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MARKET VALUATION OF CORPORATE GOVERNANCE DISCLOSURES: EVIDENCE FROM THE NIGERIAN BANKING INDUSTRY

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Abstract: ***The paper examined how and to what extent market valued the disclosure of corporate governance practices by Nigerian Deposit Money Banks (DMBs). It extracted corporate governance and financial data from the annual reports of DMBs for the period of three years, 2013 to 2015 and constructed corporate governance disclosure index using content analysis method. Drawing from the Ohlson valuation model the paper stipulated an empirical model and ran an ordinary least square regression to test the null hypothesis formulated. The result showed that the market valued corporate governance disclosures of DMBs negatively.***

Keywords: market valuation, deposit money banks, corporate governance disclosures, content analysis.

INTRODUCTION.

Since the past two decades corporate governance has assumed prominence following rising cases of corporate collapses across the globe. Prominent corporate collapses include Worldcom, Enron, Lehman Brothers (US), Parmalat (Italy), Oceanic Bank International Plc, Intercontinental Bank Plc, and Afribank Plc (Nigeria). The collapses have been linked to corporate governance failures (Sanusi, 2010). Consequently, countries, regulators embark on corporate governance reforms.

The reforms take the form of either enactment of new law such as Sarbanes-Oxley Act, 2002 in the United States or issuance of Code of Good Corporate Governance practices as in the United Kingdom and South Africa. In Nigeria, the Securities and Exchange Commission issued the Code of Corporate Governance in 2003 with a revision in 2011. The Central Bank of Nigeria also issued Code of Corporate Governance for Banks in Nigeria post consolidation effective April 2006 with a revision in 2014.

The Codes assemble corporate governance provisions already embedded in Nigerian company laws, the best reporting practices across the globe and also corporate governance provisions and guidelines in existing international codes of good corporate governance practices such as the Organization for Economic Co-operation and Development (OECD), Commonwealth Association for Corporate Governance and Basel Committee on Banking Supervision.

It is generally believed that if the provisions of the Codes are diligently applied, they should mitigate agency costs. The reduction should reflect in the market since investors invest less in poorly governed firms (Leuz, Lins, & Warnock, 2010). But investors can only evaluate the governance practices of firms if firms disclose of their corporate governance practices. To what extent do DMBs disclose their corporate governance practices and how does the market value such disclosure is an empirical question.

The objective of this study therefore is to investigate the extent the market value corporate governance disclosures made by the Nigerian listed deposit money banks (DMBs). Consequently our hypothesis is stated thus:

The motivation to examine the market valuation of corporate governance disclosure in the Nigerian banking industry is informed by several reasons: Firstly, most of the prior studies on corporate disclosure exclude DMBs (for examples, Botosan, 1997; Elshandidy, Fraser, & Hussainey, 2013; Ho & Wong, 2001; Wallace, Naser & Mora, 1994) on the ground that the banking industry has unique reporting requirements and the operations of the banks are so dissimilar to non-financial firms such that the inclusion of data from the banks might lead to spurious results. Thus there is scanty literature on how the market values the corporate governance disclosures in the Nigerian banking industry.

Secondly, the banking industry plays vital role in the economic development of Nigeria by providing the platform for payments and deposit mobilization from the surplus units for onward lending to the deficit units. Thirdly, the banking sector drives the activities on the Nigerian Stock Exchange and so the market should be interested in the disclosure of the corporate, more so as banks exhibit high degree of opaqueness in their operations (Levine, 2004).

Fourthly, prior research is tilted heavily to investigating the determinants of disclosures (Wallace, et al, 1994; Wallace & Naser, 1995; Owusu- Ansah, 1998; Haniffa & Cooke, 2002; Ho & Wong, 2001; Bujaki & McConomy, 2002; Akhtaruddin, 2005; Barako, 2007) relative to assessing the market valuation of such disclosures. The fifth motivation for this study is that market valuation studies in Nigeria focus more on financial statement numbers than on information provided by corporate governance disclosures, creating a gap in literature (Chukwu, 2017; Chukwu, Ugo & Osisioma, 2019; Ebirien, Chukwu & Abiahu, 2019; Chukwu, Ohaka & Nwanaynwu, 2017).

