EFFECT OF CORPORATE GOVERNANCE IN MAINTENANCE OF PUBLIC CONFIDENCE IN MONEY DEPOSIT BANKS

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Abstract

The study was on the effect of corporate governance in the banks in maintenance of public confidence in money deposit banks, the objective of the study aimed at to ascertain the effect of inadequate corporate governance on the bank in retaining their staff, to access the effect of corporate governance on the bank to their suppliers, to ascertain the effect inadequate corporate governance on the bank on high interest on loans. The study had a population size of 257, out of which a sample size of 117 was utilized using Freund and William's formula. The instrument used for data collection was primarily questionnaire. 117 staff returned the questionnaire and correctly filled. The survey method was adopted for the study with the special aid package for statistical software (SPSS). Three hypotheses were formulated, and F statistic (anova) was used for the study. The result showed that there is the significant negative effect of corporate governance on the bank and retaining of their staff. $F(95,n=117)=-1.685, p> 0.05$.; there is the significant negative effect of corporate governance on the bank to their suppliers. $F(95, n = 117) = -1.685, p > 0.05$; there is negative effect of inadequate corporate governance on the bank on high interest on loans. $F(95, n = 117) = 0.767, p > 0.05$. The study concludes the effect of corporate governance in the banks in the maintenance of public confidence in the system is vital for organizational progress and positive employee behavior. The researcher recommends that there is the need to consider moderators such as leadership styles, organizational climate, and culture in corporate governance-job satisfaction relationship.

Keywords: *Corporate Governance, Bank, Maintenance, Public Confidence.*

1.1 Introduction

A critical look at the nation banking sector invariably portends the need for urgent attention, a situation that has made for a series of reform of the industry over the year. The recent of all the change came up in 2004 with a policy aimed at improving the regulatory and supervisory environment as well as restructuring and developing the banking sector entities. Soludo (2004) expressed that the reforms agenda is a pre-emptive and proactive measure to prevent an imminent system crisis and collapse of the banking industry and permanently stop the boom and bust cycle which have characterized the history of our banking industry. More fundamentally the reforms are aimed at ensuring a sound, responsive, competitive and transparent banking system appropriately suited to the demand of the Nigeria economy and the challenges of globalization. The main thrust of the reform package which is anchored on a thirteen point agenda is to consolidate and recapitalized banks by increasing their shareholder's fund to a minimum of N25 billion with effect from December 31ist 2005, Olade, and Oladipupo (2011). This is a view to maintain public confidence in the bank sector to raise better hope for shareholders and the populace. The venture into such stride gave the masses encouragement, faith and wiliness to invest in the bank. Before this many have resort burying money underground, tanks have become alternative for the prominent duos or the rich.

Adekunle, Ishola, and Adidu(2011),banking crises in Nigeria have shown that not only do banks often take excessive risks but the risks differ across banks. Some banks engage in more chances than their capital could bear. Other banks are more prudent and would be able to contain a banking crisis. As a way to stem the tide, the Central Bank of Nigeria (CBN) on July 6, 2004, introduced measures to make the entire banking system a safe, sound and stable environment that could sustain public confidence in it. According to the Bank's Governor at the time, Charles Chukwuma Soludo, "it is now to set up a structure that creates a stable base relative to the kind of economy we are operating banks become channels to do proper intermediation (the Obasanjo Economic Reforms on the Banking Sector, 2005).Jafaru and Iyoha (2012) a healthy corporate governance culture is imperative in the banking sector were the retention of public confidence remains of utmost importance. In this regard, the boards of directors are the essential fulcrum upon which the mechanisms of corporate governance and management rest. In Nigeria, however, poor corporate governance has been identified as one of the significant factors in virtually all known instances of distress in banks. This is taking place against the backdrop of the existence of a code of Corporate Governance for organizations (including banks) in Nigeria. The management and administration of corporate bodies occupy a central place in the development of the economy of any nation. This is particularly important for banking institutions where the retention of public confidence through the enthronement of good corporate governance remains of utmost importance. Thus, given the role of the banking industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement system and the implementation of monetary policy, the issue of good corporate governance cannot be

