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ARE THE PRINCIPAL AND AGENTS OF MICROFINANCE BANKS COMPLYING WITH STATUTORY ROLES OF REGULATORY BODIES? EVIDENCE FROM SOUTHWESTERN NIGERIA

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Abstract

The paper assessed the level of compliance with statutory roles of the Prncipal and the Agents of Microfinance banks in Southwestern Nigeria. It utilized primary data and the population of the study consisted of respondents in 332 microfinance banks in Southwestern Nigeria as at 2015 (CBN,2015), of which a proportionally stratified sample of 300 was taken. A total of 200 unit microfinance banks, 95 state microfinance banks and five national microfinance banks were selected as samples from the population. The respondents selected were the directors, top level managers, middle level managers and other categories of workers. Structured questionnaire was employed to gather information from Microfinance banks in the Southwestern states (Lagos, Ogun, Osun, Oyo, Ekiti and Ondo States). Information on the regulatory roles and extent of compliance were elicited from the respondents. Data was analyzed using Descriptive statistics.

The findings showed that the level of performance of statutory roles by principal and agents of the banks was very high and significant (89.7%).

The study concluded that principal and agents of Microfinance Banks in Southwestern Nigeria complied significantly with the statutory roles and standards set Central Bank and Deposit Insurance Corporation.

Introduction

One of the essential joint ethics of banking business is trust and confidence, which promotes sustainable relationship among the owners, managers of business, and the external environment leading to the achievement of optimum performance, Adekanye (1987); Ekundayo (1996). Once such assurance is shaken, it becomes very difficult to win back the trust and confidence of the banking public. What this means is that Shareholders, Board of directors and Management of banks must ensure sound performance of their institutions to key into the main objective of the policy thrust specified in the banking system to ensure improved financial inclusion. However, CBN reported that, MFBs banks have not been living up to expectation in terms of profitability despite huge financial commitments of government and regulators; CBN and NDIC reported that out of 803 MFBs registered at the end of 2010, 224 were liquidated (NDIC 2010). In 2014 another 83 MFBs' licenses were withdrawn out of 882 existing (NDIC Reports, 2014). Also, there were 563 MFBs categorized as unhealthy as at the end of 2014 (CBN, 2014). These situations have always created doubts and erode the confidence of the Nigerian banking public. It is the reason, regulatory bodies improved on their supervisory roles through routine examinations and sport checks report writings.

Literature Review

Theoretical Review:

Principal-Agent Theory (Agency Theory)

The Principal-Agent theory (also referred to as Agency Theory) is one of the dominant theoretical perspectives for analyzing and describing governance reforms. Agency theory was proposed by Jensen and Mecklin (1976).The theory proposes a 'principal' with specific objectives and 'agents' who are required to implement activities in achieving those objectives. The core of the principal-agent theory is the agency relationship, which depends on power positions and information flows between principals and agents. The theory rests on the proposition of how principals can manage the interests of agents so that they are in line with the goals they (principals)

Critics however, argue that the Agency-Theory model is one-sided because it negatively characterizes an agent's behavior as self-seeking. Also, it ignores agent loyalty, pride, and professionalism in aligning with the principal's goals, Davis, (2008).Another criticism of the agency theory is that it omits opportunistic behavior by principals. This is especially so in public services where politicians and bureaucrats personally stand to gain from colluding with private agents.

In MFBs, Agency-Theory is relevant to devolved system of governance because it provides a good basis for understanding the relationship in which one party (the principal) delegates work to another (the agent), who performs the task. Directors and Managers act as the agents of Shareholders and must act in good faith to fulfill the principles of the Principal. Without addressing the principal agent problems, poor governance practices such as lack of social accountability have risen. The Principal-Agent theory has become a widely used paradigm for analyzing public accountability. This is because it provides a flexible framework for modeling innumerable variations in institutional arrangements, and in comparing their potential for inducing desirable behavior by agents.

