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Effect of Corporate Governance on the Financial Performance of Selected Specialized Money Banks in Oyo State, Nigeria

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Abstract
The main objective of the study is the find out the impact of corporate governance on the performance of specialized banks. The specific objectivesare to analyse the effect of board nationality on return on equity of specialized banks andto find the effect of board size on capital adequacy of specialized banks
The study made use of secondary data from annual reports of the selected banks from 2015-2020. Using the purposive sampling technique, this study selected two out of the six specialized banks(development finance institution) in Oyo state, Nigeria. Methods of descriptive statistics, regression analysis and t-test analysis were employed in the data analysis.
The results of the analysis for objective one using t-test showed shows that ethnic diversity has significant positive effect on the ROE of selected specialized banks in Nigeria ($t^*_{calculated}$= 4.702345 > $t^*_{critical}$ = 2.131). Ethnic diversity brings diverse experience and expertise to bear on the operations of banks which has significant positive effect on the ROE of selected specialized banks in Nigeria for the period under analysis. While the second objective analysed using regression analysis yielded a positive value at the magnitude of 0.001883(59.156%) significant at 1%. This entails that there exists a positive relationship between board size and capital adequacy (CAPADE).

Keywords: *Corporate Governance, Specialized Banks, Performance.*

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I. INTRODUCTION

In a variety of national and international endeavors, corporate governance has received a lot of attention. This is due to the importance of corporate governance in the success or failure of businesses. The processes and structures by which an institution's business and affairs are directed and managed in order to improve long-term shareholder value by enhancing corporate performance and accountability while also considering the interests of other stakeholders are referred to as corporate governance.Building credibility, ensuring transparency and accountability, and maintaining an effective channel of information disclosure that fosters strong company performance are all goals of corporate governance.At both the national and international levels, the approach for tackling the difficulties of corporate governance has taken numerous shapes, culminating in efforts such as: the OECD Code; the Cadbury Report; the Basel Committee Guidelines on Corporate Governance; the King"s Report of South Africa etc. It is thus vital to emphasize that the concept of bank and very big business corporate governance has been a priority on the legislative agenda in developed market economies for more than a decade. Furthermore, the concept is gradually gaining traction across the African continent as a priority.

Corporate governance has been elevated to the top of the agenda in Nigeria by all sectors of the economy. This is due to the importance of corporate governance in the success or failure of businesses (Ogbechie, 2006).The banking sector, like other industries, has seen a number of collapses or failures, some of which have occurred in Nigeria: Savannah Bank Plc, Society Generale Bank Ltd, Oceanic Bank, Bank of the North, AfriBank, Mainstream Bank, etc. Concerns about the need to tighten corporate governance in banks have arisen as a result of the failure of Nigerian banks and the behavior of some bank operators. This will promote public confidence and ensure the banking system's efficient and successful operation (Soludo, 2004).

Many country leaders throughout the world are concerned about corporate governance as a result of an increase in documented incidences of fraud, insider trading, and agency conflicts, among other business sagas (Enobakhare, 2010).With the documented incidents of the East Asia crises of 1997/98, the fall of Enron in 2001 and WorldCom in 2002 (Inyang, 2009), and the global financial crisis of 2007/8, corporate failure has been witnessed in both developed and developing countries. The banking sector's inadequate governance standards were to blame for the crisis. Because the mortgage market was the source of the crisis, world governments have been prompted to pass legislation to improve bank governance. The World Bank is actively assisting a number of economies with banking sector reform and restructuring.This exercise will help to alleviate, lessen, or eliminate some of the world's most serious macroeconomic problems, which have arisen as a result of huge financial and non-financial institutions' inadequate governance (Zaharia, Tudorescu&Aharia, 2010).

This study seeks to explore the impact of corporate governance on the financial performance of banking sector in Nigeria as its main objective. *Specifically, the study examinesthe effect of ethnic diversity on return on equity of specialized banks and as well measures the effect of board size on the capital adequacy of specialized banks in Oyo state*. Next to the introduction of the paper, the literature review is presented; in the third section, the methodology adopted in the research is discussed; the data analysis is presented in the fourth section of the paper while conclusion and recommendations are presented in the last section.