Using data from Nigerian listed DMBs over the period, 2013 to 2015, we document that the market places negative values on corporate governance disclosed by the DMBs. We argue that this result might be driven by declining investors' confidence in the soundness of the banking industry. Investors and depositors are skeptical of the disclosures which usually paint compliance with the Codes of Good Corporate Governance yet banks are failing, necessitating intervention by the Central Bank of Nigeria as can be seen in Skye Bank Plc in 2017. It is likely investors see corporate governance disclosures of DMBs as symbolic.

The findings of this study will be of interest to the DMBs, regulators and the public. We provide insight into the corporate governance disclosure practices of Nigerian DMBs and the market reaction thereto. The theoretical and practical contributions of this study will enhance the quality of accounting literature and form the springboard for future research.

Prior studies find evidence that the quality of corporate disclosure influence investment decisions (Singh & Desai, 1971). Consequently, the findings of this study will enable investors assess the strength and quality of corporate governance practices of DMBs.

The rest of this paper is organized as follows: Section 2 presents a Review of Literature. This followed in Section 3 by Methodology while the Result of the regression is in Section 4. Section 5 provides the Conclusion.

LITERATURE REVIEW

Conceptual Review.

Corporate Governance

Corporate governance is a complex and multifaceted concept with no universal consensus on its definition (Ebirien, 2012). Shleifer and Vishny, (1997) define corporate governance as "…the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". This definition is criticized for being narrow since its focus is primarily on the maximization of the wealth of the owners.

The Organization for Economic Co-operation and Development (OECD) (1999) offers a widely accepted definition thus:

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation … and spells out the rules and procedures for making decisions on corporate affairs. By doing this it provides the structure through which the company objectives are set, and the means of attaining these objectives and monitoring performance.

The Central Bank of Nigeria (CBN) (2006) defines corporate governance as 'a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectations of the other stakeholders'. The extension of the definition to cover stakeholders is consistent with the stakeholder theory (Freeman, 1984) which amongst other propositions contends that a firm is a social entity that affects and is affected by the stakeholders.

Underlying all the definitions of corporate governance is the issue of accountability. Some hold the view that accountability is to the shareholders which is usually considered to be a narrow view (Ntim, Opong, & Danbolt, 2012). The alternate view – usually termed the broad

view - is that accountability is to stakeholders. The stakeholders include shareholders, depositors, suppliers, creditors, employees, regulators and the public.

Ntim (2009), based on extant literature, classified corporate governance into two perspectives: internal and external. While internal governance includes ownership structure, board composition, and the executive management, the external governance consists of the legal system, the market for managerial labour and corporate control, regulators, local communities, cultural, political, social and economic policies, and institutions within which corporations operate.

For the purpose of this study, we adopt the definitions of OECD and the CBN. In these definitions, corporate governance is for the benefits of all the stakeholders.

Overview of corporate governance in Nigeria

Corporate governance arises from the separation of ownership from management. The separation leads to information asymmetry and conflict of interest between the owners and managers. To address corporate governance challenges, government and regulatory bodies incorporate provisions relating to salient corporate governance issues in corporation laws and regulations (Okike, 2007).

In Nigeria, the provisions are enshrined in the Companies and Allied Matters Act (2004), the Securities and Exchange Commission Rules and Regulations (1999), the Investments and Securities Act (1999), the Banks and Other Financial Institutions Act (1991), the Financial Reporting Council Act (2011), the Nigerian Stock Exchange Listing Rules, the Nigerian Insurance Act (2003), the Institute of Chartered Accountants of Nigeria Act (1965), the Association of National Accountants of Nigeria Act (1993), the Securities & Exchange Commission Code of Corporate Governance for Public Companies in Nigeria (2011), the Code of Corporate Governance for Banks in Nigeria Post-Consolidation (2006), the Code of Corporate Governance for Licensed Pension Operators (2008),and the Code of Good Corporate Governance for the Insurance Industry in Nigeria (2009).

In response to corporate governance failures, regulators and international organizations have issued Codes of Good Corporate Governance. Such codes assemble fragmented provisions in the various legislations and best global practices into a single document to guide firm corporate governance practices. The codes underscore the universal principles of accountability, discipline, fairness, independence, responsibility, and transparency to regulate director and managerial behaviour (Ntim, 2009).