Dependency Theory

Board formation and roles is significant as board consist of people with different experiences, skills, and backgrounds. Board members bring different types of resources, such as advising, counselling, facilitating access to resources such as funding, and linking the organization to important stakeholders and/or other important entities. This is the essence of Dependency theory. Waterman R and Meier J. (1998) posited that resource provision is germane in agency theory. If resources are not provided, it will lead to asymmetry information and goal conflicts.

Directors' Primacy Model

Primacy model is related to both the stakeholder model and the stewardship model. They posited that shareholders are not considered as the only residual claimant to the firm, but other claimants

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include multiple constituencies, such as employees, creditors, suppliers, governments etc. The humanistic assumptions are in line with stewardship theory that people can be trusted and can act collectively as well as being driven primarily by intrinsic incentives.

In this theory, the firm is viewed as a team, with the board of directors monitoring and distributing rents according to the different contributions of stakeholders. The rational view is to maximize the returns enjoyed by all stakeholders rather than minimizing agency costs. Agency costs are the main headache of agency theory. This theoretical approach is popular in the United State legal system, where directors are not viewed as the agents of shareholders and where shareholders are not viewed as the owners of the firm, but where directors have responsibility for the firm,

Expense Theory

According to the expense theory, managers have the option in pursuing policies, which maximize their own utility rather than profit maximization for shareholders. Such utility include the satisfaction which managers derive from certain types of expenditure. Managers' prestige, power and status are to some extent reflected in the amount of benefits they receive in the form of expense account, luxurious offices and building, company cars and other perquisites of office.

Operating efficiency (operating expenses/total assets) attempts to capture this aspect of bank's behaviour. Operating expenses (expenses management) is derived from the use of resources and can have positive (if well utilized) or negative implication on the dependent variable which is profitability. The failures of most MFBs were attributed to high operating spending in 2012.(CBN,2013).

Buffer Theory of Capital Adequacy

Banks may prefer to hold a 'buffer' falling into the problem of not adherence to legal capital requirements, especially if the banks' capital adequacy ratio is very volatile since Capital requirements constitute the main banking supervisory instrument used in Nigeria. Although, Central Bank of Nigeria intervenes a little in banks' activities but directly conduct on-site examination on the banks. A breach of the capital requirements is considered a major infringement of banking legislation. Banks that remain undercapitalized for a period of 6 months are closed down. CBN, (2013). The withdrawal of some banking licenses at the expiration of the recent capitalization of MFBs in Nigeria is a confirmation of this. Banks will require more capital if deposits are not fully mobilized from the public. Capital is more reliable, dependable and can be used for long term planning. Ability of banks to mobilize enough deposits obviates the capital base from being eroded.

The buffer theory of Ebhodaghe, (1994): predicts that a bank approaching the regulatory minimum capital ratio should have an incentive to boost capital and reduce risk in order to avoid the regulatory costs triggered by a breach of the capital requirements. However, poorly capitalized banks may also be tempted to take more risk in the hope that higher expected returns will help them to increase their capital. This is one of the risks relating to how lower capital adequacy affects banking operations. In the event of bankruptcy of a bank, the risks are absorbed by the bank customers and Nigeria Deposit Insurance Corporation NDIC (2014). The higher the shareholders' funds, the better are bank liquidity and capital adequacy. The deposit insurance scheme, which is compulsory in Nigeria, also exerts regulatory pressure on banks.

Communique issued after the generea assembly of Bank Chief Executives in 2004.CIBN (2004) advised the banks to make adequate capital provision against excess loss; this will permit the bank to continue operations in periods of difficulty until a normal level of earning is restored. The benchmark set by regulators of bank capital sometimes differs from those of the bankers. These capital standards have led to questions on whether or not regulators have been able to bring about changes in bank capital when their standards of capital adequacy differed from those of bankers.