II. LITERATURE REVIEW

a. Corporate Governance

Corporate governance is a topic that is both complex and multi-faceted. Its paradigm, diagnosis, and remedies are found in diverse domains such as economics, accounting, and finance, among others, because it lacks a cohesive or systematic theory (Cadbury, 2002). As a result, it is critical that any organization's accounting structure include a thorough foundation.Corporate governance is one of several essential aspects that define the health of a system and its ability to withstand economic shocks in any firm. The soundness of the organization's different components and the links between them is crucial to its overall health.In developing economies, Levine (1997) underlined the necessity of bank corporate governance, stating that: first, banks have an overwhelmingly dominant position in the financial system of a developing economy and are extremely important engines of economic growth; second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for majority of firms; third, as well as providing a generally accepted means of payment, banks in developing countries are usually the main depository for the economy’s savings.

The term "corporate governance" comes from the Greek word "kyberman," which means "to steer, guide, and govern." It was later renamed "gubernare" in Latin and "governor" in French.To be exact, corporate governance is the process of making decisions and the process of putting those decisions into action; as a result, it has a very distinct meaning for different businesses (Abu-Tapanjeh, 2008). In recent years, corporate governance has been viewed as a system of checks and balances between/among the board of directors, management, and investors in order to build a well-functioning organization that is optimally suited to generate long-term value (Brancato and Plath, 2003).Jayashree (2006) defines it thus: “Corporate Governance when used in the context of business organization is a system of making directors accountable to shareholders for effective management of the companies in the best interest of the company and the shareholders along with concern for ethics and values. It is the management of companies through the board of directors that hinges on complete transparency, integrity and accountability of management.”Corporate governance can be drawn from these concepts as a framework for managing and controlling organizations. It aims to increase transparency and accountability in an organization's procedures in order to meet obligations to shareholders, employees, customers, and the community in which it operates.

Banking supervision cannot work without what Hettes (2002) refers to as "proper corporate governance," because experience has shown that each bank requires an adequate level of responsibility, control, and competency balance.Hettes went on to say that good corporate governance makes banking supervision easier and helps to build trust between a bank's management and the banking supervisory body. The relevance of corporate governance in the banking structure was also stressed by Bebeji, Mohammed, and Tanko (2015). They discovered that corporate governance has a big impact on bank performance in Nigeria.They discovered that, while some corporate governance traits, such as board composition, have a favorable impact on bank performance in Nigeria, others, such as board size, have a negative impact on bank performance in Nigeria.As a result, several events have heightened interest in corporate governance, particularly in both developed and developing countries. For more than a decade, the issue of corporate governance for banks and other corporations has been a top priority on the policy agenda in developed market economies.

Corporate governance can be seen from at least two different angles. The narrow perspective is concerned with how a corporate entity or business gets its basic orientation and direction. Both a market economy and a democratic society are said to be built on a broad worldview (Oyejide and Soyibo, 2001). The limited perspective views corporate governance in terms of shareholder protection, managerial control, and economic theory's popular principal-agency concerns.

Arun and Turner (2002b) argue that there is a restricted view of corporate governance, in which the topic is viewed as a mechanism by which shareholders may be assured that management will act in their best interests.However, Shleifer and Vishny (1997), Vives (2000), and Oman (2001) identified a larger approach in which the subject is viewed as the techniques by which finance suppliers control managers to ensure that their money is not expropriated and that they may receive a return on their investment.However, due of the unique contractual form of banking, which requires that corporate governance processes for banks encompass both depositors and shareholders, there is agreement that a broader view of corporate governance should be embraced in the case of banking companies(Macey and O‟Hara (2001). Arun and Turner (2002b) supported the consensus by arguing that the special nature of banking requires not only a broader view of corporate governance, but also government intervention in order to restrain the behavior of bank management. They further argued that, the unique nature of the banking firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. They posit that, in particular, the nature of the banking firm is such that regulation is necessary to protect depositors as well as the overall financial system. This study therefore adopts the broader view and defines corporate governance in the context of banking as the manner in which systems, procedures, processes and practices of a bank are managed so as to allow positive relationships and the exercise of power in the management of assets and resources with the aim of advancing shareholders‟ value and shareholders‟ satisfaction together with improved accountability, resource use and transparent administration.

