
Model Diagnostic Test

Test		Results	
1	Normality Test	Jarque-Berra Test	
		Variable	Residual
		Adj Chi 2	1.145
		Prob>chi2	0.5642
2	Multicollinearity Test	Variance Inflation Factor	
		Var	VIF
		INTO	4.12
		OWC	3.9
		SIZE	2.72
		AUT	2.38
		LEV	1.86
		FED	1.67
		BS	1.48
		CHS	1.33
		CES	1.32
		BMEET	1.06
3	Test For Heteroskedasticity	MEAN VIF	2.13
		Cameron & Trivedi's Decomposition LM Test	
		Heteroskedasticity	
		Chi 2:	114.2
4	Auto Correlation Test	p-value:	0.001
		Wooldridge Test	
		Fstat	15.088
		Prob>chi2	0.003

Source: Authors' Computation (2023)

4.4 Hausman Specification Test

As stated in Table 5, the study also conducted a hausman specification test to see if the fixed effect model is preferable to the random effect model. Because the significant p-value of 0.000 suggested that the fixed effect model is preferable at the 5% level of significance, the study concluded that the fixed effect model will be more appropriate. The study employed a reliable method called the robust panel GLS model to account for the problems because of the presence of heteroskedasticity, the auto serial correlation, and the normality of the data.

Table 5
Hausman Specification Test

	Model
chi2	37.40
Prob> chi2	0.0000

Source: Authors' Computation (2023)

4.5 Discussion of Findings

The outcome of the multivariate study using panel regression to assess the effect of corporate governance on the capital buffer of deposit money banks in Nigeria is shown in Table 6. Different estimators from the panel were taken into consideration to increase the regression analysis's robustness. Pool Ordinary Least Square is Model 1, A Fixed Effect Model (model 2) and a Panel Generalized Least Square (GLS) model as represented by model 3 are then shown. In order to achieve robust standard errors, which are particularly robust to potential residual misnomers, including heteroscedasticity and autocorrelation that may bias the outcome, this is done in order to assure further robustness of the coefficient estimates using a workable Generalized Least Square estimator. As a result, the panel GLS model (model 3) was employed for the purposes of this study to shed light on the association between the explanatory variable and the dependent variable (Capital buffer).

However, Board Independence (BIN), Female Directorship (FED), Institutional Ownership (INTO), Chairman's Share (CHS), Leverage (Lev) and Authorization (AUT) negatively and significantly affecting capital buffer; while Firm Size (SIZ) positively and significantly affect capital buffer. Other variables, such as Board Meeting (BMET), Board Size (BS) and Ownership Concentration showed positive and insignificant relationship while Chief Executive Officer's Share (CES) shows negative and insignificant effect on capital buffer.

Board Independence (BIN) negatively and significantly affects capital buffer showing a p-value of 0.019 and co-efficient of -0.342. Board independence which is representation by outside independent directors. Studies reveal that board independence is negatively associated with the performance of firms (Duchin *et al.* 2010; and Fauzi & Locke, 2012) and this would have negative effect on capital buffer as no sufficient amount will be set aside to buff up capital. According to Anderson and Reeb (2004), companies frequently try to reduce the number of independent directors since they have a strong incentive to use up company resources as they only cover a little portion of the overall cost. The ineffective performance of the nonexecutive directors' duties with regard to the capital buffer could be explained in part by their lack of time or necessary experience. Female Directorship (FED) negatively and significantly affects capital buffer showing a p-value of 0.000 and co-efficient of -0.879. As a result, having women on the board of directors would have an adverse influence on the firm's performance, as described by the longer time required to make decisions in more varied boards (Smith *et al.* 2006), which would then have an impact on capital buffer.

Also, Institutional Ownership (INTO) and Chairman's Share (CHS) showed co-efficient of -0.105 and -2.064 respectively and p value of 0.001 and 0.036; this implies negative relationship to capital buffer. The following control variables (Leverage and Authorisation) revealed negative and significant relationship with capital buffer having co-efficient of -0.665 and -0.147 respectively while Firm Size (SIZ) is positively and significantly affecting capital buffer, having a p value of 0.000 and co-efficient of 0.116. Further the wald chi square test reveals a chi-square value of 136.43 and p-value of 0.0000. This reveals that corporate governance variables jointly have significant effect banks capital buffer in Nigeria. It should be observed that the model's stochastic component accounts for the remaining 54.2% of the R-square, which indicates that it can explain 46.8% of the variation in the dependent variable.

Table 6:
Regression Estimates

VARIABLES		(1) Pool OLS	(2) Fixed Effect	(3) Panel GLS
BMET	0.003 (0.86)	0.004 (-0.62)	0.003 (0.44)	
BS	0.326 (1.11)	0.791* (2.13)	0.182 (0.96)	
LEV	-0.684 (-0.41)	-0.684 (0.20)	-0.665* (-7.57)	
CES	-0.518 (-0.41)	-0.314 (0.20)	-1.077 (-0.87)	
AUT	-0.103 (-1.78)		-0.147* (-3.16)	
BIN	-0.404* (-1.78)	-0.143 (0.476)	-0.342** (-2.35)	
FED	-0.830** (-2.54)	-0.953* (-1.00)	-0.879* (-5.37)	
INTO	-0.065 (-1.14)	-0.158 (1.00)	-0.105** (-2.10)	
CHS	-0.096 (-0.17)	0.264 (0.28)	-2.064* (-3.31)	
SIZ	0.098* (0.51)	0.115 (1.87)	0.116* (5.49)	
OWC	0.211 (0.51)	1.147 (1.15)	0.515 (1.58)	
Constant		-1.348 (-1.51)	-2.388 (-1.76)	-1.534* (-3.58)
R-squared		0.468	0.528	
Number of Banks			11	11

t-value in parentheses

* p<0.01, ** p<0.05, *** p<0.1

Source: Authors' Computation (2023)

5. Conclusion and Recommendations

This paper examined the effect of corporate governance on capital buffer on Nigerian Deposit Money Banks (DMBs) utilizing panel data of twelve banks between 2010 and 2021. The study employed Pooled Ordinary Least Square, Fixed Effect Model, and Panel Generalised Lease Square. The finding revealed that Board Independence, Female Directorship, Institutional Ownership, Chairman's Share, Leverage and Authorization negatively and significantly affecting capital buffer; while Firm Size positively and significantly affect capital buffer. This study reveals that corporate governance variables jointly have significant effect on banks' capital buffer.

The study therefore, recommended that the Regulators should be mandated to constantly review the corporate governance of the DMBs in a bid to enhance capital buffer of banks and investors' confidence. The study also recommended that the regulatory authority should continue to enforce its capital adequacy ratios and other prudential regulations to ensure that deposit money banks maintain adequate capital buffers. This will help to mitigate the risks associated with the banking sector and protect the interests of depositors and other stakeholders

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