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**EFFECT OF INTERNAL CORPORATE GOVERNANCE ON
THE RETURN ON CAPITAL EMPLOYED OF FINANCIAL
INSTITUTIONS IN NIGERIA****ONYENMURU, NNAMDI MARTIN**

Ph.D. Student, University of Nigeria, Enugu Campus

Dr. Steven Emeka Emengini

Senior Lecturer, University of Nigeria, Enugu Campus

Abstract

The study focused on the effect of internal corporate governance on the return on capital employed (ROCE) of financial institutions in Nigeria. The objectives of the study were to: (i) determine the effect of Board Size on the returns on capital employed of financial institutions in Nigeria; (ii) ascertain the effect of Board composition on the returns on capital employed of financial institutions in Nigeria; (iii) evaluate the effect of Audit Committee composition on the returns on capital employed of financial institutions in Nigeria; (iv) examine the effect of Board Meeting Attendance on the returns on capital employed of financial institutions in Nigeria; and (v) assess the effect of ownership concentration on the returns on capital employed of financial institutions in Nigeria. Ten years data (2009-2018) on internal corporate governance and returns on capital employed were collected from 14 sampled financial institutions and analysed using SPSS v.20. The findings revealed that Board size, Audit Committee, and ownership composition do not have significant effect on the Returns on Capital Employed, whereas Board Composition and Board Meeting attendance have significant effect on ROCE. The study recommended among other things that financial institutions should not be preoccupied with increasing the Board Size but should encourage the Board composition of their firms.

Keywords: Internal Corporate Governance, ROCE, Financial Institutions

Introduction

Corporate governance refers to the rules, processes, or laws by which institutions are operated, regulated and governed. It is developed with the primary purpose of promoting a transparency and efficiency in the banking system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner. Corporate governance refers to the set of rules and incentives by which the management of a company is directed and controlled. Corporate governance frames the distribution of rights and responsibilities among the main corporate bodies and provides the structure through which company objectives are set, implemented and monitored (Brahimi et al 2013). Governance mechanisms include monitoring the actions, policies and decisions of corporations and their agents.

There have been a lot of corporate governance issues affecting the financial institutions. Financial misconduct committed by corporate financial leaders in collusion with their executive directors adversely affected banks and the economy of nations. The division of management and shareowners of the companies reflects agency-related problems related to conflict of interest and mismanagement (Ogujiuba & Obiechina, 2011). Excessive risk taking and poor corporate governance have affected the banking industry, resulting in the global financial crisis (Oghoghomeh & Ogbeta, 2014). The exposure to excessive risk taking is severe in banking business (Nyor & Mejabi, 2013). These are issues of corporate governance that has been identified to have been bedeviled the efficient running of financial institutions over time.

In Nigeria, before the wave of the consolidation exercises both in the banking and insurance, the banking industry had about 89 active players whose overall performance led to sagging of customers' confidence. There was lingering distress in the financial industry, the supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses (Akpan, 2007). Akpan (2007) cited the National Deposit Insurance Commission report (2006) as saying that 741 cases of attempted fraud and forgery involving ₦5.4 billion took place during the period.

Soludo (2004) also opined that a good corporate governance practice in the banking industry is imperative, if the industry is to effectively play a key role in the overall development of Nigeria. Poor corporate governance was identified as one of the major factors in virtually all known instances of distress in financial institutions in the country. Weak corporate governance was seen manifesting in form of weak internal control systems, excessive risk taking, override of internal control measures, absence of or non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses and fraudulent practices remain a worrisome feature of the banking system (Soludo, 2004). This view is supported by the Nigeria Security and Exchange Commission (SEC) survey in April 2004, which shows that corporate governance was at a rudimentary stage, as only about 40% of quoted companies including banks had recognised codes of corporate governance in place.

CBN removed the corporate financial leaders because of their poor governance and corporate financial misconduct (Adegbite & Nakajima, 2011). Nwagbara (2012) noted poor governance and unethical leadership are at the center of the corruption in Nigerian banking sector. Oyerinde (2014) noted that regulators failed to avert the financial crisis through required execution of regulations. The CBN needs to prompt banks to adopt good corporate governance practices through implementation of rules and regulations for improved performance and value for shareholders (Nworji, Adebayo, & David, 2011).

Statement of the Problem

Financial Institutions especially, the banking sector in Nigeria among other sectors have witnessed several cases of collapses, some of which include the Alpha Merchant Bank Ltd, Savannah Bank Plc and Societe Generale Bank Ltd. There are series of widely publicized cases of accounting improprieties recorded in the Nigerian banking industry in 2009 such as in the case of Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank).

It has been alleged that lack of corporate governance codes in firms have been responsible for the collapse of many business organization through abuse of power, recklessness in handling of finances leading to financial misappropriation, inability to follow laid down internal control systems leading to lack of credible organizational leadership especially as it affects hiring of manpower, and maybe flouting of laid down policies that act as a guide in achieving organizational goals. Issues relating to corporate governance range from bad governance, fraudulent activities, insider abuse, and corruption. All these attract the attention of shareholders and regulators in the banking industry. The financial crisis that erupted from the United States affected the financial institutions of both developed and developing countries, of which Nigerian banks are major components.

