Corporate Governance and Bank Liquidity: Evidence from Selected Banks in Nigeria

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Abstract
This study examines the relationship between certain governance variables and bank liquidity. The primary source of data was used and data were obtained through the use of questionnaire. Altogether, a total of one hundred (100) questionnaires were administered across the randomly selected banks out of which 70 were duly completed and returned. Multiple regression models were used in investigating the relationship between the variables of the study. The significance testing of the regression coefficients was carried out using the t- test at 5% level. The study reveals that, out of the four corporate governance variables investigated on bank liquidity, audit committee independence and auditors' independence are the two variables which explain the variability in bank liquidity. We recommend that owners of banks pay close attention to corporate governance variables that improve liquidity.

Keywords: Corporate governance variables, bank liquidity, relationship, auditing, internal control

Introduction

Liquidity is a key issue in the business of banking. Just as the air is fundamental to the existence of man, so also is liquidity to the survival of banks. Therefore, the role of banks in the development of the third world economies cannot be ignored. Banks play a major role in mobilizing funds for economic growth and development but are usually faced with the problem of illiquidity resulting from corporate governance failure, such as: lending in excess of single obligor limit, ineffective management information system, inability to plan and respond to changing business circumstances, ignorance of non-compliance with rules, as well as laws and regulations guiding banking business (CBN, 2006). As a result, there is a pressing need to reposition the financial sector, the banking industry especially, to be able to adequately fund its obligations as and when due. In the same vein, as the country matches forward in her vision to become one of the top 20 economies in the world by year 2020 as envisioned in the financial sector strategy (FSS, 2010), one issue that remains imperative and is on the front burner to build investors' confidence in the domestic economy is good corporate governance (Osolake, 2010). Financial scandals around the world and recent collapse of the major corporate institutions in the USA and Europe have brought to the fore, once again, the need for the practice of good corporate governance, which is a system by which corporations are governed and controlled with a view to increasing shareholders value and meeting the expectations of other stakeholders (CBN, 2006).

The Centre for International Private Enterprise (CIPE, 2002) describes corporate governance as a means whereby society can be sure that large corporations are well run institutions to which lenders and investors can confidently commit their funds. For the financial industry, the retention of public confidence through the enthronement of good corporate governance remains of utmost importance given the role of the industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement system and implementation of monetary policies (CBN, 2006).

The issue of corporate governance has recently been viewed globally as a critical factor for sustainable corporate performance. The clear lessons from the debacle in Enron, Parmalat, WorldCom, Barings Bank, African Petroleum, Cadbury Nigeria etc. has taught the corporate world that no company (or bank) can be too big, financially or otherwise to fail (Wilson, 2006). According to Kama and Chuku (2009), in Nigeria, weak corporate governance is a major factor that led to the financial scandal that rocked Unilever Nigeria and Cadbury Nigeria in 2006. They mentioned further that a critical look at the circumstances surrounding monumental failures of these corporate entities reveals that their weak corporate governance mechanism was the culprit of the failures. Thus, they iterated that effective corporate governance practice would have ensured proper asset and liability management, prevented insider abuse and irregularities by management and ensured the realization of the ultimate objective function of firms, which is to maximize the shareholders' value. Yun (2009) cited in Delis *et al.* (2009), mentioned that, recent evidence on non-financial firms confirms that corporate governance influences firms' mix of cash and lines of credit and suggests that the choice of corporate liquidity is a channel through which governance works. The liquidity of financial institutions, particularly banks is largely influenced by corporate governance practice of such institutions (Yun, 2005, 2009; Delis *et al.*, 2009; Fresard and Frochaux, 2004; Yafeh, 2000). The study of Dittmar and Mahrt-Smith (2007) found that firms with good corporate governance guard their cash resources better, whereas poor governance results in a quick fritter of excess cash in ways that significantly reduce operating performance. It is now increasingly clear that having a transparent and fair system to govern markets, fair treatment of all stakeholders and equal chance for every entrepreneur with a good product to be successful is important to democracy so also is good corporate governance crucial to sound market economies (Centre for International Private Enterprise, 2002).