too strongly emphasized. As external factors, the macroeconomic conditions influence the bank profitability. The economic growth, expressed by the GDP (per capita) growth, has many consequences among which is the increase of bank activity. Both the rise in customer deposits and loans granted and of the interest margins has a positive impact on bank profitability. When the economic activity decreases, the demand for loans and deposits decreases and negatively affect the profit margins (Sufian and Chong, 2008). The inflation rate is another macroeconomic factor positively related to the bank performance. Higher (anticipated) inflation rates determine the increase of the loan interest rates, thus the rise in bank profitability. We have to note that if the inflation rate is not anticipated, it may increase the financing costs and affect the bank profitability, Nicolae, Bogdan and Lulian (2013).

1.2 Statement of the Problem

Adequate capital in banking is a confidence booster. It provides the customer, the public and the regulatory authority with confidence in the continued financial viability of the bank. Belief to the depositor that his money is safe; to the people that the bank will be, or is, in a position to give genuine consideration to their credit and other banking needs in sound as in bad times and to the regulatory authority that the bank is, or will remain, in continuous existence. Capital is bedrock which assists in charging off losses, the riskier the asset composition; the more capital is needed to maintain a given level of soundness. In the same vein, the more real and volatile the liabilities, the much the risk, the much the amount of capital adequacy needed to maintain solvency.

Lack ofCorporate governance has made the risk in high volatility in the system is derived from the fact that massive withdrawals forced asset liquidation at an inopportune time, and liability maturity mismatch force is refinancing or settlement at a loss. Corporate governance has reduced bank business activities from various companies, firms, organization, and enterprise. Sequel to this some bank employees lost their jobs, suppliers to the banks including the business of all sizes slowed down, bank corporate social responsibility dropped, loans from the bank becomes stiffer with high-interest rate and collaterals. Based on this, it has necessities the study the effect of corporate governance on the bank in maintaining the public confidence in the systems.

1.3 Objectives of the Study

The following objectives were formulated for the study.

(i) To ascertain the effect of poor corporate governance on the bank in retaining their staff.

(ii) To access the impact of weak corporate governance on the bank to their suppliers.

(iii) To ascertain the effect of weak corporate governance on the bank on high interest on loans.

1.4 Research Questions

(i) What is the effect of weak corporate governance on the bank in retaining their staff?

(ii) What is the impact of insufficient corporate governance on the bank to their suppliers?

(iii) What is the effect of weak corporate governance on the bank on high interest on loans?

1.5 Research Hypotheses

H_{o1}: There is adverse effect of weak corporate governance in the bank in retaining their staff.

H_{o2}: There is an adverse effect of weak corporate governance on the bank on their suppliers.

H_{o3}: There is an adverse effect of poor corporate governance and interest rate on loans.

2. Review of the Related Literature

2.1 Conceptual Framework

2.1.1 Concept of Corporate Governance

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. The purpose of corporate governance is to facilitate active, entrepreneurial and prudent management that can deliver the long-term success of the company.

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the management of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company by full-time executives.

In the UK for listed companies corporate governance it is part of the legal system as the UK Corporate Governance Code applies to account periods beginning on or after 29 June 2010 and, as a result of the new Listing Regime introduced in April 2010, applies to all companies with a Premium Listing of equity shares regardless of whether they are incorporated in the UK or elsewhere. But good governance can have broader impacts on the nation listed sector because it is fundamentally about improving transparency and accountability within existing systems. One of the exciting developments in the last few years has been the way in which the 'corporate'

governance label has been used to describe governance and accountability issues beyond the corporate sector. This can be confusing and misleading as UK Corporate Governance has been built and developed to deal with the governance of listed company entities and not designed to cover all organizational types that may have different accountability structures. Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its link to the other primary participants, usually shareholders and management, is critical. Additional participants include employees, customers, suppliers, and creditors. The corporate governance framework also depends on the legal, regulatory, institutional and ethical environment of the community.