The global financial crisis of 2007-2009, which disrupted the financial sector, affected the Nigerian banking industry (Sanusi, 2012). Furthermore, according to Sanusi (2010) the banking crises in Nigeria, was also linked with governance malpractices within the consolidated banks because boards ignored best practices for reasons including being misled by executive management, participating themselves in obtaining un-secured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. Also attributed to the lack of vigilant oversight functions by the boards of directors, is the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders (Uadiale, 2010).

The Nigerian financial sector especially the banking sector witnessed a significant collapse that affected some leading banks. The pre-consolidation era witnessed the Central Bank of Nigeria remove 8 managing directors and executive directors due to bad governance, nonperforming loans of 61%, and toxic assets of \$13.3 billion; which cost the Central Bank of Nigeria to inject up to 620 billion naira into the banks as a way of recapitalization. This led the CBN to classify 8 of 24 Nigerian banks then as distressed because of nonperforming loans and 13.3 billion dollars in toxic assets (Cook, 2011). CBN removed the corporate financial leaders because of their poor governance and corporate financial misconduct (Adegbite & Nakajima, 2011). Nwagbara (2012) noted that poor corporate governance and unethical leadership were at the centre of the corruption in Nigerian banking sector. Oyerinde (2014) noted that regulators failed to avert the financial crisis through required execution of regulations.

Olabisi and Omoyele (2011) investigated the ways and manners in which the affairs of banking sector in Nigeria are managed by those charged with such responsibility and with particular emphasis on the relationship between corporate governance and the performance of banks in Nigeria, and arrived at the conclusion that lack of proper corporate governance is the bane of so many banks in Nigeria that led to the collapse and failure of many banks. They attributed such to both poor audit control and directors' negligence to observe due diligence and acceptable standard practices.

Inam (2009) also confirmed that in some cases, bank directors' equity ownership is low in order to avoid signing blank share transfer forms to transfer share ownership to the bank for debts owed banks. It was further suggested that the relevance of non-executive directors may be watered down if they are bought over, since; in any case, they are being paid by the banks they are expected to oversee. Some financial measurements of financial performance in profit making organizations in the financial sector include return on assets (ROA), return on

capital employed (ROCE), return on Equity (ROE) and Earning per share (EPS). All these financial indicators are used to indicate how healthy the organization is and help to encourage or warn investors in determining the safety of their investment. The study focuses on the impact of corporate governance on the performance of the financial institutions, using return on capital employed (ROCE) as a measure of performance. That is the gap it fills.

Research Objectives

The main aim of this study is to ascertain the effect of internal corporate governance on the performance of financial institutions in Nigeria. The specific objectives are:

- i) To determine the effect of Board Size on the returns on capital employed (ROCE) of financial institutions in Nigeria.
- ii) To ascertain the effect of Board composition on the returns on capital employed of financial institutions in Nigeria.
- iii) To evaluate the effect of Audit Committee composition on the returns on capital employed of financial institutions in Nigeria.
- iv) To examine the effect of Board Meeting Attendance on the returns on capital employed of financial institutions in Nigeria.
- v) To assess the effect of ownership concentration on the returns on capital employed of financial institutions in Nigeria.

Theoretical Framework

Theory of Capital Structure

In the theory of capital structure in internal corporate governance, Malek (2004) states that the firm's structure of capital claims would not affect its overall cost of capital with the consequence that investment and financing decisions of the firm would remain independent of each other. Malek (2004) further states that in this manner, corporate governance structure of the firm would not contribute to creation of value for shareholders. However, debt and equity are not mainly alternative financing instruments, but rather an alternative governance structure. For a project to be financed by debt or equity depends principally on the characteristics of the assets. Assets are re-deployable and could be financed by debt, while projects that are not re-deployable should be financed by equity.

Relationship Theory

Relationship theory has it that internal corporate governance is concerned with managing of the relationship among various corporate stakeholders. Such stakeholders include the management, board of directors and the shareholders. Each of the stakeholders contributes to the checks and balances that exist in internal corporate governance principles. The managers of a business entity could add value for all corporate stakeholders including owners of the capital, labor, and the society at large. This would be a case of Pareto optimality in which the welfare of some group is increased without any decrease in benefits to the others.

Agency Theory

This theory has been used by corporate governance researchers to develop solutions to agency conflicts between managers and investors (Renders & Gaeremynck, 2012). Corporate governance addresses individual responsibility and lessens principal agent problems in an organization (Kapooria, Sharma, & Kaul, 2014). Isaac (2014) postulates that agency theory that effective corporate governance can lead to improving performance and financial results. The postulations made through the agency theory may indicate that the relationship between the

principal and the agent is a contractual agreement (Brandas, 2013) whereby principal contracts the agent to complete an assignment on the principal's behalf (Brandas, 2011).

Agency theory argues that where there is separation of management and ownership, the manager seeks to act in self-interest which is not always in the best interests of the owner. Thus, there is a departure from the famous objective of maximizing the shareholders' return. Agency theory has its own problem which takes two different forms such as adverse selection and moral hazard (Eisenhardt, 1989). Adverse selection can occur if the agent misrepresents his ability to perform the functions assigned and gets chosen as an agent. Moral hazard occurs if the chosen agent shirks the responsibilities or underperforms due to lack of enough dedication to the assigned duties.

Agency Theory is very important in the context of a broader discussion of Corporate Governance and in the formulation of governance mechanisms and policies. This explains why shareholders' value maximization objective seems to be the overriding aim of firms in these economies and this is aptly reflected in the monitoring devices. Thus, in the context of this study, Agency Theory plays a fundamental role in the design and execution of the investigation. The theory is justifiable because it helps to explain the findings and the relevance of corporate governance especially policies of board members to returns on capital employed.