The Basel Committee on Banking Supervision (2008), positions the board of directors as the heart of banks' liquidity risk management. The committee also mentioned that the board of directors is ultimately responsible for the level of liquidity risk of the bank, as well as the way this risk is managed. Furthermore, the board of directors should review and approve at least annually the strategy, policies and practices in relation to liquidity management. An index of corporate governance that is relevant to liquidity requires data on governance standards that would, in theory, improve financial/operational transparency and investor protection (Kee *et al.,* 2009).

The Central Bank of Nigeria in its code of corporate governance for banks in Nigeria (CBN, 2006) reported that a survey, by the Securities and Exchange Commission (SEC) in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only 40% including banks, had recognized codes of corporate governance in place. However, the practice of corporate governance in Nigeria is expected to have improved since 2006 when the SEC conducted its survey and now.

In the recent past, the Nigerian banking industry has been faced with the problem of illiquidity leaving some banks to be financially distressed. For instance, in 2009, a special audit of the commercial banks in Nigeria was carried out by the CBN and it was found that ten (10) banks were insolvent, undercapitalized and badly managed (Nigeria Deposit Insurance Corporation, 2011). According to CBN (2006 p.2.), "poor corporate governance amongst other things was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country" CBN, 2006 p.2). As a result, the regulators (such as Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC)) have put in place stringent measures for the regulation of banks in Nigeria. For instance, a code of corporate governance was issued by the Nigeria security and exchange commission for corporations operating in Nigeria in 2003 (http://www.ecgi.org/ codes/documents/cg_code_nigeria_oct2003_en.pdf). Specifically in 2006, a code of corporate governance for banks in Nigeria was issued by the Central Banks of Nigeria (http://www. cenbank.org/OUT/ PUBLICATIONS/BSD/ 2006/CORPGOV-POSTCONSO.PDF). These codes are expected to ensure best practices among corporate bodies in Nigeria. The frequently encountered problems e.g. bank failures, corporate collapse, window dressing of financial statement are expected to be minimized.

In general, liquidity must be judged in light of a bank's ultimate ability to fund its obligations. Factors that must be examined include, but are not limited to; the volatility of deposits, compliance with internal liquidity policy and the nature, accessibility to the money market (Delis *et al*., 2009).

The purpose of this study therefore is to examine the relationship between corporate governance variables and the liquidity of banks. The major corporate governance factors relating to bank liquidity identified for the purpose of this study include the composition of the board of directors, independence of audit committee, internal control, auditor's independence (internal auditor and external auditor). This is because they are index of corporate governance that would improve, in theory, the financial/operational transparency and investors' protection (Kee *et al*., 2009).

This study is necessary because of the need to provide the empirical content of the relationship between corporate governance and liquidity. Various research works have been carried out on corporate governance in the financial institutions in Nigeria and other countries. Sanusi (2009) stated that the observance of good corporate governance by Nigerian corporate economic agents (private and public) would no doubt ensure more efficient, effective, responsive and accountable entities and facilitate robust and sustained economic growth. Kee *et al.* (2009) carried out empirical relationship between corporate governance and stock market liquidity. They found that firms with better corporate governance have narrower spreads, higher market quality index, smaller price impact on trades and lower probability of information based training. Osolake (2007) used the ordinary least square (OLS) regression analysis in his study and it was found that regular spontaneous examination of banks has significant effect on the number of fraud cases reported by banks. He also discovered that regular spontaneous examination of banks by the regulators has no significant effect on the amount of losses suffered by banks from the occurrence of such frauds. It is important to clearly state that most of the studies in this area investigated the relationship between corporate governance and firm performance (see Sanda, Mikailu,and Garba, 2005; Kajola, 2008). The measures of performance commonly used by previous researchers are profitability, operational performance, stock market liquidity, reduced cases of fraud, performing and non-performing loan and investors' confidence. Review of previous studies also showed that few researches have investigated the relationship between corporate governance and liquidity of banks. Other works investigated stock market liquidity and not individual banks liquidity (see Pawan & Mohamed, 2011). This gap in the literature is the focus of this study.

Literature review

Conceptual Clarifications in Corporate Governance and Bank Liquidity

Corporate governance is a nebulous concept which has striven for mastery in recent times. The concept has risen to prominence and hence should be understood by every stakeholder in corporate organization. Corporate governance, as a concept, can be viewed from at least two perspectives that is the narrow view which is concerned with the structures within a corporate entity or enterprise receives its basic orientation and direction and the broad view which is regarded as being the heart of both a market economy and democratic society (Oyejide and Soyibo, 2001). The narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory (Olayiwola, 2010). In contrast, Sullivan (2000) a proponent of the broader perspectives, uses the examples of the resultant problems of the privatization crusade to prove that issues of institutional, legal and capacity building as well as the rule of law are at the very heart of corporate governance.