Corporate governance broadly refers to the mechanisms, processes, and relations by which corporations are controlled and directed. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs. Corporate governance consists of the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms involve monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Corporate governance practices are influenced by attempts to align the interests of stakeholders. Tricker and Adrian,(2009), Interest in the corporate governance practices of modern corporations, particularly about accountability, increased following the high-profile collapses of some large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008.

2.1.2 Public Confidence

What the public thinks, feels, and says about the police and the stance of citizens toward the police can, in many respects, stand as a critical indicator of confidence in the state's ability to fulfill its side of the social contract. And of course levels of public confidence in the police have knock-on effects for every part of the criminal justice process. In recent years, in anglophone jurisdictions, the issue of public confidence in the police has, in some guises and for a variety of reasons, gradually moved up the political agenda Jenny and Eugene (2010). For any police force to be effective in safeguarding the public, retaining public confidence is critical. This is because the public is a crucial source of information, and their trust and cooperation are often vital to law enforcement.

It is a trust bestowed by citizens based on demonstrations and expectations of: Their government’s ability to provide for their common defense and economic security and behave consistent with the interests of society; and their critical infrastructures’ ability to provide products and services at expected levels and to behave consistent with their customers’ best

interests. Public confidence is a term that is often used but never defined. It is one of those concepts that everyone thinks he understands but which does not have a hardcore of solid content upon which all agree. As such, it may be analogized to such other undefined terms as "public policy" or the "public interest' or to Justice.

2.1.3 Concept of Bank

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most states. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking in its modern sense evolved in the 14th century in the prosperous cities of Renaissance Italy but in many ways was a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, some banking dynasties — notably, the Medicis, the Fuggers, the Welsers, the Berenbergs and the Rothschilds — have played a central role over many centuries. A bank is a company that provides financial services of various sorts to various types of customers. Its primary function is to gather money from multiple people and to lend that money out to other people. One of the most visible things that a bank does is to take deposits from customers and act as a place for them to store their money. The customers put money in the bank, and they can draw that money out (by check or in cash form, for example) when they need it. The bank provides the services in that it allows them to have a secure way to store their money and convenient ways to get that money back or to pass it on to others. Banks use the money that has been deposited by customers. This is one way in which banks make money (they also make money through various fees that they charge customers for some services). A bank will take in cash and hold it while paying only a very low-interest-rate to depositors. It will then lend that money out to others. It may loan it to someone who wants a mortgage, for example, or to a business that wants to expand. It charges a much higher interest rate to lend the money than it pays to borrow it. In this way, it makes money.Mishler andCole (1995) .Banks are an essential part of our economy because they provide us with many financial services that make it easier to use our money.

2.2 Theoretical Framework

Theory of Corporate Governance

Corporate governance is often analyzed around major theoretical frameworks. The most common are agency theories, stewardship theories, resource-dependence theories, and stakeholder theories.

2.2.1 Stewardship Theory

Stewardship Theory of corporate governance comprises of the management concepts such as: Takes a favorable view of managers, considering them as stewards whose interests are aligned with that of the owners. Managers identify with their organization and derive satisfaction from behaviors that support the organizational benefits rather than their own. In contrast to agency theory, proposes corporate governance mechanisms that support and empower managers behaviors. Stewardship theory argues shared incumbency of these roles maximizes shareholder interests.

Stewardship theory is a theory that managers, left on their own, will indeed act as responsible stewards of the assets they control. This theory is an alternative view of agency theory, in which managers are assumed to work there at the expense of shareholders. In American politics, the Stewardship theory is where president practices a governing style based on the belief they must do whatever is necessary for national interest unless prohibited by the U.S. Constitution.

2.2.2 Stakeholder Theory

Stakeholder theory goes back to its roots in the early 30s of the twentieth century, the flowering times of large corporations and a significant increase in the strength of public opinion. At this time of rising public expectations in respect of undertakings were made basic assumptions of the theory known as the theory of stakeholders. According to this theory, the company should operate primarily for the public good and private interests should it descend into the background. If a company wants to survive in the market, its managers must be mediators, linking the world with the world organization to its environment. But the first person who presented this theory in the aspect of management is RE Freeman, who in his book "Strategic Management. A Stakeholder Approach "described the stakeholders as a group while acting on the company and the group to which the company interacts.