Aggressive banks may try to extend the frontiers of "imprudent management policy" by operating with less capital base, often in violation of the regulatory guidelines. But the supervisory agencies usually stand their ground by resisting decline of capital to avoid bank failure with the multiplier effects to high cost to the society

Conceptual Review

Law of Agency is an area of commercial law dealing with a set of contractual, quasi-contractual and non-contractual relationships, that involves a person, called the agent, who is authorized to act on behalf of another (called the principal) to create a legal relationship with a third party. It is a consensual relationship between both parties, for one (the agent) to act on behalf of, and acquire legal rights for, the other (the principal) vis-à-vis third parties the two parties are usually involved in an agency relationship: the principal and the agent.

The agent has authority to act only in a specifically designated instance or in a specifically designated set of transactions. An example is the external auditor appointed by MFB to audit its account statutorily. All corporate transactions, including those involving governmental organizations, are so conducted because corporations are legal fictions acting on behalf of the government. The Managing director and other management staff of MFBs are acting for the shareholders under the watch of the government as regulators

Review of MFBs' Policy Targets in Nigeria

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Microfinance banks Policy targets are the ways and manners of how the stated policy will be effectively and efficiently implemented to achieve its objectives. CBN analyzed the scope of the target as stated in the CBN policy guideline 2005.CBN(2005).The targets are to cover the majority of the poor who are expected to be economically active by year 2020 and as such, creating millions of jobs to reduce poverty. The target also aim to increase the share of microcredit as a percentage of total credit in the economy from 0.9 percent in 2015 to at least 20 percent in 2020 and to increase the share of micro credit as a percentage of GDP from 0.2 percent in 2005 to at least 15 percent in 2020.Further more, the target aims to promote the participation of at least two thirds of the states and local government in micro credit financing by 2015 and eliminate gender disparity through improving women's access to financial services by 5% annually. The target will further increase the number of linkages among commercial banks, development banks, specialized finance institutions and micro finance banks by 10% annually.

Statutory Roles of Microfinance Banks in Nigeria

MFBs are required to adhere to the under listed policy objectives in accordance with CBN regulations for Microfinance Banks.CBN (2012):

- Make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services.
- Promote synergy and main steaming of the informal subsector into the national financial system.
- Enhance service delivery by micro finance institution to micro, small and medium enterprises.
- Contribute to rural transformation.
- Promote linkage programmes between Universal/Development Banks, Specialized Institutions and Microfinance Banks.

Role of Board of Directors in Microfinance Banks

In Agency relationship, the Board of Directors (BOD) act on behalf of shareholders and the BOD therefore forms a central role in the remuneration of management, ratification, controlling and monitoring of the firm. This is evident both in the practical Corporate Governance literature as well as in the academic literature, Although the BOD may have additional roles (advising and servicing) within, the monitoring and controlling role is by far the most important one and is one of the Management practice, and therefore much of the Agency Theory literature sees the BOD as the main information system controlling executive behaviour on behalf of shareholders. And it is therefore also their role to manage the risk profile of the company.

Jensen (1976) and other agency theory scholars posited that the composition of the board is important for effective monitoring , who despite the fact that a theoretical optimum of board composition does hardly exist, Nevertheless, it provided information on what constitutes a well-functioning and effective corporate governance system, for instance size, independence and expertise. Additional role of the Board of directors is setting the compensation of managers; this is an incentive function of the management practice.

Corporate Governance in Microfinance Banks

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Corporate governance (CG) refers to all activities that ensure effective running of organizations in line with regulations and best practice. For MFBs banks, it involves both internal characteristics and the external environment. The extent of compliance with rules governing MFBs, the level of the competitive market for corporate control, rules governing shareholder investments in the banks, the extent to which central bank is involved in the regulatory process and the role of micro credit investors; all these make significant contributions to efficient and effective MFBs.

Crespí-Cladera and Gispert (2003), argued that ownership and control of firm leading to performance depends the size and composition of the board; the control being enjoyed by the creditors, management activities and insider ownership. Insider ownership is one of the major factors that contribute negatively to corporate governance. This will effectively lead to agency problem and therefore affect performance of Microfinance banks.