Based on a review of the literature, existing corporate governance studies have primarily focused on deposit money institutions. This study tries to fill in some of the gaps by looking beyond deposit money bank organizations, which are essentially founded on shareholder sovereignty.The study therefore analyzed the level of compliance of code of corporate governance in Nigerian banks with the Central Bank of Nigeria code of corporate governance (board size, transparency, accountability). Furthermore, while other studies on corporate governance neglected the operating performance variable as proxies for performance, this study employed the accounting operating performance variables (ROA, SOLVENCY, VALUATION) to investigate the existence if any relationship between corporate governance and performance of specialized banks in Nigeria.

b.Specialized Banks In Nigeria

Specialized banks are defined as those banks that are banking operations that serve a specific type of economic activity, such as industrial activity or agricultural or real estate, under the resolutions of their establishment. Specialized bank does not have to accept demand deposits of the main aspects of its activities. They are not under the guide of the central Bank of Nigeria. Examples of specialized banks in Nigeria are African Development Bank (ADB), Nigerian Bank for Commerce and IndustryNBCI) Nigerian Agriculture and Cooperative Bank(NACB) etc.

Examples of these specialized banks are Development banks, Agricultural banks, Merchant banks and Mortgage banks.

c. Functions of Specialized Banks:

To imagine established operating standards as well as measures to compel compliance with a cinch financial regulation; to comply with loans to businesses, trade cache depicts policies and future goals; within the required range, take the outermost induce rate floats; to be responsible in the management of finance; to exercise cash control over account-holding institutions following the establishment of clear regulations and to carry out work beyond the scope of a state-owned enterprise

d. Advantages of Specialized Banks

Specializedbanks do not rely on financial resources from individual deposits, such as commercial banks, but instead rely upon capital or bonds issued.They cannot develop into diverse activities due to a lack of financial resources. Most specialized banks invest resources in long-term loans instead of commercial banks, governed based on money deposited by customers.Specialization in a particular economic activity, such as finance. Banks specialize in certain activities, as evidenced by their names, such as industrial banks, which finance the industrial sector. Agricultural banks finance the agricultural industry, and real estate banks primarily finance the construction industry, housing, and utilities.Theyare usually owned by the government since they aim to create economic and social development rather than make a profit.

e. Linkage between Corporate Governance and Firm Performance

According to a survey conducted by McKinsey and Company (2002) and referenced by Adams and Mehran (2003), 78 percent of Malaysian professional investors are willing to pay a premium for a well-governed company.The average premium these investors were willing to pay was often between 20% and 25%. By limiting the expropriation of controlling owners and assuring improved decision-making, stronger corporate governance is intended to lead to higher business performance.The firm's value may respond instantly to news indicating greater corporate governance in anticipation of such an improvement. However, there is a paucity of quantitative evidence to show the existence of a link between corporate governance excellence and firm performance (Imam, 2006).

Good governance entails limited expropriation of business assets by managers or controlling shareholders, resulting in improved resource allocation and performance.Because investors and lenders will be more inclined to put their money into companies with solid governance, their capital costs will be lower, resulting in improved firm performance.Other stakeholders, such as employees and suppliers, will prefer to be associated with and enter into commercial ties with such companies since such connections are more likely to be prosperous, fair, and long-lasting than those with companies that have less effective governance.There are also obvious implications for the economy as a whole. Because the economy is less sensitive to a systemic risk, economic growth will be more sustainable. The capital market will be bolstered and become more developed as a result of improved investor protection at the business level, which is critical for long-term economic growth.Good corporate governance, on the other hand, is essential for establishing a just and corruption-free society. Corruptive synergy between business and political circles thrives in large corporations with poor corporate governance. A more favorable business environment for smaller businesses and more fair wealth distribution could arise from less expropriation of minority shareholders and less corruptive linkages between major businesses and political authority (Iskander and Chamlou, 2000)

f. Ethnic Diversity and Financial Performance

Ethnic groups can be defined as people of other countries that share a sense of mutual political or cultural grounds (Yin, 1973). Ethnic also refers to a large group of people sharing the same custom, heritage, origin, race and religion. This implies that culture can be learnt while ethnicity is inherited. Extant literature has reported contradictory findings on ethnic diversity and firm performance. First, a positive relationship has been established between ethnic diversity and firm performance (Biggins 1999; Carter, Simkins & Simpson 2003; Erhardt et al., 2003; Ujunwa, et al., 2012). The proponent of the positive relationship believed that ethnicity can be used as an effective way to improve on corporate performance.