Empirical Review

Uwuigbe & Fakile (2012) investigated the effects of board size on financial performance of banks: a study of listed banks in Nigeria. In analyzing the relationship between board size and financial performance of banks in Nigeria, this study made use of secondary data. The study used a range of data drawn from the annual reports of the banks under review and also the Nigerian Stock Exchange Fact Book (2008). The study adopted the regression analysis in analyzing the impact of the corporate governance proxy (board size) on the performance of the listed banks. However, the Pearson correlation was also used to measure the degree of association between variables under consideration. Regressing performance on board size, it was observed that banks with board size below 13 are more viable than those with board size above 13. It was further observed that banks with larger boards recorded profits lower than those with smaller boards. Therefore, the study concluded that there is a significant negative relationship between board size and bank financial performance with a t-value of -1.977 and a p-value of 0.053. This is because, increase in board size occurs with increase in agency problems (such as director free-riding) within the board and the board becomes less effective.

Olayinka (2010) examined the impact of board structure on corporate financial performance in Nigeria. It investigates the composition of boards of directors in Nigerian firms and analyses whether board structure has an impact on financial performance, as measured by return on equity (ROE) and return on capital employed (ROCE). Based on the extensive literature, four board characteristics (board composition, board size, board ownership and CEO duality) have been identified as possibly having an impact on corporate financial performance and these characteristics are set as the independent variables. The Ordinary Least Squares (OLS) regression was used to estimate the relationship between corporate performance measures and the independent variables. Findings from the study show that there is strong positive association between board size and corporate financial performance. Evidence also exists that there is a positive association between outside directors sitting on the board and corporate financial performance. However, a negative association was observed between directors' stockholding and firm financial performance measures. In addition, the study reveals a negative association between ROE and CEO duality, while a strong positive association was observed between ROCE and CEO duality. The study suggests that large board size should be encouraged and the composition of outside directors as members of the board should be sustained and improved upon to enhance corporate financial performance.

Akeem, Terer, Temitope and Feyitimi (2014) examined the impact of corporate governance on the performance of the Nigerian insurance company. It examined the relationship that exists between corporate governance and performance in the insurance company. Two Corporate Governance (CG) mechanisms (board size, board composition) and one insurance performance measure; return on equity (ROE) was used as the independent and dependent variables of three sampled Nigerian listed insurance firms between 2002 and 2008. Two hypotheses were formulated. Data was gathered from the financial statements of selected firms. The technique for data analysis employed for this study is multiple regression analysis. The results however could not provide significant impact of the two CG mechanisms (board size, board composition) on ROE. The result also shows no significant evidence to support the idea that board size, and board composition help promote insurance firm performance in Nigeria. The study recommends that board size should not be regulated by (NICOM), board composition should comprise Minority Shareholders.

Fodio, Ibikunle and Oba (2013) investigated the effect of corporate governance mechanisms on reported earnings quality of listed Insurance companies in Nigeria. Using twenty five (25) quoted insurance firms during the period 2007-2010, the study regressed five governance mechanisms on reported earnings quality proxy. Multiple regressions were employed for the analysis. The study found that board size, board independence and audit committee size are negatively and significantly associated with earnings management while audit committee independence and independent external audit have positive relationship with discretionary accruals. The study thus recommends that the NAICOM 2009 code of corporate governance regulation on board size and board independence be made stringent and sustained and that future research works investigate other governance dynamics such as ownership concentration, audit committee diligence and institutional investors amongst others in other sectors of the Nigerian economy.

While other studies on corporate governance neglected the operating performance variable as proxies for performance, this study employed the accounting operating performance variables to investigate the relationship if any, that exists between internal corporate governance and performance in the financial institutions in Nigeria with particular reference to return on capital employed (ROCE).

Methodology

The research design adopted in this work is *ex-post facto* which relies on historic data based on events that have taken place. The adoption of this research design is based on the reason that the study relied on historic data obtained from the annual financial statements and accounts of financial institutions quoted on the Nigerian Stock Exchange, from 2009 – 2018. Therefore, the event under investigation had already taken place and the researcher does not intend to control or manipulate the variables. The inability of the researcher to manipulate these variables is a basic feature of *ex-post facto* research design (Onwumere, 2009) thus, it perfectly suits this research.

The secondary data used in this study was extracted from the audited annual financial statements and accounts of the sampled financial institutions. Company audited annual statements and reports are deemed to be a reliable source of data since public firms are statutorily required to be audited by a recognized auditing firm and yearly performance made known to shareholders through the publication of annual statements of accounts.

The population of the study consisted of all the firms classified under the financial services sector and includes Banking, Insurance Carriers, Brokers and Services, Mortgage Carriers, Brokers and Services, Non-Depository Credit Institutions, and other Financial Institutions. This was adopted from the official website of the Nigerian Stock Exchange. The Nigerian Stock Exchange maintains a classification of firms quoted on the Exchange in which the financial services sector is one of the eleven (11) sectoral classifications.

Due to the need for availability, reliability and accuracy of data, only deposit money banks and insurance firms quoted on the Nigerian Stock Exchange were considered in the study. This is because corporate governance codes have been set out for banks in 2006, insurance firms in 2009, while microfinance is in 2018.