2.3 Empirical Review

Okoi & Stephen (2014) carried out a study on empirical research on the impact of corporate governance on the performance of financial institutions in Nigeria. This study investigates the

effect of corporate governance on the performance of commercial banks in Nigeria and the determination of governance effect on the profitability of banks. This came as a result of the fact that corporate governance has relied on statements which do not represent a real situation of the strength of banks. Four research hypotheses were formulated based on these variables - capital adequacy, asset base, policy shift, investment, liquidity ratio, inflation and their relationship with profitability. The descriptive research design was used for this study. Data were obtained from published annual reports and account of the selected commercial banks and the publication of Central Bank of Nigeria. Ordinary Least Square (OLS) technique was used to estimate the variables using multiple linear regression models. The result of the analysis revealed that the estimation of capital adequacy, asset base, policy shift, investment, liquidity ratio and inflation are prime determinants of corporate governance. The findings revealed that the profitability of banks increased within the years under review as assets base of the banks increased. It further shows that a policy shift and investment increases the profitability of banks also increases. Consequently, it was recommended that the regulatory authority should restructure their regulatory framework and strengthen their supervisory capacity to ensure a smooth working relationship with banks, prevent distress and failure in the post-consolidation era. Finally, there should be a provision of heavy sanctions for those that violate banking regulation and other laws that guide bank business

Swagerman and Terpstra (2007) investigated executive pay structure in the Netherlands; the study concluded that base pay is still an essential component of executive compensation due to its being risk-free. Conyon and He (2014) studied the effect of executive remuneration in China; the study found that fixed pay tends to decrease after enforcement action by China Securities and Regulatory Commission. On the contrary, Casby, Song, and Tapon (2007) found to pay for performance to achieve higher results than fixed salary compensation such as salary. In Kenya, Gathua *et al.* (2013) examined the relationship between executive compensation and risk-taking among commercial banks in Kenya; the study concluded the executive compensation does not correlate with risk-taking. Armstrong and Taylor (2014) stated that there are cautions of moral hazards associated with bonus payments. A study conducted in the United States by Angeli and Gitay (2015) concluded that poorly aligned incentives facilitate excessive risk-taking behaviors by the executives, the study, therefore, recommended that risk-adjusted return metrics, prudential metrics, strategic metrics and conduct metrics be adopted while awarding or deciding on executive bonus payments. The study opined that perfect alignment between risk and reward enhances safety, soundness, and stability of financial systems. Armstrong and Vashishtha (2012) and Vallascas and Hagendor (2010) there is empirical evidence on the impact of the bonus of top organizational leadership on risk-taking, their study shows that the higher the premium, the lower the default risk which demonstrates managerial effectiveness. Han and Shen (2006) examined the relationship of performance-based bonus on employees inducement to innovation and performance efficiency. The study found strong correlations and therefore concluded that

commensurate bonus payment increases employee efficiency and innovativeness thereby decreasing the operational gaps.

Osuagwu (2013) carried out a study on the implications of corporate governance on the performance of deposit money banks in Nigeria (2005 – 2010). The issue of corporate governance has crept into the business world, and the banking industry is not an exception. This necessitates the study to ascertain the implications of corporate governance on the performance of Deposit Money Banks in Nigeria to look the extent application of corporate governance code inwardly has enhanced the efficiency and effectiveness of the Nigerian banking industry. Also, the lingering problem of bank failure in Nigeria generated another concern with the existence of a bunch of rules and regulations governing the operations of the banking business. The descriptive research design was adopted reviewing corporate governance principles and theory to ascertain the problem at hand and to achieve the stated objectives. The study found among other things that noncompliance with corporate governance code in the Nigerian banking industry hampers banks performance. The position of the work is that good corporate governance culture is non-negotiable since it has an impact on the performance of existing banks in Nigeria. It is recommended that the Deposit Money Banks should enforce full disclosure practices and transparency practices of corporate governance thereby enhancing trust to survive in the competitive financial environment in Nigeria.

