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Nexus between Accountability to Investors and Corporate Managers in the Nigerian Banking Industry

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Abstract: *Accountability and transparency in the conduct of business are partly based on and or judged by the type of information people have. People need information for decision making for example, whether to invest or not to invest in a company. The target population of this study includes senior, junior and top management of the four selected banks in Enugu, namely: First Bank of Nigeria Plc, United Banks for Africa, Diamond Bank Plc and Eco Bank located in Enugu metropolis. The sample size (316) for this study was determined using Taro Yamani's formula. The study found that 797 (59%) indicated agreement while 228 (17%) indicated disagreement as regards the extent of accountability to investors by corporate managers in the banking industry in Nigeria is significant. The finding at the end of the study show that the level of accountability to investors by corporate managers in the banking industry is significant ($X_c^2 = 17.90 > X_t^2 = 12.59$, $p < 0.05$). The study concludes that the nexus between accountability to investors and corporate mangers in the Nigerian banking industry is very important. Corporate managers in the Nigerian banking industry are significantly adhering to the principles of good corporate governance and this has reflected on the positive returns on investment in the industry. The management of corporate organizations should be properly separated from ownership, and seen to have been actually separated. Shareholders should be properly carried along in the management of corporate organizations. To this end, shareholders should fortify their unions in order to assert their rights and privileges regarding their investment.*

Key words: *Corporate managers, investors, nexus, Nigerian banking industry*

1. Introduction

Sulaimain (2004) exposes the reasons behind most corporate failures to include undisclosed huge debts, insider dealings, accounting fraud, manipulating of Initial Public Offers (IPO), and undeserved and inflated welfare package for CEOs and management, manipulation of control system, illegal business practices and tax evasion. The above findings have gone further to show why some less valued organizations in the same industry thrive while their giant counterparts go under. Due to so much distress in the banking sector, consolidation was made to lead to enhanced services and deepening of financial intermediation on the part of the banks.

A global investor opinion survey carried out by McKinsey and Company (2002) gives some evidence that good governance is linked to investment decisions. The survey found that, investors state that they still put corporate governance on a par with financial indicators when evaluating investment decisions; more than 70% of investors are prepared to pay a premium for companies exhibiting high governance standards, ranging from 14% to more than 30%

depending on the region; 60% of investors say they would avoid companies with poor governance.

According to Adekanye (1986) before an investor takes investment decision, he has to know the degree of security of his funds, the rate of return, the accessibility and liquidity of such fund/organization. Also, the political, economic and social environment must be considered before such investment is made because no investor invests his money where there are political, economic or social hostilities.

Accountability and transparency in the conduct of business are partly based on and or judged by the type of information people have. People need information for decision making for example, whether to invest or not to invest in a company. From communication theory, we know that what we call social reality or as the great American journalist, Walter Lippman called it many years ago, the picture in our heads is a function of the type of information presented to us about a phenomenon. Image making, branding and such concepts are mainly perceptual. As hinted earlier, it was much easier for corporate organizations to control this perceptual process before now. Information manipulation in the form of propaganda, publicity, disinformation and such other negative activities designed to curry public support and manufacture consent is quite easy when sources of (alternative) information are either limited or non-existent. That era appears to be over. For anybody who cares to do the search, many sources of information are available and the skills to interpret and analyze such information are increasingly being made available to many people (Agrawal and Knoeber, 2006).

Corporate managers carry out business as per the stakeholders' desires. It is actually conducted by the Board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Corporate managers interact between various participants (shareholders, board of directors, and company's management) in shaping corporation's performance and the way it is proceeding forward. The relationship between the owners and the managers in an organization must be healthy and there should be no conflict between the two. The owners must see that individual's actual performance is according to the standard performance.

1.1. Objective of the Study

The objective of this study is to assess the level of accountability to investors by corporate managers in the Nigerian banking industry

1.2. Research Question

What is the extent of accountability to investors by corporate managers in Nigerian banking industry?

1.3. Research Hypothesis

H0: The extent of accountability to investors by corporate managers in the banking industry is significant.

2. Methodology

2.1. The Population of the Study

The population of a study is the entire aggregate of individuals or items relevant to a phenomenon under investigation (Franklin, 2011). The target population of this study includes senior, junior and top management of the four selected banks in Enugu, namely: First Bank of Nigeria Plc, United Banks for Africa, Diamond Bank Plc and Eco Bank located in Enugu metropolis. The breakdown of the population of the selected commercial banks is shown in table 2.1 below:

Table 2.1: Population Distribution

Name of Firm	Population
EcoBank	350
UBA Plc	350
First Bank	400
Diamond Bank	400
Total	**1,500**

Source: Field Survey, 2014

2.2. Sample Size Determination

Sampling is the act of selecting and observing only a specific subset of the population unit (Ugwu, 2003). Based on the above population, the sample size for this study was determined using Taro Yamani's formula. This formula is used where the population size for the study is known:

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = Sample size

N = Population size

e = Degree of tolerance error

I = Statistical constant

Substituting in the above formular, we obtain:

n = unknown

N = 1,500

e = 5% or 0.05%

I = Constant

Therefore:

$$n = \frac{1500}{1+1500(0.05)^2}$$

$$n = \frac{1500}{1+1500(0.0025)}$$

$$n = \frac{1500}{1+3.75}$$

$$n = \frac{1500}{4.75}$$

$$n = 315.7894737$$

$$n \sim 316$$

A stratified sampling method was adopted so as to give a fair representation to the designated organizations using proportional formular. A stratified sampling method involves division of the population into classes or groups with each group or stratum having some definite (similar) characteristics or features.