The second group of studies reported that a heterogeneous board resulted in an emotional conflict that ultimately harmed firm performance and it is better in the short term. Hence, they found a negative relationship between ethnic diversity and firm performance (Carter et al., 2010; Omoye & Eriki 2013). Yet, other find no significant relationship between ethnic diversity and firm performance (Garba &Abubarkar 2014; Marimuthu&Koladaisamy, 2009b; 2009c; Zahra & Stanton 1988). Against the backdrop of the above empirical inconsistency, the first hypothesis of this study: There is no significant relationship between ethnicity and financial performance.

g. Board Size and Financial Performance

For example, studies on board size and business performance have yielded contradictory results (Yermack, 1996; Kiel & Nicolson, 2003; Guest, 2009; Adams & Mehran, 2012; Wintoki, Linck& Netter, 2012). Furthermore, Yermack (1996) was one of the first researchers to look into the relationship between board size and business success. Between 1984 and 1991, a study of 452 large US corporations indicated a negative association between board size and growth possibilities performance as assessed by Tobin's Q. This conclusion holds true regardless of a company's size, growth potential, board structure, director ownership, or industrial sector.

Other Nigerian and non-Nigerian research (Adams & Mehran, 2012; Owusu, 2012) have indicated a favorable association between board size and business performance (Kajola, 2008; Sanda et al., 2010; Akpan&Amran, 2014; Ironkwe&Adee, 2014; Ilaboya&Obaretin, 2015). Using a sample of 20 Nigerian listed firms from 2000 to 2006 measured by ROE, Kajola (2008) found a positive and statistically significant relationship.

h. Linkage between Corporate Governance and Bank's performance

From the standpoint of the banking business, strong corporate governance necessitates that banks operate in a safe and sound manner, in accordance with relevant rules and regulations, and in the best interests of depositors. Surprisingly, few Nigerian banks are known for adhering to strong corporate governance, best practices, and high ethical standards in their business operations. Corporate governance, on the other hand, in the context of this study refers to how a corporation's power is exercised in the stewardship of the corporation's total portfolio of assets and resources with the goal of maintaining and increasing shareholder value and the satisfaction of other stakeholders in the context of its corporate mission.The governance mechanism of a bank creates a set of interactions between the bank and its stakeholders. Greuning and Bratanovic (2004) described corporate governance as the collection of relationships that exist between a bank's management, board of directors, shareholders, and other stakeholders. Clearly, the governance systems must have an impact on bank risk management, as banks are often considered to be in the risk management business.

Endogenous systems and exogenous systems are two types of governance mechanisms. Internal corporate governance, which is concerned with systems for the responsibility, monitoring, and control of a firm's management in terms of resource utilization and risk taking, is an example of endogenous corporate governance processes (Llewellyn and Sinha, 2000).The board of directors is in charge of internal corporate governance. The board of directors is the bank's highest governing body. The board of directors is in charge of the bank's strategic direction as well as its risk management procedures. The company's board of directors is chosen by the company's shareholders. The board of directors is ultimately responsible for how a bank's operations and activities are performed. Appointing senior management, creating operating procedures, and, most importantly, ensuring a bank's soundness are among its tasks.

A bank's board of directors must be strong, independent, and actively involved in the bank's operations. Although the directors of a bank may not be experts in banking, it is critical that they have the necessary skills, knowledge, and experience to carry out their responsibilities efficiently.Before approving suggestions, the board monitors and supports management initiatives, as well as tests and probes them. It should ensure that proper controls and processes are in place to identify and address issues before they escalate into serious issues. During difficult times, an active and involved board can help a bank survive by assessing problems, taking corrective action, and, where required, keeping the organization on track (Greuning and Bratanovic, 2003).

According to Ciancanelli and Gonzales (2000), the regulation and regulator constitute external corporate governance systems in the banking sector. According to standard corporate governance literature, the market is the only external governance force capable of disciplining the agent. The presence of regulation indicates that there is an additional external force capable of disciplining the agent. This force is not the same as the market. This means that regulatory power has impacts that are distinct from those produced by markets.

Corporate governance has been viewed as an economic discipline that investigates how to improve the effectiveness of specific organizations through organizational arrangements, contracts, laws, and business legislation from a theoretical standpoint. It is undeniable that banks are a critical component of any economy; as a result, if their positive impacts are to be realized, they must have strong and effective corporate governance (Basel Committee on Banking Supervision, 2003).