The sampling technique adopted in this research is a combination of stratified random sampling method and purposive sampling methods. The stratified random sampling method involved the selection of the sample based on classes or groups with each group or stratum having some definite characteristics or features. Firms quoted on the Nigerian Stock Exchange are already classified into sectors and sub-sectors, hence, the banking and insurance sub-sectors. The purposive sampling is based particularly on data availability criteria, thus, banks and insurers that have complete annual report for the period, 2009-2018, was selected using judgmental technique.

The model for this study was structured in a way to empirically show the effect of corporate governance variables on firm performance for financial institutions in Nigeria. In the CBN and NAICOM Code of Corporate Governance issued in 2006 and 2009 respectively for banks and insurers in Nigeria recognized using board composition (BC) as independent variable.

The hypothesis specifically states that board composition has no significant impact on the return of capital employed of financial institutions in Nigeria as represented in the following equations:

$$ROCE_{it} = a + b_1BS_{it} + U_{it} \dots\dots\dots(i)$$

$$ROCE_{it} = a + b_1BC_{it} + U_{it} \dots\dots\dots(ii)$$

$$ROCE_{it} = a + b_1ABAC_{it} + U_{it} \dots\dots\dots(iii)$$

$$ROCE_{it} = a + b_1BMA_{it} + U_{it} \dots\dots\dots(iv)$$

$$ROCE_{it} = a + b_1OC_{it} + U_{it} \dots\dots\dots(v)$$

Where:

a = constant;

ROCE_{it} = Return on Capital Employed for firm i at time t

BS_{it} = Board size for the firm i at time t

BC_{it} = Board Composition for Firm i at time t

ACC_{it} = Audit Committee Composition for firm i at time t

BMA_{it} = Board Meeting Attendance for firm i at time t

OC_i = Ownership concentration for firm i at time t

Technique of Analysis

For the data gathered, Simple Regression Analysis was applied to test all the hypotheses. This technique involves the statistical tools like f-test (ANOVA), t-test, correlation and co-efficient of determination. An easy way to deal with equations (1 - 4) was estimated using pooled data for estimation by considering all the cross-sections and time series together and to apply the Simple Regression Models. This implies that the assumption that the average values of the variables and the relationship between the variables is constant over time and across the sections.

The *signs* of the coefficients were relied upon in describing the direction and strength of linear relationship between variables while the *t-statistic* and *p-value* were also used in determining the magnitude of the effect of the independent variables (corporate governance) on the dependent variable (ROCE).

Presentation and Analysis of Data

Presentation of Data

Table 1: Pooled averages of the independent variables

YEAR	Return on Capital Employed (ROCE)	AVERAGE BOARD SIZE	AVERAGE BOARD COMPOSITION %	AVERAGE BOARD AUDIT COMMITTEE %	% OF ACTUAL OVER EXPECTED ATTENDANCE	% OF SHAREHOLDING MORE THAN 5% (OWNERSHIP)
2009	-1.26	14	0.55	0.41	0.81	0.65
2010	17.37	12	0.56	0.46	0.72	0.76
2011	22.86	14	0.56	0.50	0.74	0.28
2012	-3.85	15	0.58	0.49	0.81	0.28
2013	34.69	14	0.58	0.49	0.83	-0.09
2014	45.69	20	0.58	0.49	0.84	0.71
2015	29.38	13	0.55	0.49	0.86	0.63
2016	49.19	13	0.50	0.49	0.85	0.65
2017	121.97	13	0.49	0.49	0.92	0.76
2018	41.72	13	0.54	0.50	0.83	0.67

Source: Researcher's compilation based on the outcomes of the Appendices

Analysis of Data

1. Analysis on Specific Objective 1

Hypothesis 1 restated:

H_0 : Board Size does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 2: Correlation Analysis on objective 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.060 ^a	.004	-.121	37.40377

a. Predictors: (Constant), AVEBS

Table 2 shows that there is a very weak but positive correlation between Board Size and Return on Capital Employed of financial institutions in Nigeria. The coefficient of determination is $R^2 = 0.004$ or 0.4%, showing that Board Size did not explain the variations in ROCE of financial institutions in Nigeria.

Table 3: Test of Hypothesis 1

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	p-value
1	Regression	40.202	1	40.202	.029	.870 ^b
	Residual	11192.335	8	1399.042		
	Total	11232.537	9			

a. Dependent Variable: ROCE

b. Predictors: (Constant), AVEBS

Table 3 shows that the p-value of the F-test statistic (0.029) is 0.870. Since $p\text{-value} > 0.05$ (the critical value), we accept H_0 and conclude that Board Size does not have significant effect on the ROCE of financial institutions in Nigeria.

Table 4: Regression Analysis on objective 1
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	p-value	
	B	Std. Error	Beta			
1	(Constant)	49.118	79.590		.617	.554
	BS	-.946	5.582	-.060	-.170	.870

a. Dependent Variable: ROCE

The coefficients of the regression model when fitted become:

$$ROCE_i = 49.118 - 0.946(BS_i) + \mu.$$

The constant average (annual) value of Board Size is 49 and a negative marginal contribution to ROCE of about 0.946.