The Nigerian Banking Industry

The regulatory authorities submit that the Nigerian corporate arena is plagued by weak corporate governance and so issued Code of Corporate Governance to serve as a guide to facilitate sound corporate practices and behaviour (SEC, 2011) and restore investors' confidence. The CBN in particular, identified several weaknesses in corporate governance of banks prominent amongst which are:

1. Disagreements between Board and Management giving rise to Board squabbles.
2. Ineffective Board oversight functions.
3. Overbearing influence of chairman or MD/CEO, especially in family-controlled banks.
4. Weak internal controls.

5. Ignorance of and non-compliance with rules, laws and regulations guiding banking business.
6. Poor risk management practices resulting in large quantum of non-performing credits including insider-related credits.
7. Abuses in lending, including lending in excess of single obligor limit.

Corporate disclosure

Disclosure has been defined as the action of releasing relevant, new or secret, information pertaining to a company, thus making them known and able to influence investment decisions (Malafronte, Porzio, & Starita, 2014). Similarly, Subramanian and Reddy (2012) state that disclosure occurs when information is released for the public pertaining to companies' activities and performance evaluation. It entails communicating information concerning a firm's activities to the public.

Disclosure occupies a unique place in accounting and finance such that all accounting standards and corporation laws lay down specific disclosure requirements. Corporate governance disclosure is one important corporate governance mechanism recommended to reduce agency problems (Bushman & Smith, 2001; Core, 2001; Dye, 2001; Healy & Palepu, 2001; Jensen & Meckling, 1976). Disclosures have increased significantly due to increased uncertainties in the financial system and rising corporate misconduct as well as the fact that firms have realized the benefits of enhanced disclosure (Bujaki & McConomy, 2002). Corporate governance disclosure seeks to reassure the stakeholders that the reporting firm's corporate governance practices are in alignment with international and domestic best practices. It aims to extenuate information asymmetry between the firm and its stakeholders.

Corporate governance disclosure relates to disclosure of corporate governance issues. These cover five broad groupings, according to the SEC (2011), viz: the board of directors, relationship with shareholders, relationship with other stakeholders, risk management and audit, and code of ethics. The disclosure is to promote transparency in the corporate governance practices of the firm.

The board of directors is the custodian of the code of corporate governance (SEC, 2011) and exerts significant control of the banks. It is shown that bank failures in Nigeria are as a result of the board of directors' collusion with the top management (CBN, 2006) thus generating serious investors' growing distrust of financial statements. Disclosure of corporate governance information therefore enables shareholders and the market to assess the manner the directors apply the principles of corporate governance as well as the appropriateness of the firm's corporate governance practices.

The CBN (2006) identifies poor risk management practices resulting in large quantum of non-performing credits including insider-related credits as one important weakness of corporate governance of banks in Nigeria. A corporate governance disclosure affords the market opportunity to evaluate and assess the quality of board oversight over the risk reporting processes. Given the foregoing, this study proposes the following hypothesis:

Ho: There is no significant relationship between corporate governance disclosure and market value.

Theoretical Framework.

The theoretical underpinnings of this paper are the agency theory and signaling theory. These two theories complement each other in explaining corporate governance disclosure and the market valuation since no single theory can satisfactorily explain all the perspectives.

Agency Theory

Agency theory stems from agency relationship. According to Jensen and Meckling (1976), agency relationship *is a contract under which one or (principals) engage another person the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent.*

Under the agency relationship, the managers (agents) perform day to day management of the firm on behalf of the shareholders. Since the manager is involved in the day to day management of the firm, he has access to more information than is available to the shareholders. Therefore the problem of information asymmetry (Healy & Palepu, 1993; 2001) arises. The positive accounting theorists contend that the manager is a rational economic being and utility maximizer and would therefore pursue his self-interest at the expense of the shareholders (Watts & Zimmerman, 1986).

Corporate disclosure is considered a corporate governance mechanism (Bushman & Smith, 2001). Lev and Penman (1990) and Healy and Palepu (1993) submit that absence of full disclosure is an indication of conflict that exists between the interests of managers and shareholders. Since disclosure of corporate governance information can lower bonding costs (Cooke, 1993), mitigate information asymmetry, and these are cardinal issues in agency relationship upon which agency theory is formulated, Agency theory is considered apt in providing explanation for corporate governance disclosure of DMBs.

Signaling Theory.