Thus: Q = A/N x n/1

Where:

Q = the number of questionnaire to be allocated to each bank.
A = the proportion of each bank
N = the total population of all the banks
n = the estimated sample size used in the study.

Thus:

Sample size for EcoBank

$$Q = \frac{350}{1500} \times \frac{316}{1} = 73.73 = 74$$

United Bank for Africa

$$Q = \frac{350}{1500} \times \frac{316}{1} = 73.73 = 74$$

First Bank of Nigeria

$$Q = \frac{400}{1500} \times \frac{316}{1} = 84.26 = 84$$

Diamond Bank

$$Q = \frac{400}{1500} \times \frac{316}{1} = 84.26 = 84$$

Table 2.2: Breakdown of the Sample Size

Name of Firm	Population	Sample Size
EcoBank	350	74
UBA Plc	350	74
First Bank	400	84
Diamond Bank	400	84
Total	**1,500**	**316**

Source: Field Work 2014

3. Data Presentation, Analysis and Interpretation

Table 3.1: Extent of Accountability to Investors by Corporate Managers in the Banking Industry in Nigeria

S/N		A	SA	D	SD	Total
1	Banks are transparent in disclosing information regarding investment in shares and stocks to their shareholders and other stakeholders	170	24	62	14	270
2	Major investment decisions that may pose considerable risk to investors are first discussed by	236	0	34	0	270

	the boards and approval given before management could commit funds					
3	Investors are regularly updated on the state of affairs of the banks and the safety of their investments	138	30	54	34	270
4	Banks do not commit investors funds on speculative and other unapproved investments vehicles as directed by the Central Bank of Nigeria	100	98	38	34	270
5	The extent of accountability to investors by Corporate Managers in the Nigerian banking industry is significant	153	129	40	22	270
		797(59%)	281(21%)	228(17%)	104(8%)	1350

Source: Field Survey, 2014

From Table 3.1, 797 (59%) indicated agreement while 228 (17%) indicated disagreement. This shows that the extent of accountability to investors by corporate managers in the banking industry in Nigeria is significant.

3.2. Test of Hypothesis

H_o: The extent of accountability to investors by corporate managers in the banking industry is not significant.

H_1: The extent of accountability to investors by corporate managers in the banking industry is significant.

Table 3.2: Contingency Table Referred Table 4.3 for Testing Hypothesis (2)

S/N		Agreement	Disagreement	Total
1.	Banks are transparent in disclosing information regarding investment in shares and stocks to their shareholders and other stakeholders	217 (209.6)	53 (60.4)	270
2.	Major investment decisions that may pose considerable risk to investors are first discussed by the boards and approval given before management could commit funds	202 (209.6)	68 (60.4)	270

3.	Investors are regularly updated on the state of affairs of the banks and the safety of their investments	236 (209.6)	34 (60.4)	270
4.	Banks do not commit investors funds on speculative and other unapproved investments vehicles as directed by the Central Bank of Nigeria	185 (209.6)	85 (60.4)	270
5.	The extent of accountability to investors by Corporate Managers in the Nigerian banking industry is significant	208 (209.6)	62 (60.4)	270
		1048 (78%)	302 (12%)	1350

Source: Field Survey, 2014

Table 3.3: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.90	6	.000
Likelihood Ratio	24.4	6	.000
Linear-by-Linear Association	.122	1	.001
N of Valid Cases	1350		

Table 3.3 is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of agreement and disagreement based on the responses of the research subjects from banks. Pearson. Chi-Square computed value (X^2_c= 17.9) is greater than the Chi –Square tabulated value (X^2_t = 12.59) with 6 degrees of freedom (df) at 0.05 level of alpha (X^2_c = 17.9, p,< .05)

i. **Decision Rule**

The decision rule is to accept the alternate hypothesis if the computed Chi- Square value is greater than tabulated Chi-Square value otherwise accept the null hypothesis.

ii. **Decision**

Since the Pearson Chi- Square computed X^2_c= 17.9 is greater than Chi- Square table value X^2_t = 12.59, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that the extent of accountability to investors by corporate managers in the banking industry is significant.

3.3. Discussions of Results

The hypothesis was tested using Pearson's Correlation Coefficient. The result show that the extent of accounting to investors by corporate managers in the banking industry is significant ($X_c^2 = 24.540 > X_t^2 = 12.59$; $p<0.05$). Bino and Thomas (2010) in their study on Corporate Governance and Performance of Jordanian Banks state that the Code of Conduct issued to all banks in Jordan by the Federal Controller led to greater degree of accountability to investors by managers of banks and other financial institutions in Jordan.

4. Summary of Findings

The finding at the end of the study show that the level of accountability to investors by corporate managers in the banking industry is significant ($X_c^2 = 17.90 > X_t^2 = 12.59$, $p< 0.05$).

5. Conclusion

The study concludes that the nexus between accountability to investors and corporate mangers in the Nigerian banking industry is very important. Corporate managers in the Nigerian banking industry are significantly adhering to the principles of good corporate governance and this has reflected on the positive returns on investment in the industry.

6. Recommendations

Based on the findings of this study, the following recommendations are proffered

i. The management of corporate organizations should be properly separated from ownership, and seen to have been actually separated.

ii. A situation whereby a bank is quoted as a Public Liability Company (PLC) but still being controlled by a family interest is not acceptable. In this case, the Nigeria Stock Exchange, Securities and Exchanges Commission (SEC) and Corporate Affairs Commission (CAC) has to do a more thorough job before enlisting corporate organizations in their businesses.

iii. Shareholders should be properly carried along in the management of corporate organizations. To this end, shareholders should fortify their unions in order to assert their rights and privileges regarding their investment.

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