It is therefore pertinent to mention that agency problems will thrive where corporate governance is not in operation. According to CBN, (Other Financial Services department's report) failures of most MFBs was partly due to lack of corporate governance in those failed banks, CBN (2012), the Directors involve themselves in unscrupulous activities and lavish spending. Contracts are approved without following due process. Following this discovery, revised regulation and guidelines was introduced to chart another way forward.

Theoretical Framework

This study is premised on the outstanding researches done on agency theory and other related theories that tend to focus on performance of statutory roles expected of agents and principal in MFBs' business; failure to perform these roles effectively may affect business and interpersonal relationship leading to non performance.

Past studies gave different reasons for the failures of these MFBs: Osisioma (2012) posited lack of corporate governance by the board of directors as the reason's regulatory bodies, CBN and NDIC confirmed many reasons such as undercapitalization, Liquidity, Bad lending and Board Characteristics as reasons for MFBs's failures NDIC, CBN Routine reports (2014).

Nwosu and Nwosu (1998) linked unhealthy capital base and low management quality for the failure of MFBs. Uche and Ehikwe (2001) argued that lack of effective information technology was the reason for bank failures; Brownbridge (2005) posited Bank size as major causes of bank failures in Nigeria.

Recent studies by Eke .O and Ekwe M.(2016) linked shareholders funds to investment performance of banks, Bebeji, M and Tanko, M (2015) posited that board size and composition were the reasons for bad financial performance of banks in Nigeria. The author of this paper agreed with all the past studies but strongly inclined that firm regulatory controls will correct all anomalies and put the banks in positive performance. This is possible especially since policy guidelines are provided by the regulatory bodied for the running of the banks. This study is premised on the outstanding researches done on agency theory and other related theories that tend to focus on performance of statutory roles expected of agents and principal in MFBs' business; failure to perform these roles effectively may affect business and interpersonal relationship leading to non performance.

Microfinance Policy and Reports in Nigeria

CBN initiated the Microfinance Policy to create an environment of financial inclusion to enhance capacity of micro, small and medium enterprises (SMEs), thereby contributing to economic growth and development through job creation and consequently improved living standard of the populace. In 2013, the CBN issued a revised version of the Microfinance Policy to reposition the activities of the MFBs for improved performance as well as to provide appropriate machinery for tracking the activities of other non-bank financial service providers in the microfinance sub-sector of the Nigerian economy.

Categories of MFBs by Revised Policy for Microfinance banks, 2013.

MFB licensed to operate as a Unit bank would be required to have a minimum capital of ₦20million and operate within a Local Government Area (L.G.A.). In 2014, the CBN allowed Unit MFBs to open one branch within the local government where it operates.

MFB licensed to operate in a state and open branches within the state would be required to have a minimum capital of ₦100million.MFB licensed to operate and open branches in all states of the Federation and Federal Capital Territory would be required to raise a minimum capital of ₦2billion. The policy also established three other models of Microfinance Bank, namely: Fully Owned Government Microfinance Bank; Public Private Partnership Microfinance Bank; and Government-Supported Cooperative MFB. The Fully Owned Government MFB had two variants, namely: Government Fully-Owned State Microfinance Bank and Government Fully-Owned Unit Microfinance Bank." During the period 2013-2014, the number of microfinance banks increased from 832 to 882 due to the licensing of new MFBs by the CBN. 2013 and 2014 are considered because the years are very recent.

Table 2.1 and Fig.2.1 show the distribution of the MFBs by geo-political zones in 2013 and 2014, Nigeria has six (6) geo political zones.Table2.1 shows that majority of the MFBs in Nigeria had continued to be concentrated in Southwest, of Nigeria with 313 MFBs (35.49%) in operation. This was followed by the South-East and North-Centralwith166 (18.82%)and 160(18.14%) MFBs, respectively. The North-West had 104 (11.79%) MFBs, while the South-

South and North- East had the least number of MFBs with 101(11.45%) and 38 (4.31%), respectively.