Analysis on Specific Objective 2

Hypothesis restated:

H_0 : Board Composition does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 5: Correlation Analysis on objective 2
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707 ^a	.499	.437	26.51859

a. Predictors: (Constant), BC

The analysis in table 5 shows that $r = 0.707$ while the $R^2 = 0.499$. It means that there is very high and positive correlation between Board Composition and ROCE of financial institutions in Nigeria. It also means that Board Composition caused or determined about 50 percent of the annual changes in the ROCE of financial institutions in Nigeria over the period of study.

Table 6: Test of Hypothesis 2
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	p-value
1	Regression	5606.652	1	5606.652	7.973	.022 ^b
	Residual	5625.885	8	703.236		
	Total	11232.537	9			

a. Dependent Variable: ROCE

b. Predictors: (Constant), BC

The test statistic in table 6 shows that the p-value = 0.022. Since p-value < 0.05, we reject H₀ and conclude that Board Composition had significant effect on ROCE of financial institutions in Nigeria during the period under study.

Table 7: Regression Analysis 2
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	p-value
		B	Std. Error	Beta		
1	(Constant)	466.940	152.931		3.053	.016
	BC	-785.362	278.143	-.707	-2.824	.022

a. Dependent Variable: ROCE

The regression analysis in table 7 shows the coefficients for fitting the model, thus:

$$ROCE_i = 466.940 - 785.362(BC_i) + \mu$$

It means that Board Composition contributed a constant annual value of 466.940 to ROCE of financial institutions in Nigeria. There was also a negative marginal contribution of 785.362 to ROCE during this period. Both the marginal and negative contributions are significant.

Analysis on Specific Objective 3

Hypothesis 3 restated:

H₀: Composition of Audit Committee does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 8: Correlation Analysis on objective 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.397 ^a	.158	.053	34.38421

a. Predictors: (Constant), ACC

The analysis in table 8 shows that r = 0.397 while R² = 0.158. It could be inferred that composition of Audit Committee does not have a strong correlation with Return on Capital Employed of financial institutions in Nigeria. Composition of Audit Committee could only determine 15.8% of the changes in ROCE during the period.

Table 9: Test of Hypothesis 3
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	p-value
1	Regression	1774.345	1	1774.345	1.501	.255 ^b
	Residual	9458.192	8	1182.274		
	Total	11232.537	9			

a. Dependent Variable: ROCE

b. Predictors: (Constant), ACC

The test-statistic $F = 1.501$ has its p-value as 0.255. Since p-value > the critical value (0.05), we accept the null hypothesis (H_0) and conclude that composition of Audit Committee does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 10: Regression Analysis 3
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	p-value
		B	Std. Error	Beta		
1	(Constant)	-211.938	202.497		-1.047	.326
	ACC	514.999	420.384	.397	1.225	.255

a. Dependent Variable: ROCE

The regression model for this relationship is as follows:

$$ROCE_i = -211.938 + 514.999(ACC_i) + \mu$$

The regression model shows a negative constant contribution of 211.938 that is not significant to the changes in returns on capital employed. The marginal contribution is positive but also not significant.

Analysis on Specific Objective 4

Hypothesis 4 restated:

H_0 : Board Meeting Attendance does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 11: Correlation Analysis on Objective 1
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693 ^a	.480	.415	27.01831

a. Predictors: (Constant), BMA

Table 11 revealed that $r = 0.693$ and $R^2 = 0.480$. It shows that there is a high and positive correlation between Board Meeting Attendance and ROCE. Board Meeting Attendance determined 48% of the variations in ROCE during the period under study. This means that Board members attendance at meetings is a strong determinant of the changes in the returns on capital employed of financial institutions in Nigeria.

Table 12: Test of Hypothesis 4
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	p-value
1	Regression	5392.624	1	5392.624	7.387	.026 ^b
	Residual	5839.913	8	729.989		
	Total	11232.537	9			

a. Dependent Variable: ROCE

b. Predictors: (Constant), BMA

Table 12 reveals that the p-value = 0.026. Since the p-value < 0.05, we do not accept H₀ but conclude that Board Meeting Attendance has significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 13: Regression Analysis 4
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	p-value
	B	Std. Error	Beta		
1 (Constant)	-314.119	129.018		-2.435	.041
BMA	426.182	156.803	.693	2.718	.026

a. Dependent Variable: ROCE

Table 13 shows the coefficients for fitting the regression model that is for board meeting attendance. The value of constant contribution is negative and significant while the marginal contribution to ROCE is positive and also significant at 5%.

The model is presented as follows:

$$ROCE_i = -314.119 + 426.182(BMA_i) + \mu$$

Analysis on Specific Objective 5

Hypothesis 5 restated:

H₀: Ownership Concentration does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.

Table 14: Correlation Analysis on objective 5
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.321 ^a	.103	-.009	35.49403

a. Predictors: (Constant), OC

Table 14 shows the correlation between ownership structure and Return on Capital Employed of financial institutions. The analysis shows that there is a weak but positive correlation between ROCE ownership structures of financial institutions in Nigeria (i.e. r = 0.321. Ownership structure during the period could only determine 10.3% (i.e. R² = 0.103) of the variations in ROCE during the period.

Table 15: Test of Hypothesis 5
ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	p-value
1 Regression	1153.930	1	1153.930	.916	.367 ^b
Residual	10078.607	8	1259.826		
Total	11232.537	9			

a. Dependent Variable: ROCE

b. Predictors: (Constant), OC

Table 15 shows that p-value = 0.367. Since p-value > the critical value, we do not reject H_0 but we conclude that ownership concentration does not have significant effect on the Returns on Capital Employed of financial institutions in Nigeria.