Verrechia (1983) explains that firms disclose information to signal the market that it is better than its peers and competitors so as to attract investments and gather good reputation. Consistent with the management talent signaling hypothesis (Healy & Palepu, 2001), disclosing corporate governance information could serve as signal to the market about the efficiency and effectiveness of the firm management, thereby boosting investors' confidence.

Gaining and retaining investors' confidence is of great importance to managers (Graham, Harvey, & Rajgopal, 2005). Firms with higher corporate governance practices have incentives to distinguish themselves from firms with lower corporate governance practices.
The above discussion demonstrates the relevance of Signaling theory in explaining the relationship between corporate governance disclosure and market valuation.

Empirical Review

Disclosure is a key research area in accounting literature. Mitton (2002) examines a sample of 398 firms from Korea, Malaysia, the Philippines, and Thailand and finds that significantly better stock price performance is associated with firms that had indicators of higher corporate governance disclosure quality. Similarly, Baek,, Kang, and Park (2004) demonstrate that firms with higher disclosure quality suffer less from the shock arising from Korean crisis. The studies covered the period of East Asian financial crisis of 1997 to 1998 when the market suffered great decline and was desperately seeking measures to stem the crisis. The sample firms excluded banks. Our study considers non crisis period and focuses on banks only.

Jiao (2011) empirically documents a significantly positive association between disclosure rankings and stock performance and market valuation thereby illustrating the efficacy of high quality disclosures in communicating favourable information about the company to investors. He presents empirical evidence of the performance benefits of high quality disclosures, using a US sample of 6534 firms over the period 1982 to 1996.

Defond, Hann and Hu, (2005) investigate market valuation of the disclosure of appointment of financial experts to the audit committees of a sample of US firms and a find a positive market reaction. This shows that investors incorporate information on corporate governance practices in their investment decisions.

Ntim et al (2012) examine whether differences in the levels of corporate governance disclosure explain observable variations in the market value of South African firms and find a statistically significant and positive association between disclosing corporate governance practices and firm value.

METHODOLOGY.

Research Design.

The study adopts the ex-post facto research design. The choice of ex-post facto research design is because the researcher does not aim to control any of the variables under investigation and will use existing data - secondary data.

Data

This study derives the corporate governance and financial data used to test our hypothesis from the annual reports of DMBs listed on the Nigerian Stock Exchange. We obtain the annual reports from the Nigerian Stock Exchange Library in Port Harcourt. Some were downloaded from the websites of the DMBs.

Population and sample

The population of this study comprises all the DMBs listed on the Nigerian Stock Exchange between 2011 and 2016. The Daily Official \list of the Nigerian Stock Exchange at 31st December, 2016 showed that fifteen DMBs were listed on the stock exchange. Of the fifteen banks, two DMBs have incomplete data and were consequently deleted thereby giving a sample of thirteen DMBs. Our sample selection procedure requires that each DMB must have completed financial and corporate governance data for the period 2013 to 2015.

Model Specification

Based on Ohlson (1995) model, the study regression model is stipulated as:

Return = ƒ(EPS, ΔEPS,DISCIND, EPS*DISCIND, ΔEPS*DISCIND, SZE, LEV, GROWTH, BODIN).

Thus in explicit form our empirical model is:

$$R_{it} = \lambda_0 + \lambda_1 EPS_{it} + \lambda_2 \Delta EPS_{it} + \lambda_3 DISCIND_{it} + \lambda_4 EPS*DISCIND_{it} + \lambda_5 \Delta EPS*DISCIND_{it} + \lambda_6 SZE_{ti} + \lambda_6 LEV_{it} + \lambda_7 GROWTH_{it} + \lambda_8 BODIN_{it} + \varepsilon_{it}$$

here:

The subscripts i, t refers to DMB i at time t. and

R = Annual stock returns for the twelve month period ending three months after each DMB's fiscal year end t for DMB i. We take the natural log of annual return to meet the normality assumption.