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Table 2.1: Distribution of MFBs by geo-political zones as at December, 2013

Geo-Political Zone	No. of MFBs (2013)	%PerZone

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North-West	77	9.01
North-Central	156	18.88
North-East	35	4.09
South-West	304	36.90
South-East	163	19
South-South	97	12.14
Total	**832**	**100.00**

Source: Special Insured Institutions Department, NDIC (2013)

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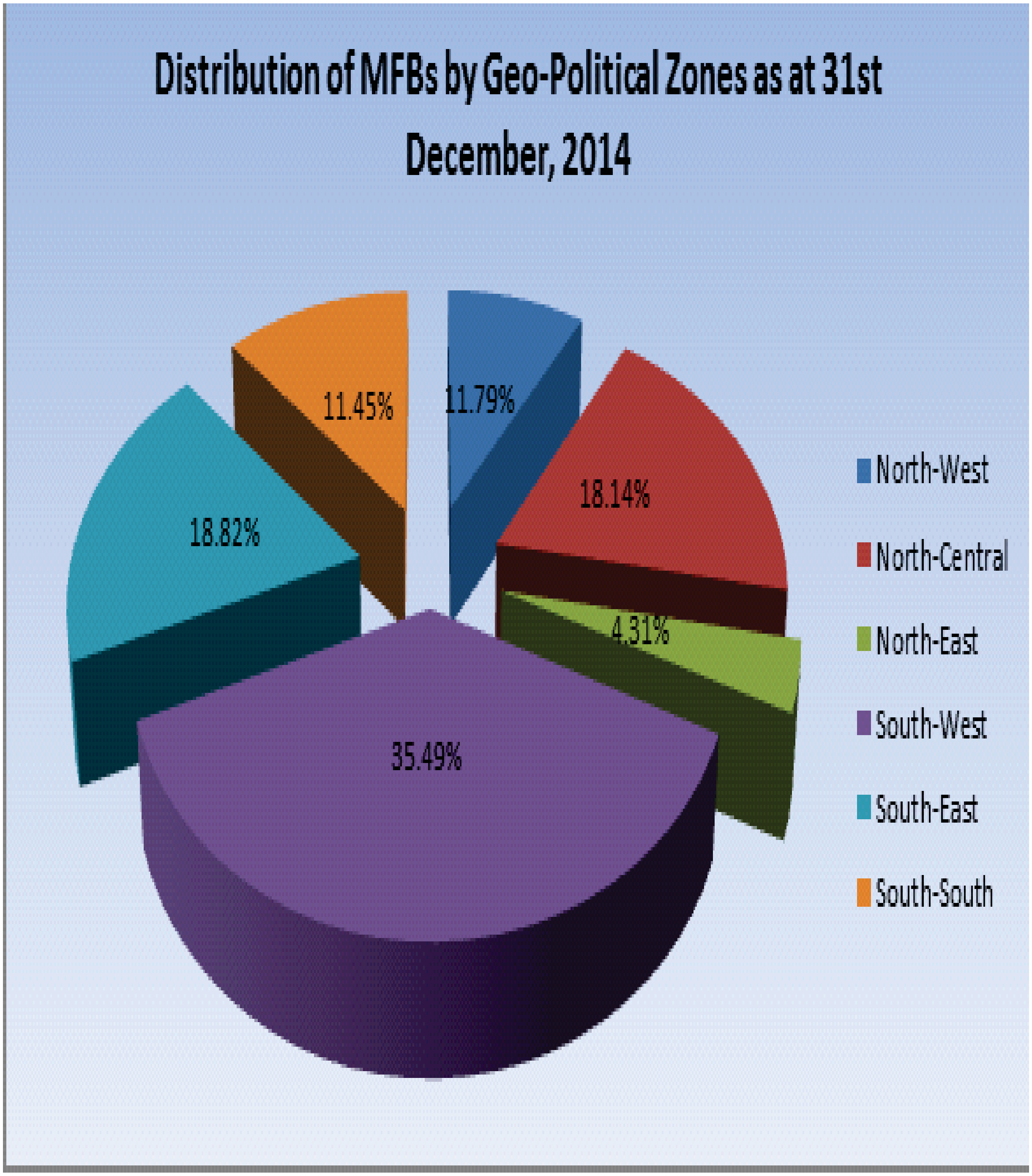