Previously, King and Levine (1993) and Levine (1997) stressed the importance of bank corporate governance in developing economies, noting that banks have an overwhelmingly dominating position in a developing economy's financial system and are crucial engines of economic growth. Second, because financial markets in developing nations are frequently underdeveloped, banks are typically the most important source of funding for the majority of businesses. Third, in addition to offering a widely accepted method of payment, banks in developing nations are frequently the primary custodian for the economy's savings. Hettes (2002) chose the term "correct corporate governance" because experience has shown that each bank requires an appropriate level of responsibility, control, and competency balance. He went on to say that good corporate governance makes banking supervision easier and helps to build trust between a bank's management and the banking supervisory body.

According to Crespi et al. (2002), bank corporate governance refers to the many approaches by which bank owners strive to persuade managers to follow value-maximizing policies. They observed that these methods can be external to the firm, such as the market for corporate control or the level of competition in the product and labor markets, as well as internal mechanisms such as shareholder disciplinary intervention (what they refer to as proxy fights) or board of director intervention.

Market credibility will be enhanced if bank executives and shareholders demonstrate their commitment to sound corporate governance. As a result, they will be able to collect funds at a reduced cost and with less risk. Better corporate governance, it can be argued, will lead to improved performance. This claim is backed up by some actual evidence.

III. METHODOLOGY

The study made use of secondary data from annual reports of the selected banks obtained from their website(boi.ng and boa.ng) the year 2015-2020. Using the purposive sampling technique, this study selected two out of the six specialized banks which as are also known as development finance institution aslisted by the central bank of Nigeria. The time frame considered for this study is 2015 to 2020. Methods of descriptive statistics, regression analysis andt-test analysis were employed in the data analysis.

Prior research (Adeusi, Akeke, Aribaba, and Adebisi (2013); AkingunolaAdekunle and Adedipe (2015); Bebeji, Mohammed, and Tanko (2015); and Uwuigbe (2011)) used this approach of analysis.Therefore, this study made use of corporate annual reports of thetwoselectedspecialized banks which are Bank of Industry (BOI) and Bank of Agriculture (BOA) in Oyo state, Nigeria to find out the effect of corporate governance variables onfirmfinancial performance.

IV. RESULTS AND DISCUSSIONS

T-test analyses and regression analyseswere adopted in testing the two formulated hypotheses. The primary justification for adopting the method is based on the fact that it possesses the optimal properties of linearity, un-biasness and minimum variance.

The **first hypothesis**on the effect of board nationality on return on equity of specialized banks was tested using t-test analysis. The result is shown below. To ascertain the effect of board nationality on return on equity of specialized banks, the model specification was given below:

ETDI = Ethnic Diversity,

ROE = Return on Equity,

β = parameters to be estimated and

μ = the stochastic error term.

Ethnic diversityis represented by the number of ethnic groups in the board as a ratio of the total number of board members.

Ethnic Diversity**=** No. of Ethnicity/Total No. of Board members

Table 1: Ethnic Diversityversus Return on Equity (ROE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	210.8518	285.1600	0.739416	0.4711
ETDI	0.490105	0.104226	4.702345	0.0003
R-squared	0.595819	Mean dependent var		417.0588
Adjusted R-squared	0.568873			1582.193
S.E. of regression	1038.872	S.D. dependent var		16.83979
Sum squared resid	16188823	Akaike info criterion		16.93781
Log likelihood	-141.1382			16.84953
F-statistic	22.11204	Schwarz criterion		1.784713
Prob(F-statistic)	0.000283	Hannan-Quinn criter.		417.0588
		Durbin-Watson stat		
		Mean dependent var		

Source: (Researcher's computation 2022)

Ho: Ethnic diversityhas no significant positive effect on the ROE of selected specialized banks in Nigeria.

Ha: Ethnic diversityhas significant positive effect on the ROE of selected specializedbanks in Nigeria.

Having computed the table 1 above shows that the computed t-statistics yielded 4.702345 and a check at the tabulated t-statistics at 5% level of significance yielded 2.131. This shows that the computed value of the t-statistics is greater than its tabulated value.

If the estimated t-statistics (t*) are greater than the tabulated t-statistics (t0.025), adopt the alternate hypothesis (Hi); otherwise, accept the null hypothesis. The estimated t-statistics value = 4.702345 is clearly bigger than the tabular value of 2.131, as seen in the previous study.This compels the rejection of the null hypothesis (Ho) and the acceptance of the alternative (H_1). Hence; ethnic diversityhas significant positive effect on the ROE of selected specialized banks.