EPS	=	Earnings per share as calculated by the DMB
ΔPS	=	Change in earnings per share
DISCIND	=	Corporate governance disclosure index constructed by the researcher.
E* EPS_DISCINDEX	=	Interaction of EPS with DISCIND
ΔEPS*DISCINDEX	=	Interaction of ΔPS with DISCINDEX
SZE		Bank size, proxied by natural log of end of year total assets of the DMB.
LEV	=	Leverage, calculated as total liabilities divided by total assets.
GROWTH		Growth opportunities, measured as change in gross earnings between year t-1 and t all divided by gross earnings in year t-1
BODIN	=	Board independence measured as the proportion of non-executive directors to total number of directors
Ɛ	=	Error term
$\lambda_0 \dots \lambda_8$	=	Regression parameters

A positive and significant coefficient on ΔEPS*DISCINDEX suggests the market rewards DMBs while a negative and significant coefficient implies the market punishes increased corporate governance disclosure.though the main variable of interest of this study is corporate governance disclosure captured by the self-constructed indices, the above model includes control variables found in prior studies to have influence on disclosure. These control variables are: (1) bank size (BSZE); Growth opportunities (GROWTH); leverage (LEV); and board independence (BODIN).

Bank Size (BSZE). Bank size is expected to correlate with corporate disclosure and firm value. Large DMBs face greater agency problems (Jensen, 1986) and so will engage in higher disclosure to mitigate political cost (Watts & Zimmerman, 1978), signal commitment to transparency and enjoy reduced cost of equity (Botosan, 1997). All these will attract reaction of the market. Small banks may have need for more external financing to grow and so have to strive to maintain good corporate governance practices and disclose same to investors. However, small firm face high cost in instituting and disclosing good corporate governance practices. Therefore we expect a positive relationship and stock return.

Leverage (LEV). Managers of heavily indebted DMBs can hide their indebtedness by withholding disclosure (Beekes, Pope & Young, 2004; Kothari, Shu, & Wysocki, 2009) since high level of leverage increases credit risks and bankruptcy costs (Jensen, 1986). We expect a negative sign on the coefficient of LEV.

Growth opportunities (GROWTH). Prior studies (e.g. Gompers, Ishii, & Metrick, 2003) document positive relationship between growth opportunities and corporate disclosure. DMBs with growing opportunities will need to approach the market for funds and this provides incentives for the DMBs to maintain good corporate governance structure and disclose same. We expect a positive sign on the coefficient of GROWTH.

Board independence (BODIN). A board with high level of independence exerts stronger monitoring role and by extension more informative disclosures (Kang, Cheng, & Gray, 2007).

Consequently we expect a significant and positive relationship between BODIN and stock return (R).

The study measures corporate governance disclosure using the content analysis method. Content analysis method is the dominant method employed in the disclosure literature (Barako, 2007; Botosan, 1997; Gray, Kouhy, & Lavers, 1995; Hackston & Milne, 1996; Haniffa & Cooke, 2002; Wallace, er al, 1994). Based on the Codes of Corporate Governance of Securities and Exchange Commission, 2011 and the Central Bank of Nigeria, we draw up a checklist of corporate governance disclosure (See the checklist in the Appendix).

In constructing the disclosure index, we use a binary scoring scheme whereby we assign 1 if the item in the checklist is disclosed in the annual report and 0 if it is not disclosed. By this scheme, a DMB's total corporate governance disclosure score is derived by summing up the actual scores and dividing by the total maximum score in a particular firm year. The higher the disclosure score, the higher the level of disclosure, suggesting more transparency in disclosure.

Method of Analyses.

The study employs univariate and multivariate analyses to explore the secondary data. We describe the pattern of the data using univariate statistics of frequencies, percentages, mean, standard deviation, minimum, maximum. Data are presented in tables. The multivariate analysis involves the use of OLS regressions.

EMPIRICAL RESULT

Descriptive Statistics.

Table 1 presents the descriptive statistics of the variables used in the study. It shows that on the average DMBs generated 137 kobo as earnings per share. The minimum stock return implies that some DMBs incurred losses during the study period. The mean disclosure of 0.84 suggests DMBs made substantial corporate governance disclosure and the boards are quite independent.

Table 1: Descriptve Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
P	39	1.434074	1.188685	-.6931472	3.3562
EPS	39	136.6667	116.9092	-59	351
ΔEPS	39	-.4871795	67.91205	-192	150
DISCIND	39	.84364	.0819005	.6470588	1
SZE	39	20.47056	2.0750	13.751	22.19175
LEV	39	22.68401	136.1286	.7670046	851.0086
GROWTH	39	.1255256	.3087847	-.6458411	1.600786
BODIN	39	.6167876	.0779294	.466667	.9

The analysis of correlations is shown in Table 2. Earnings per share is significantly and positively correlated with stock return (R) suggesting that DMBs with higher EPS are likely to enjoy greater market return. The significant correlation further suggests issue of multicollinearity but the values of the variance inflation factor (VIF), all below the threshold of 10, displayed in Table 3 indicates multicollinearity poses no threat to findings of this study. The corporate governance disclosure is negatively and insignificant related to stock return.