Figure 2.1

Source: Special Insured Institutions Department, NDIC(2014)

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Methodology

Area of Study, Population, Size and Sampling Technique

The study covered three hundred microfinance banks(300) out of three hundred and thirty two (332) MFBs spread across the six states of the South western Nigeria as at December 2015; (CBN,2015).South Western Nigeria share boundaries with South-south, North central Republic of Benin and Atlantic ocean. The whole states were covered in different proportions according to numbers of MFBs registered in each state. The affected states are: Lagos, Ogun, Osun, Ondo, Ekiti and Oyo States. Also, the three types of MFBs namely; National, State and Unit were covered. Lagos is the only state in the south west that have 5 National MFBs out of 6 in Nigeria, the remaining 1 is in the south-south, 30 out of the 33 state MFBs and 266 out of the 293 Unit MFBs in Southwest are licensed for operation in Lagos state (CBN,2015). Therefore, the study covered most of the MFBs in South West from Lagos state.

Methods used in achieving the set Objective for this paper

Objective: examining the level of performance of statutory roles of Principal and Agents of MFBs. The information was based on the data obtained from the questionnaire regarding the compliance of the MFBs with the statutory roles of both the shareholders and managers of MFBs. The objective was achieved with the use of means and standard deviation: through descriptive statistics.

Validating the Data

The validity for the research instrument was confirmed by subjecting the Questionnaire to expert review and construction opinion. The experts selected include academics and professionals in the field. The reliability of the research was confirmed by testing and retesting of the questionnaires.

Model Specification: In assessing the performance of the statutory roles of Principal and Agents of MFBs, the following model was used:

MFBp = DLT+ MLR+ CAR+IFA+ NFR+ AEA+ACM+ DLM+ DIF

EIA+ CBN+ PAR+ MLI……………………………………… (3.1)

DLT = Deposit liability on Treasury Bills

MLR = Minimum Liquidity Ratio

CAR = Capital Adequacy Ratio

IFA = Investment on Fixed Assets

NFR =Notification of Restructuring

EAA = External Auditor's appointment

ACM =Appointment of CEO and Managers

DML =Display of MFB's License

DIF =Display of Interest rates and Fees
EIA =Establishment of Internal Audit

CBN =Change of Bank Name

PAR =Portfolio at Risk

MLI =Maximum Loan to Individual

Apriori Expectation: MFBp = DLT+ MLR+ CAR+IFA+ NFR+ AEA+ACM+ DLM+ DIF

EIA+ CBN+ PAR+ MLI> 2.0

The model was applied through the use of Descriptive statistics of compliance by MFBs with the statutory roles. The parameters used are Complied, Partially Complied and Fully Complied. X-means of 2 was used while Means and Standard Deviation was calculated for each role and for each bank.

X - Mean = Fully Complied (3) + Partially complied (2) + Complied(1) / 3 = 2

MFBp = Micro finance Bank's performance

4.1 Data Presentation, Analysis and Interpretation

This paragraph presents data that was used for the analysis. It also discusses the result of the empirical analysis with a view to drawing conclusions on the result obtained. For each of the objective, data used was presented, analyzed and interpreted. The result of findings is discussed in relation to the topic.

The level of performance of the statutory roles of Principal and Agents of MFBs

The regulatory bodies of MFBs in Nigeria (CBN and NDIC) specified statutory roles expected of each MFB. These roles are listed in the CBN guideline for MFBs (2013). On the basis of this, the researcher initiated X means given 3 units and measured each obtained. Mean of each role for the sampled MFBs Standard deviation for each role was also obtained. This is analyzed in Table 4.1

Report in Table 4.1 confirmed, that microfinance banks in southwestern Nigeria, complied with the statutory roles assigned by regulators. With the text mean value of 2.0.each role and MFB were tested to obtain mean and standard deviation. For instance, the statements that says" Does your bank maintain not less than 5% of its deposit liability in Treasury Bills, 2 indicate not complied, 10 were partially complied while 288(96.00%) were fully complied with mean value of 2.88.for the statements that says "Does your bank maintain a minimum liquidity ratio of 20% of its deposit liabilities in liquid assets,5 indicate not complied, 6 were partially complied while 289(96.33) were fully complied with mean value of 2.89. When asked whether the bank maintain capital adequacy ratio of capital risk weighted asset of 1:10, 11 indicate not complied, 11 were partially complied while 278(92,67) were fully complied with mean value of 2.78.