Table 16: Regression Analysis 5

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	p-value
		B	Std. Error	Beta		
1	(Constant)	14.349	25.045		.573	.582
	OC	40.428	42.243	.321	.957	.367

a. Dependent Variable: ROCE

The coefficients in table 4.15 are fitted in the regression as follows:

$$ROCE_i = 14.349 + 40.428(OC_i) + \mu$$

With ROCE increasing at a constant ₦14.349 due to ownership concentration, and marginally at 40.428 we found that independent variables have not made any significant effect on ROCE of financial institutions during the period.

Summary of Findings

The following findings are available for users of the information:

- i) Board Size does not have significant effect on the ROCE of financial institutions in Nigeria.
- ii) Board Composition has significant effect on ROCE of financial institutions in Nigeria during the period under study.
- iii) Composition of Audit Committee does not have significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.
- iv) Board meeting attendance has significant effect on the Return on Capital Employed of Financial Institutions in Nigeria.
- v) Ownership concentration does not have significant effect on the Returns on Capital Employed of financial institutions in Nigeria.

Conclusion

The overall view of the study revolves around the findings on each specific objective. The emphasis placed on knowing the effect of each specific objective on the Return on Capital Employed of the Financial Institutions in Nigeria provided a vivid outlay of how internal corporate governance can be used to judge the performance of any financial institution (i.e. based on its return on capital employed). However, it is noteworthy that Board Composition and Board meeting attendance only had significant and positive effect on the returns on capital employed of financial institutions. This is not unexpected since the caliber of board members and the decisions at board meetings add up to the value of the firm and consequently transfers to the firm returns.

Recommendations

The following are the recommendations provided for interested users:

Financial institutions should not be concerned with increasing the board sizes of the firms because it does not improve the value of returns on capital employed. Therefore, large firms' boards only increase the remuneration and other forms of compensations payable to board members.

Management of financial institutions should intensify the composition or quality of board members with knowledge and experience that would make a difference. Since the composition is positive and significant, it could only be advisable to nominate or appoint the best minds in the business or field of finance and related disciplines.

Since the composition of Audit Committee does not have significant effect on the returns on capital employed, we advise that management of financial institution should not commit huge resources to it. However, Audit Committee members are expected to maintain a high standard of professional performance that would keep fraud and related leakages in check.

Board meetings should continue to occupy premium position in the policies of the financial institutions. Regular meetings provide board members the forum to review, appraise, propose and promote actions that would propel the organization(s) forward.

Ownership concentration of financial institutions should be emphasized and expanded as this is one sure way of reducing liability and increasing the capital size and overall value of the business. That would not only grow the business but also introduce more financial security to the sector.

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Appendices

Return on Capital Employed (ROCE)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	%	%	%	%	%	%	%	%	%	%
Access Bank	15.90	21.55	48.14	38.29	46.65	133.97	114.66	43.67	45.88	64.34
UBA	39.88	35.60	12.77	58.38	60.85	56.46	49.45	42.27	43.62	54.61
GTB	35.63	36.48	40.10	50.84	47.53	22.12	8.93	49.55	43.56	53.29
Fidelity	11.03	16.29	19.40	39.35	39.44	41.01	40.50	38.99	48.98	5.62
Union Bank	97.12	(58.95)	(36.80)	21.98	6.09	5.12	20.70	18.27	21.26	33.49
FCMB	17.60	22.80	12.12	45.40	44.32	43.21	41.51	40.16	38.86	42.32
Wema Bank	0.52	130.65	51.06	(780.94)	43.40	45.68	48.75	60.15	73.19	15.38
Zenith Bank	14.19	11.87	24.86	161.89	35.03	78.47	41.97	42.81	51.30	46.20
FBN	17.34	28.24	20.10	37.31	39.56	40.78	25.57	19.45	28.35	41.59
Stanbic IBTC	22.78	35.03	22.24	42.81	53.22	42.36	50.50	48.74	55.20	54.51
Sterling Bank	(153.02)	(23.44)	46.57	79.64	68.50	53.90	54.81	57.33	66.78	81.16
Unity Bank	(88.21)	59.03	28.78	43.59	(41.07)	40.42	26.60	26.13	(8.76)	(6.95)
Leadway	16.49	18.74	25.70	18.99	28.88	22.82	38.26	24.74	24.32	20.50
AIICO	(45.34)	(39.52)	28.62	62.16	36.86	69.70	58.28	181.96	64.77	59.73
AXA Mansard	23.28	23.14	31.20	15.94	15.79	14.03	16.05	20.50	17.86	18.29
African Alliance Plc	(45.34)	(39.52)	(19.46)	(1.74)	22.84	10.49	(178.93)	59.13	1,314.96	74.44
Linkage	-	-	10.37	4.46	7.22	11.28	12.57	13.23	21.41	8.92
TOTAL ROCE	-20.15	277.99	365.77	-61.65	555.11	731.82	470.16	787.08	1951.54	667.44
AVERAGE ROCE	-1.26	17.37	22.86	-3.85	34.69	45.74	29.38	49.19	121.97	41.72

Source: Annual Accounts and Statements of Sundry Financial Institutions in Nigeria