Okoi, Ocheni & Sani (2014) reviewed the effects of corporate governance on the performance of commercial Banks in Nigeria. The study takes a look at the impact of corporate governance on the performance of commercial banks inNigeria. As a managerial tool for proper, preservation and prudent management of resources, corporate governance contributes to the economic health of banks in Nigeria. This explains the public interest and debate on organizational issues in Nigeria. The paper, therefore, concludes in absolute terms that corporate governance does affect banks' performance and value of the firm. That strong governance standard is important for banks and increased governance quality leads to higher levels of investment as well as the greater responsiveness of investment to growth opportunities. However, the study avowed that substantial part of the variability in corporate governance practices of commercial banks is due to the interaction of forces from regulatory authorities, capital markets, government policies, environmental factors as well as asset quality.

2.4 Summary

The study is concerned with the effect of corporate governance on the performance of banks sector in Nigeria. This study was discussed on the principles and mechanisms of corporate governance; the relationship between corporate governance and bank's performance; the stakeholder's theory; the bank's responsibility in ensuring corporate governance, and corporate

governance legislature. Corporate governance is designed to promote a diversified strong and reliable banking sector which will ensure the safety of depositor's money as well as play active developmental roles in Nigeria's economy. Corporate governance is used to monitor whether outcomes are by plans and to motivate the organization to be fully informed to maintain organizational activity.

3. Methodology

The study used the survey approach. The review based on the effect of corporate governance on the banks in maintenance assessment of public confidence in the system. The researcher obtained data through the use of a questionnaire and personal interviews. The area of study was corporate governance on the banks in the maintenance of public confidence in the system. Two sources of data were on the corporate governance of the banks in the assessment of public confidence in the operation of service. The primary sources were a personal interview and the administration of a questionnaire to the management and staff of the bank. Out of a population of 257 staff, 117 staff was sampled. The sample size of 117 was chosen after applying the Freund and William's formula for the determination of adequate sample size. Out of the staff sample, 117 staff returned the questionnaire and accurately filled. That gave 95 percent response rate. The closed-ended questionnaire was utilized. The validity of the instrument was tested using content analysis, and the result was excellent. The reliability was tested using the Pearson correlation coefficient (r). It gave a reliability coefficient of 0.97 which was also good. The data were analyzed using F statistic (anova) tool.

4. Data Presentation and Analysis

4.1 Distribution and Return of the Questionnaire

	No. of Questionnaire distributed	**No. of copies returned and valid**	**Percentage**
First Bank	42	40	34
UBA	40	40	34
FCMB	35	32	27
Total	**117**	**112**	**95**

Source: Field Survey, 2016

From the table, one hundred and seventeen (117) copies of the questionnaire were distributed, and one hundred and twelve (112) copies were returned representing ninety-five percent which was commendable.

Table 4.2 Response on whether there is the significant adverse effect of corporate governance on the bank and retaining of their staff

	First Bank	UBA	FCMB	Total	Percentage
Strongly agree	18	12	12	42	38
Agree	12	13	14	39	35
Neutral	4	3	2	9	8
Disagree	4	9	2	15	13
Strong Disagree	2	3	2	7	6
Total	**40**	**40**	**32**	**112**	**100**

Source: Field Survey, 2016

From the table 42, it was observed that 42 respondents out of 112 representing 38 percent strongly agree and 39 respondents (35 percent) agree that there is significant effect of corporate governance on the bank and retaining of their staff, 9 representing (8 percentage) were neutral, 15 respondents (13 percent) disagree while 7 respondents (6 percent) strongly disagree. The corporate landscape is populated with employees who are considered the most valuable assets of organizations. Organizations are not just responding to customers, but also their employees to the extent their welfare is key to organizational progress and sustainability. Therefore, an organizations' corporate responsibility towards the workforce relates to the payment of wages and benefits. Wages and benefits related to employee job satisfaction and satisfaction of employee's needs creates a positive aura between the organization and employees, (Love, 2011).