Also on the statements that says does your bank ensure maximum 20% of its shareholder funds invested in fixed asset, 4 indicate not complied, 7 were partially complied while 289(96.33) were fully complied with mean value of 2.89. In addition, based on the statements that says, Has your bank had any case to restructure or reorganize the bank without consent of the central bank of Nigeria, 11 indicate not complied, 16 were partially complied while 273(91.00) were fully complied with mean value of2.78.

Furthermore, based on the statements that says 'Has your bank sought the written approval of the central bank of Nigeria before appointment of external auditors', 11 indicate not complied, 16 were partially complied while 273(91.00) were fully complied with mean value of 2.73. On the statements that says has your bank sought the approval of the central bank of Nigeria before the appointment of the chief executive officer and principal officers of the bank within 2 weeks of appointment 9 indicate not complied, 17 were partially complied while 274(91.3) were fully complied with mean value of 2.74. Also based on the statements that says has your bank displayed a copy of micro finance banks license in a conspicuous position of its head office as well as in all branches and cash centers, 12 indicate not complied, 14 were partially complied while 274(91.3) were fully complied with mean value of 2.74.

For statement that says 'Does your bank display on a daily basis and in a conspicuous place at its head office, branches and cash centers ,its interest rate and fees and the interest rate on an annual basis', 2 indicate not complied, 4 were partially complied while 294(98.0) were fully complied with mean value of 294.

Similarly, when asked that does your bank has internal audit unit which shall ensure that the operations of the company conform to the laws, as well as to its internal rules and regulation, 3 indicate not complied, 7 were partially complied while 290(96.7) were fully complied with mean value of 2.90. Also, based on the statements that says has there been any change of name or your bank, in consent with central bank of Nigeria, 0 indicate not complied, 0(0.0%) were partially complied while 300(100.0) were fully complied with mean value of 1.00. Furthermore, based on the statements that says does your bank portfolio at risk exceed the required 5%, 2 indicate not complied, 12 were partially complied while 286(95.3o) were fully complied with mean value of 2.86. Lastly based on the statements that says is your bank ensuring that any unsecured advances or loans or credit facilities in an aggregate amount to an individual in excess of 50,000 is not permitted, 1 indicate not complied, 12 were partially complied while 287(95.3) were fully complied with mean value of 2.87. This indicated that most micro finance bank were fully in compliance with the statutory roles assigned by regulator (Central Bank of Nigeria).

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Table 4.1: Results of Descriptive Statistics of statutory roles

S/N	Statements	Not complie	Partially Complie	Fully complied	STD	Mean
1	Does your bank maintain less than 5% of its deposit liability in	2	10	288 (96.00%)	0.739	2.88
2	Does your bank maintain a minimum liquidity ratio of 20% of its deposit liabilities in liquid	5	6	289 (96.33%)	0.401	2.89
3	Does your bank maintain capital adequacy ratio1:10	11	11	278 (92.67%)	0.563	2.78
4	Does your bank ensure maximum 20% of its shareholder funds invested in fixed asset	4	7	289 (96.3%)	0.398	2.89
5	Has your bank had any case to restructure or reorganize the bank without consent of the central bank of Nigeria	10	12	278 (92.67%)	0.509	2.78
6	Has your bank sought the written approval of the central bank of Nigeria before appointment of	11	16	273 (91.0%)	0.631	2.73
7	Has your bank sought the approval of the central bank of Nigeria before the appointment of the chief executive officer and principal officers of the bank	9	17	274 (91,3%)	0.616	2.74
8	has your bank displayed a copy of micro finance banks license in a conspicuous position of its head office as well as in all branches and cash centers	12	14	274 (91.3%)	0.600	2.74
9	Does your bank display on a daily basis and in a conspicuous place at its head office , branches and cash centres , its interest rate and fees on	12	14	274 (91,3%)	0.315	2.94
10	Does your bank has internal audit unit which shall ensure that the perations of the company conform to the laws, as well as to its internal rules and regulation	3	7	290 (96.7%)	0.401	2.90