Hypothesis was tested and the result showed that ethnic diversity has significant positive effect on the ROE of selected specialized banks in Nigeria ($t^*_{calculated}$= 4.702345 > $t^*_{critical}$ = 2.131). Ethnic diversity brings diverse experience and expertise to bear on the operations of banks which has significant positive effect on the ROE of selected specialized banks in Nigeria for the period under analysis.This is consistent with Adams, Hermalin, and Weisbach's findings (2010). The study's dependent variable was bank efficiency. The Cobb-Douglas cost function was used to determine efficiency in the study.Ethnic diversity was discovered to be one of the measures of corporate governance, and it was discovered that this variable had a considerable positive effect on the efficiency of chosen specialized banks in Nigeria. The findings are consistent with those of Awino (2011), albeit they contradict Fidelia and Tabachnick (2011), who argue that board governance actions impact financial success of financial organizations.

Table 11: Board Size versus Capital Adequacy

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.37158	0.331567	40.32848	0.0000
BOARDSIZE	0.001883	0.002084	3.903657	0.3805
R-squared	0.617629	Mean dependent var		13.16292
Adjusted R-squared	0.591596			0.975446
S.E. of regression	0.981085	S.D. dependent var		2.909816
Sum squared resid	14.43792	Akaike info criterion		3.007841
Log likelihood	-22.73343			2.919560
F-statistic	0.816597	Schwarz criterion		2.304081

Prob(F-statistic)	**0.380461**	**Hannan-Quinn criter.** **Durbin-Watson stat** **Mean dependent var**	**13.16292**

Source: Researchers analysis (2022)

Model Line: CAPADE = bo + b1BDSIZE
Regression Line: CAPADE = 13.37158 + 0.001883**BDSIZE**
The **second hypothesis** on the effect of board size on capital adequacy of specialized banks was tested using regression analysis. The hypothesis and result are shown below:
Ho: Board size has no significant positive effect on the capital adequacy of specialized banks.
Hi: Board size has significant positive effect on the capital adequacy of specialized banks
The numerical coefficient of Board Size (BDSIZE) generated a positive result at the magnitude of 0.001883, as shown by the regression line above. This implies that the size of the board of directors and capital adequacy have a positive relationship (CAPADE).It also implies that the size of the board of directors has a beneficial impact on the capital adequacy of selected specialized banks in Nigeria. The coefficient of determination, which reflects the independent variable's control power over the dependent variable, was computed using the modified R-Squared instrument and returned 0.591596.This means that the board size has a considerable impact on the variances in capital adequacy of the selected specialized banks. This equates to a 59.156 percent increase. Given that it is above normal, this is significant.

The findings revealed that the size of the board of directors had a considerable favorable impact on the capital adequacy of selected Nigerian money specialized banks. This means that the size of the board of directors has a major impact on the level of capital adequacy in the economy's specialized banks.This is consistent with the findings of Sanda, Mikailu, and Garba (2010), who investigated the relationship between board size and assortment and financial presentation of insurance firms in Nigeria, providing a detailed explanation of how gender diversity, ethnic diversity, board size, board composition, and foreign directorship affect the financial performance of insurance firms listed on the Nigerian Stock Exchange.According to the findings, there is a link between the size of the board of directors and the performance of insurance businesses in Nigeria. However, the findings contradicted those of Oluyemi (2005), who conducted a study to investigate the relationship between board composition and financial sector performance in Nigeria. This showed that when there are more board members, there will be higher capital. Board size has a positive and significant effect on financial performance.

V. CONCLUSION AND RECOMMENDATIONS

Specific findings of the current research have demonstrated several relevant conclusions on the effect of corporate governance on the financial performance of specialized banks. According to the findings, ethnic diversity has a significant effect on the return on equity of specialized.Also, the study concluded that board size can be used to predict capital adequacy of specialized banks. That is, ethnic diversity and board size have significant effect on the financial performance of specialized banks. Based on the findings and study conclusion, it is being recommended that;

i. On the basis of finding from this study where ethnic diversity have significant effect on return on equity of specialized banks, the study recommends that specialized banks should perpetually constitute their board members by including people from diverse ethnic background. This will permit and ensure the introduction of various ideas, and there will be wide scope of knowledge at the hem of affairs of the banks.
ii. Also, findings from the study shows that, board size significantly affect capital adequacy in specialized banks, The study therefore recommends that specialized banks should fill up the board seats with sizable amount of people who have keen interest in the stability of the organization

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