Table 4.3 Response on whether there is a significant effect of corporate governance on the bank and their suppliers

	First Bank	UBA	FCMB	Total	Percentage
Strongly agree	10	14	9	33	29
Agree	15	18	17	50	45
Neutral	3	1	3	7	6
Disagree	4	5	2	11	10
Strong Disagree	8	2	1	11	10
Total	**40**	**40**	**32**	**112**	**100**

Source: Field Survey, 2016

From the table 4.3, it was shown that 33 respondents out of 112 representing 29 percent strongly agree, and 50 respondents responding 45 percent approve, that there is a significant effect of corporate governance on the ban and their supplier. Seven respondents (6 percent) were neutral, 11 respondents (10 percent) each disagree and strongly disagree respectfully that there is a significant effect of corporate governance on the bank and their supplier. Where managers neglect to invest in those projects that add value to the firm and its shareholders but divert recourses to their benefit, the financial markets act to restore good governance (George, 2011).

Table 4.4 Response on whether there is the significant adverse effect of corporate governance on the bank and interest rate on their loans

	First Bank	UBA	FCMB	Total	Percentage
Strongly agree	15	12	10	37	33
Agree	15	15	12	42	38
Neutral	3	6	3	12	11
Disagree	3	2	2	7	6
Strong Disagree	4	5	5	14	12
Total	**40**	**40**	**32**	**112**	**100**

Source: Field Survey, 2016

From the table 4.4, it indicates that 37 respondents out of 112 representing 33 percent strongly agree and 42 respondents of 38 percent agree that there is the significant adverse effect of corporate governance on the bank and interest rate on their loans. 12 respondents (11 percent) were neutral, seven respondents of (6 percent) disagree, while 14 respondents of 12 percent strongly disagree that there is the significant adverse effect of corporate governance and high-interest rate on their loans. Therefore, when interest rates increases, banks charge more for business loans. This means businesses must use more of their earnings to pay interest on their investments. That reduces profits. Some business owners may decide not to start new projects or expansions during periods of high-interest rates. Kevin (2013)

4.2 Test of Hypotheses

BROAD OBJECTIVE: EFFECT OF CORPORATE GOVERNANCE ON BANKS IN MAINTAINING PUBLIC CONFIDENCE IN THE SYSTEM.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972[a]	.945	.918	1.59039

a. Predictors: (Constant), NECGBIL, NCGB, ECGBS

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	262.824	3	87.608	34.637	.000[b]
	Residual	15.176	6	2.529		
	Total	278.000	9			

a. Dependent Variable: ECGBPCS

b. Predictors: (Constant), NEERBIL, NERB, EERBS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.795	1.038		1.729	.135
	NCGB	.326	.193	.326	-1.685	.143
	ECGBS	-.163	.201	-.176	-.813	.447
	NNECGBIL	-.767	.251	.831	3.059	.022

a. Dependent Variable: ECGBPCS

Where

ECGBPCS = Effect Of Corporate Governance on Banks In Maintaining Public Confidence in the System.

NCGB = Whether there is the significant adverse effect of Corporate Governance on banks

ECGBS = Whether there is a substantial effect of Corporate Governance

NNECGBIL = Where there is the significant adverse effect of Corporate Governance onthe bank and Interest rate on their loan.

The result in the above table shows that the predictor variables (i.e., NCGB, ECGBS, and NECGBIL) were significant predictors of the effect of Corporate Governance on Banks in Maintaining Public Confidence in the System. ($F (3,7) = 34.637$; $R2 = .945$) At 5% level. The predictor variables jointly explained 94.5% of the dependent variable, while the remaining 6.5% could be due to the effect of extraneous variables.

Furthermore, it can be deduced from the result obtained that the constant parameter in the long – run is positive. This implies that if all the explanatory variables are held constant, ECGBPCS will decrease by -1.795. Showing that the adverse effect of the recession on banks affects Corporate Governance on Banks in Maintaining Public Confidence in the System.

The coefficient of ECGBPCS is -1.795, it has a negative relationship with NCGB ($t = -1.685$, $P > .05$) showing that a unit increase in NCGB will decrease ECGBPCS by -1.685. The coefficient of ECGBS is -0.163, it has a negative relationship with ECGBPCS ($t = -0.813$, $P > .05$) showing that a unit increase in ECGBS will decrease ECGBPCS by -0.163. Also, the coefficient of NECGBIL is -0.767, it has a negative relationship with ECGBPCS ($t = 3.059$, $p > 0.05$) showing that a unit increase in NECGBIL will decrease (ECGBPCS) by -0.767.