BOARD SIZE

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Name of Bank										
Access Bank	14	14	16	16	21	16	16	15	17	15
UBA	20	20	19	18	19	16	16	19	19	19
Fidelity	17	17	15	16	20	20	17	18	14	12
Union Bank	14	14	17	17	17	19	19	18	19	15
FCMB	13	15	18	15	10	10	10	10	12	10
Wema Bank	7	7	10	15	11	14	12	12	12	12
Zenith Bank	15	14	14	14	15	12	12	13	14	13
Stanbic IBTC	30	12	24	30	26	11	10	10	21	24
Sterling Bank	15	12	9	15	12	9	15	12	9	15
Unity Bank	15	13	15	15	14	14	17	15	12	9
GTB	20	17	19	12	17	19	12	19	17	19
Leadway	9	9	9	10	9	9	9	11	9	9
AIICO	11	8	10	9	8	10	7	8	8	10
AXA Mansard	11	10	10	10	11	11	11	11	11	11
African Alliance Plc	6	8	8	8	7	7	7	7	5	4
Linkage	0	0	12	12	12	12	12	11	10	9

TOTAL BS	217	190	225	232	219	319	202	209	209	206
AVERAGE BS	14	12	14	15	14	20	13	13	13	13

Source: Annual Accounts and Statements of Sundry Financial Institutions in Nigeria

BOARD COMPOSITION (%)

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Name of Bank										
Access Bank	0.50	0.50	0.50	0.50	0.38	0.50	0.44	0.47	0.47	0.47
UBA	0.40	0.55	0.53	0.56	0.53	0.50	0.50	0.42	0.42	0.42
Fidelity	0.53	0.53	0.56	0.56	0.60	0.60	0.41	0.39	0.50	0.54
Union Bank	0.57	0.57	0.59	0.76	0.59	0.63	0.53	0.56	0.47	0.53
FCMB	0.46	0.53	0.61	0.61	0.70	0.70	0.70	0.70	0.75	0.70
Wema Bank	0.57	0.57	0.60	0.53	0.64	0.50	0.50	0.33	0.50	0.57
Zenith Bank	0.47	0.43	0.43	0.43	0.47	0.58	0.42	0.38	0.43	0.46
Stanbic IBTC	1.01	0.80	0.70	0.70	0.67	0.83	0.60	0.55	0.57	0.66
Sterling Bank	0.60	0.58	0.44	0.60	0.58	0.44	0.60	0.58	0.44	0.60
Unity Bank	0.53	0.62	0.60	0.60	0.50	0.50	0.47	0.60	0.58	0.44

GTB	0.62	0.58	0.58	0.58	0.58	0.58	0.58	0.57	0.54	0.54
Leadway	0.56	0.56	0.56	0.50	0.56	0.56	0.22	0.64	0.56	0.56
AIICO	0.55	0.75	0.70	0.67	0.75	0.70	0.57	0.63	0.63	0.60
AXA Mansard	0.55	0.60	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55
African Alliance Plc	0.33	0.75	0.50	0.50	0.43	0.43	0.43	0.43	0.20	0.25
Linkage	0.00	0.00	0.67	0.67	0.67	0.67	0.67	0.73	0.70	0.70

TOTAL BC	8.87	8.92	9.07	9.27	9.20	9.27	8.75	7.95	7.87	8.59
AVERAGE BC	0.55	0.56	0.56	0.58	0.58	0.58	0.55	0.50	0.49	0.54

Source: Annual Accounts and Statements of Sundry Institutions in Nigeria

Board Audit Committee (%)

Name of Bank	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Access Bank	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
UBA	0.50	0.40	0.50	0.43	0.50	0.50	0.50	0.50	0.50	0.50
Fidelity	0.25	0.25	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Union Bank	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.43	0.5
FCMB	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.5
Wema Bank	0.50	0.50	0.50	0.50	0.50	0.43	0.44	0.50	0.50	0.50
Zenith Bank	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Stanbic IBTC	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Sterling Bank	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Unity Bank	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
GTB	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Leadway	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
AIICO	0.50	0.50	0.43	0.43	0.50	0.50	0.43	0.43	0.50	0.50
AXA Mansard	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5
African Alliance Plc	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Linkage	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

TOTAL	6.65	7.15	7.93	7.86	7.90	7.83	7.77	7.83	7.83	8.00
AVERAGE	0.41	0.46	0.50	0.49	0.49	0.49	0.49	0.49	0.49	0.50

Source: Annual Accounts and Statements of Sundry Institutions in Nigeria

% of Actual over Expected Attendance

Name of Bank	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Access Bank	1.00	0.87	0.95	0.88	0.67	0.60	0.63	0.91	0.89	0.90
UBA	0.89	0.96	0.99	0.99	0.55	0.94	0.95	0.96	0.91	0.90
Fidelity	0.70	0.88	0.89	0.94	0.65	0.65	0.76	0.86	0.92	1.00
Union Bank	0.89	0.91	0.87	0.89	0.87	0.96	0.84	0.91	0.87	0.89
FCMB	0.92	0.83	0.91	0.88	0.93	0.87	0.86	0.88	0.92	0.96
Wema Bank	0.88	0.84	0.78	0.75	0.91	0.95	0.79	0.87	0.90	0.86
Zenith Bank	0.93	0.95	0.88	0.96	0.93	0.88	0.92	0.88	0.92	0.90
Stanbic IBTC	0.85	0.83	0.90	0.73	0.82	0.80	0.95	0.88	0.95	0.81
Sterling Bank	0.90	0.75	0.83	0.84	0.82	0.89	0.87	0.93	0.96	0.95
Unity Bank	0.93	0.95	0.80	0.92	0.87	0.88	0.77	0.71	0.85	0.89
GTB	0.91	0.81	0.94	0.98	0.96	0.50	0.93	0.81	0.87	0.87
Leadway	0.78	0.72	0.78	0.88	0.89	0.92	0.84	0.74	1.00	0.89
AIICO	1.00	-	-	-	1.00	1.00	1.00	1.00	1.00	-
AXA Mansard	0.80	0.90	0.90	0.98	0.95	0.98	0.95	0.84	0.93	0.91
African Alliance Plc	0.61	0.33	0.46	0.55	0.57	0.71	0.79	0.74	1.00	0.75
Linkage	-	-	-	0.85	0.93	0.85	0.93	0.68	0.86	0.75