Table 2. Correlation Matrix.

	p	eps	Δeps	discind	sze	lev	growth	bodin
P	1.0000							
Eps	0.8628*	1.0000						
Δeps	0.2490	0.3525*	1.0000					
discind	-0.0734	0.0153	-0.1578	1.0000				
Sze	0.0560	0.1539	0.0042	0.1728	1.0000			
lev	-0.1576	-0.1244	0.0012	-0.2371	-0.5106*	1.0000		
Growth	0.1860	0.2275	0.1638	0.0420	0.2586	-0.4109*	1.0000	
Bodin	0.1247	0.1501	0.3015	-0.0887	-0.0549	-0.0958	0.0263	1.0000

* indicates 5% level of significance.

Table 3. Variance Inflation Factor

Variable	VIF	1/VIF
eps*discind	402.56	0.002484
eps	390.16	0.002563
Δeps*discind	214.20	0.004669
Δeps	209.05	0.004783
discind	9.85	0.101545
lev	2.15	0.464536
sze	1.51	0.663888
Growth	1.29	0.776242
Bodin	1.20	0.835918
Mean VIF	136.89	

Regression Result

Table 4 reveals that the model used has excellent fit (p-value = 0.000). It further shows that 82% of the variation in stock return is explained by the independent variables while the balance of 18% is explained by other factors summarized in the error term.

A scrutiny of Table 4 shows that the market values earnings as demonstrated by the significant positive relationship between changes in EPS and stock return. A one unit increase in change in EPS is associated with approximately 5% increase in stock return, all else being held constant. Our interest however is how the market values corporate governance disclosure. This is shown by the earnings response coefficient (the interaction of change in earnings per share and corporate governance disclosure index, Δeps*discind). Table 4 shows a negative and significant relationship between stock return and the interactive term of change in EPS and stock return (p-value = 0.033). The negative coefficient suggests that the market punishes DMBs by 6% for a unit increase in disclosure of corporate governance practices, all other factors being held constant. We are therefore inclined to reject our hypothesis that there is no significant relationship between the level of corporate governance and market valuation.

Table 4. Result of Regression.

Number of obs = 39

F(9, 29) = 40.05
Prob > F = 0.0000
R-squared = 0.8157
Root MSE = .58416

r	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf. Interval]	
eps	-.0220105	.019455	-1.13	0.267	-.0618004	.0177794
Δeps	.0468546	.0219702	2.13	0.042	.0019205	.0917887
Discind	-8.756338	4.646893	-1.88	0.070	-18.2603	.7476266
eps*discind	.0359842	.0222157	1.62	0.116	-.0094521	.0814204
Δeps*discind	-.0559474	.0249121	-2.25	0.033	-.1068983	-.0049964
Sze	-.1133543	.0443285	-2.56	0.016	-.2040164	-.0226923
Lev	-.002444	.0008296	-2.95	0.006	-.0041407	-.0007473
Growth	-.1006745	.26219	-0.38	0.704	-.6369132	4355642
Bodin	-.8204326	1.285187	-0.64	0.528	-3.448935	1.80807
Cons	10.52188	4.782348	2.20	0.036	.7408832	20.30288

This result contradicts Defond et al (2005). Defond et al (2005) document positive and significant market reaction to disclosure of appointment of financial expert in the audit committee, audit committee being a veritable corporate governance mechanism. The result is also inconsistent with the findings of Ntim et al (2012). The findings may be because the information has leaked to the market before official disclosure given our inefficient stock market. In some circumstances, corporate disclosure could have negative impact in the market. This supports Hassan, Romilly, Giorgioni, & Power (2009) who argue that more public disclosure might reduce private information acquisition by market participants and hence reduce the total amount of information available in the capital market. The result could also be because the market does not trust the DMBs and the disclosures emanating therefrom given the fragility of the banks as evidenced by the sacking of the board of Skye Bank Plc in 2017. The mistrust is so engrained that the Central Bank to consistently reassure the market and depositors that the DMBs are sound.