4.3 Discussion of Findings

4.3.1 Inadequate Corporate Governance on the Bank in Retaining their Staff

In the study of the findings of the review, state that there is the significant negative effect of corporate governance on the bank and retaining of their staff. $F(95, n = 117) = -1.685$, $p > 0.05$. A good corporate management system is an asset and not a liability for all profit and non-profit making organizations. When there is no corporate governance, they're bound to be, and it will lead to downsizing and voluntary resignation. The failure of the system will reduce growth. A study conducted in the United States by Angeli and Gitay (2015) concluded that poorly aligned incentives facilitate excessive risk-taking behaviors by the executives, the study, therefore, recommended that risk-adjusted return metrics, prudential metrics, strategic metrics and conduct metrics be adopted while awarding or deciding on executive bonus payments. The study opined that perfect alignment between risk and reward enhances safety, soundness, and stability of financial systems.

4.3.2 Corporate Governance on the Bank to their Suppliers

The study found that there is the significant negative effect of corporate governance on the bank to their suppliers. $F(95, n = 117) = -1.685$, $p > 0.05$. However, corporate governance plays the major role in bank performance because it assists in controlling the board's performance in a business decision. Nwinee, & Lezaasi (2012). Rameli, Mohd-Sanusi, Mat-Isa, and Omar (2013) found an insignificant relationship between management controls and occurrence of fraud. Failure of managerial controls has been associated with several collapses of banks (Owolabi, 2010). In Kenya, Kiragu *et al.* (2015) and Mwithi and Kamau (2015) found internal control systems to be strong components of fraud deterrence in commercial banks. Falsification of documents also known as forgery is widespread in commercial banks with low adherence to managerial control systems (Idolor, 2010). In Nigeria, Chiezey and Onu (2013) reported there were 22,388 cases related to forgery with a potential loss of 507 Billion Naira with 5,476 cases being of absolute loss. In Kenya, for a matter before a judicial process, one of the researchers is a victim and prosecutorial witness in forgery case of Kshs 25 Million perpetrated by an officer of the bank.

4.3.3 Inadequate corporate governance on the bank on high interest on loans

In the analysis of the findings of the study, it was found that there is a negative effect of poor corporate governance on the bank on high interest on loans. $F(95, n = 117) = - -0.767$, $p > 0.05$. Corporate governance implies rules and regulations that ensure that a company is governed in a transparent and accountable manner such that the enterprise survives and meets the expectation of its shareholders, creditors, and stakeholders of which society forms a large part of the banking industry, Monika (2012).

5. Conclusion

In conclusion of the findings in the review of the study effect of corporate governance on the banks in the maintenance of public confidence in the system is vital for organizational progress and positive employee behavior. Based on this study good corporate governance considerably and positively predicted staff job satisfaction on the three scope of corporate governance corporate structure, a corporate code of management and internal control) significantly and positively predicted job satisfaction. The establishment of a good corporate governance system is, therefore, necessary to elicit good behaviors from employees. This is because a satisfied staff/employee is a productive employee. So if a good corporate governance system is capable of facilitating job contentment, the need to create one, maintain and improve it is a clarion call on all bank leaders.

6. Recommendation

The study has not worn-out the issues of corporate governance on the banks in maintenance assessment of public confidence in the system. In the review of the findings in the study, it was recommended that;

1. There is the need to consider moderators such as leadership styles, organizational climate, and culture in corporate governance-job satisfaction relationship. It is also essential that mediator variables such as commitment and motivation are investigated in the future study.
2. It is evident that trust has a significant impact on financial performance in the area of the lending loan to the customer; given that transparency and disclosure boosts the trustworthiness of deposit money banks.
3. Deposit Money Banks should enforce full disclosure practices and transparency practices of corporate governance thereby enhancing trust to survive in the competitive financial setting.

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