TOTAL	12.99	11.52	11.88	13.02	13.32	13.38	13.78	13.60	14.75	13.23
AVERAGE	0.81	0.72	0.74	0.81	0.83	0.84	0.86	0.85	0.92	0.83

Source: Annual Accounts and Statements of Sundry Financial Institutions in Nigeria

% of shareholding more than 5% (Ownership)

Name of Bank	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Access Bank	0.50	0.72	0.81	0.83	0.82	0.85	0.85	0.85	0.71	0.82
UBA	0.94	0.95	(6.78)	(6.71)	0.88	0.79	0.79	0.83	0.84	0.73
Fidelity	0.86	0.86	0.88	0.88	(9.39)	0.84	0.78	0.88	0.76	0.76
Union Bank	(1.56)	0.79	0.88	0.57	0.61	0.83	0.84	0.84	0.88	0.90
FCMB	0.80	0.82	0.82	(0.13)	(0.13)	0.80	(1.61)	(1.44)	0.35	(0.28)
Wema Bank	0.88	0.89	0.66	0.82	0.80	0.81	0.85	0.87	0.87	0.90
Zenith Bank	0.86	0.86	0.88	0.88	0.95	0.92	0.87	0.89	0.92	0.97
Stanbic IBTC	0.87	0.88	0.88	0.87	0.88	0.88	0.92	0.90	0.90	0.91
Sterling Bank	0.89	0.90	0.92	0.92	0.94	0.96	0.96	0.95	0.95	0.95
Unity Bank	0.88	0.87	0.87	0.87	(3.14)	(0.49)	(0.48)	(0.48)	(0.48)	(0.48)
GTB	0.78	0.78	0.75	0.89	0.81	0.82	0.86	0.77	0.89	0.88
Leadway	1.00	0.94	0.98	0.98	0.92	0.92	0.87	0.95	0.95	0.95
AIICO	0.86	-	-	-	0.86	0.82	0.88	0.88	0.88	-
AXA Mansard	0.97	0.97	0.97	0.97	0.98	0.98	0.98	0.98	0.98	0.98
African Alliance Plc	0.91	0.91	0.94	0.91	0.91	0.91	0.91	0.91	0.91	0.91
Linkage	-	-	-	0.89	0.75	0.83	0.84	0.84	0.85	0.85
TOTAL	10.44	12.14	4.46	4.44	-1.55	11.32	10.11	10.42	12.16	10.75
AVERAGE	0.65	0.76	0.28	0.28	-0.09	0.71	0.63	0.65	0.76	0.67

Source: Annual Accounts and Statements of Sundry Financial Institutions in Nigeria

BIOGRAPHY OF THE AUTHOR

ELDER NNAMDI MARTIN ONYENMURU, FCA was born in Umuezeoche, Mbutu-Ngwa in Obi-Mbutu autonomous community, Isiala-Ngwa South Local Government Area of Abia State of Nigeria on 24th January, 1962. He holds B.Sc. and M.Sc. in Accountancy of the Enugu State University of Technology as well as an MBA in Business Administration from the University of Calabar. He is currently undergoing his PH.D program in Accountancy with major in Corporate Finance in the University of Nigeria, Enugu Campus. He is a fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Taxation (CITN) and member of Nigeria Institute of Management (MNIM) and member of Faculty of Auditing, Investigation and Forensic Accounting of Institute of Chartered Accountants of Nigeria.

Elder Nnamdi Martin Onyenmuru was the Chairman of Enugu & District Society of the Institute of Chartered Accountants of Nigeria (ICAN) from 2011 to 2014. He also serves at the Students Education & Training Committee of the Institute of Chartered Accountants of Nigeria and an Executive member of the Forum of Firms of ICAN.

Elder Nnamdi Martin Onyenmuru, is the Founder and Managing Partner of a fast growing Audit firm – MARTIN ONYENMURU & CO (CHARTERED ACCOUNTANTS); He is an accomplished Auditor and Tax Consultant. He has been a practicing Chartered Accountant, Tax Consultant and management, Financial and Human Resources Development Consultant for 25 years now. He has held many key management positions in some corporate organizations before the establishment of his own practice and consultancy outfits in 1995.

He is currently a Part-Time Lecturer with Clifford University, Ihie Campus, Abia State, Nigeria. He is also currently an External Examiner of Institute of Management and Technology (IMT) Enugu, Madonna University, Okija, Caritas University Enugu, Godfrey Okoye University Enugu and Enugu State University of Technology in Auditing, Accountancy and Taxation.