Bank size exhibits a negative and significant relationship with stock return. This implies as larger DMBs increase corporate governance disclosure the more the market penalizes those large DMBs, ceteris paribus. This might not be unconnected with market experience with large DMBs in the post consolidation era. The result is inconsistent with our a priori expectation. Table 4 also reveals that leverage is negatively related to stock return. This is not surprising as empirical evidence reports that highly levered firms are risky and so the market penalizes such firm. All other variables in Table 4 exhibit no statistical significance.

Conclusion.

The study seeks to examine how and to what extent the market rewards or punishes DMBs with respect to corporate governance disclosure. We find that DMBs make substantial disclosure of corporate governance practices. We document that the market reacts negatively and significantly to increase in corporate governance disclosures. We recommend DMBs

strategies in disclosing corporate governance practices and engage in other complementary activities to engender public trust. We also recommend DMBs reduce their leverage.

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Appendix Disclosure Checklist

S/N	Disclosure items
1	Whether the roles of chairperson and CEO/MD are split.
2	Whether the chairperson of the board is a non-executive director.
3	Whether the board is composed by a majority of non- executive directors (NEDs).
4	Whether the board meets at least four times in a year.
5	Whether individual directors' meetings record is disclosed.

6	Whether directors are clearly classified into executive, NED, and independent.
7	Whether the board evaluation report is disclosed.
8	Whether directors' biography and experience are disclosed.
9	The existence of the office of company secretary.
10	Whether a nomination committee has been established.
11	Whether the nomination committee consists of a majority of NEDs.
12	Whether the chairperson of the nomination committee is an NED.
13	Whether the membership of the nomination committee is disclosed.
14	Whether the nomination committee's members' meetings attendance record is disclosed.
15	Whether a remuneration committee has been established.
16	Whether the remuneration committee is constituted entirely by independent NEDs.
17	Whether the chairperson of the remuneration committee is an independent NED.
18	Whether the membership of the remuneration committee is disclosed.
19	Whether the remuneration committee's members' meetings attendance record is disclosed.
20	Whether share ownership by all insiders is disclosed
21	Whether an audit committee has been established.
22	Whether the audit committee is constituted by NEDs and shareholders representative.
23	Whether the chairperson of the audit committee is a shareholder representative.
24	Whether the membership of the audit committee is disclosed.
25	Whether the membership of the audit committee is split equally between shareholders and directors.
26	Whether the audit committee's members' meetings attendance record is disclosed.
27	Whether a risk management committee has been established.
28	Whether the risk committee's members' meetings attendance record is disclosed.
29	Whether a narrative on both actual and potential future systematic and non-systematic risks is disclosed.

30	Whether a narrative of the risk framework is disclosed.
31	Whether a narrative on how current and future assessed company risks will be managed is disclosed.
32	Whether a narrative on how a firm is contributing towards the development of financial inclusion is disclosed.
33	Whether a narrative on what a firm is doing to encourage shareholder activism, such as having an investor relations department and proxy voting is disclosed.
34	Whether a narrative on how a firm is actually complying with and implementing the CSR is disclosed.
35	Whether a narrative on how a firm is actually complying with and implementing employment equity laws in terms of gender, age, ethnicity, and disabilities is disclosed.
36	Whether a narrative on the actual measures taken by a firm to address occupational health and safety of its employees is disclosed.
37	Whether a narrative on how a firm is actually complying with and implementing rules and regulations on the environment is disclosed.
38	Whether a narrative on the existence of a code of ethics is disclosed.
39	Whether a firm's board is formed by at least one male and one female (board diversity on the basis of gender) person.
40	Whether a narrative on the actual community support and other corporate social investments or responsibilities is disclosed.
41	Whether the bank's handling of consumer complaints is disclosed.
42	Whether the bank whistle blowing policy is disclosed.
43	Whether bank succession plan for their top executives is disclosed
44	Whether a credit committee has been established.
45	Whether the chairperson of the credit committee is a NED.
46	Whether the membership of the credit committee is disclosed.
47	Whether the credit committee's members' meetings attendance record is disclosed.
48	Whether corporate governance compliance status is disclosed
49	Whether the board of directors has at least two independent NED.
50	Whether the educational qualifications of member of the audit committee is disclosed
51	Whether the chairman of the audit committee is a chartered accountant