11	Has there been any change of name or your bank, in consent with central bank of Nigeria	0	0	300 (100.0%)	0.63	1.00
12	Does your bank portfolio at risk exceed the required 5%	2	12	286 (95.33%)	0.448	2.86
13	Is your bank ensuring that any unsecured advances or loans or credit facilities in an aggregate amount to an individual in excess of 50,000 is not permitted	1	12	287 (95.67%)	0.450	2.87

Source: Author's computation (2016)

Discussion of findings on Statutory Roles

Findings based on the extent of compliance of MFBs in specified roles revealed that all the sampled MFBs' are in full compliance with the statutory roles. Descriptive statistics used showed 13 statutory roles and average performance of the MFBs were examined; means and standard deviations were also obtained. The results showed that the microfinance banks fully complied with the statutory roles. This ensured corporate governance at all levels at the banks was in place.

5.1 Summary, Conclusion and Recommendations

Summary

The paper presented a comprehensive insight into the role of MFBs in assisting the government to achieve its developmental roles. Primary data were used to gather information from MFBs in Southwestern Nigeria. The paper identified return on Assets (ROA) and Profit before Tax (PBT) as the endogenous variable and multiple explanatory variables as independent variable of compliance standards. The data were collected using Questionnaire administrations, measured and analyzed using descriptive statistics. The paper discussed the influence of regulators of MFBs and the expected statutory roles to be performed by them as a product of the policy of government. The extent of compliance of each Microfinance Bank observed was tested.

The results showed that the mean values are within the minimum and the maximum values.

Findings revealed that Microfinance banks in Southwestern, Nigeria were found to be holistically performing their statutory roles as Development Banks. The study derived X means which was defined as the average of 3 units for fully complied, 2 units for partially complied and 1 unit for non complied. The average mean was 2.00. The statutory roles such as: Treasury Bills, 2.88; Capital Adequacy 2.78; Fixed Asset Investment, 2.89; Internal Audit Unit, 2.90; Portfolio At Risk 2. 86; Unsecured Advances or Loans to Individual 2.87 and Minimum

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Liquidity Ratio Compliant, 2.89. This confirmed that all the MFBs had means and Standard Deviation of above average score, meaning that they all complied.

Conclusion:

The focus of the paper was to assess the level of compliance of the MFBS with the statutory roles spelt out by the regulatory bodies. On the basis of these, variables of expected statutory roles and compliant rules, were indentified and analyzed upon which statistical deductions were made.

The result further revealed that Microfinance Banks in Southwestern Nigeria strictly adhered to the statutory roles listed in the policy guidelines of regulators. At mean of 2.0, all the MFBs met and surpassed the mean when considered the roles like Minimum Deposit liability in Treasury bills, Minimum liquidity ratio, Port folio at Risk, Single - obligator's limit and Statutory display of interest rate tables, exchange rate and Certificate of incorporation of the MFBs at a conspicuous place in the bank.

Recommendations:

On the basis of the findings and the conclusion arrived at which is based on the exploratory Corporate Governance in MFBs business Southwestern Nigeria, the following recommendations are put forward;

1. Internal Control Units and Committee of the board must always be strengthened to further improve corporate governance and response to complaints
2. The Regulators (CBN and NDIC) personnel should attend training courses on developmental banking to explore means of generating more income for these banks.
3. Corporate governance, separating the Chief Executive Officer, Chairman and other top executive should be spelt out and implemented to improve accountability.

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