There is a consensus, however that the broader view of corporate governance should be adopted in the case of banking institutions because of the peculiar contractual form of banking which demands that corporate governance mechanisms for banks should encapsulate depositors as well as shareholders (Olayiwola, 2010). Arun and Turner (2004) joined the consensus by arguing that the special nature of banking requires not only a broader view of corporate governance, but also government intervention in order to restrain the behaviour of bank management. They further argued that, the unique nature of the banking firm, whether in developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. They posited that, in particular, the nature of the banking firm is such that regulation is necessary to protect depositors as well as the overall financial system. Over the years, Nigeria as a nation has suffered a lot of decadence in various aspect of her national life. For example, most public corporations, such as NITEL (now Transcorp), NEPA (now PHCN), Nigeria paper mill Jebba, Nigeria Sugar Company Bacita, Nigeria Sugar Company Lafiagi, Nigerian Ports Authority, Airports, Nigerian Airways Limited, Nigerian National Shipping Line, National Insurance Corporation of Nigeria, Ajaokuta Steel Company, National Fertilizer Company of Nigeria (NAFCON), Nigerian Aviation Handling Company Limited, and other agencies (Corporate Nigeria, 2011; Nigerian Compass, 2013; Life on the Street of Lagos, 2013) before they were sold to private owners were either dead or simply drain pipes of public resources; due to bad governance, poor funding, political interference amongst others (ArticlesNG, 2013). The banks with their super profits were collapsing in their numbers, leaving a trail of woes for investors, shareholders, suppliers, depositors, employers and other stakeholders (see Kajola, 2008; Otusanya and Lauwo, 2010). As a result, the government through the security and exchange commission in 2003 issued a code of best practices on corporate governance for public quoted companies; and a code of corporate governance for banks to militate against corporate failures (Kajola, 2008).

Furthermore, banks are unique institutions in that they are vulnerable to a "run" or a process whereby depositors withdraw money/exhaust their bank accounts if adverse opinions about them are disclosed to the capital markets and depositors (Marianne, 2003). From a banking industry perspective, good corporate governance demands that banks will operate in a safe and sound manner and will comply with applicable laws and regulations and will protect the interest of depositors (Inam, 2006). Generally, banks occupy a delicate position in the economic equation of any country such that its (good or bad) performance invariably affects the economy of the country. Levine (1997) distinguishes two related characteristics of banks that make their governance distinctive. First, he said banks are more opaque than non-financial firms. In other words, informational asymmetries are larger in banks than in all other sectors. Banks' opacity and complexity reflects the idiosyncratic nature of banking business and the difficulties outside stakeholders (for example, equity holders, debt holders, depositors, CBN, SEC, NDIC, and customers) face when trying to acquire reliable information about a bank's health status and operations (Furfine, 2001). The second specific feature identified by Levine (1997) is that banks are frequently heavily regulated. Levine (1997) further mentioned that banks are regulated by multiple government agencies; for instance banks are regulated by the CBN, SEC, and NDIC. A thorough review of the contents of the regulations by these agencies reveals that some are conflicting. As a result, Levine (1997) mentioned that the behaviour of bankers is often distorted, and standard corporate governance practice inhibited. The main aim of the regulator according to (Jensen, 2001) which is to reduce systemic risk in the system, most often come into conflict with the main goals of other stakeholders especially the shareholders, which is the maximization of share value. However, in spite of the position of Jensen (2001) that regulators basically protect the interest of the primary owners of firms (shareholders), Quadri (2010) argued that lack of effective corporate governance in Nigeria has worked to the detriment of shareholders and created a class of stakeholders who have lost interest in the system. Quadri (2010) argued further that the corporate governance culture in Nigeria has consistently failed to be responsible to the stakeholders, accountable to the shareholders and has no deep rooted mechanism to maintain a balance among the major player (board of directors, shareholders and management) in corporate governance. Furthermore, Oyejide *et al*, (2001) confirm that in the Nigerian context, handpicked board members (executive or non-executive) are not independent and are not necessarily bound (legally or by default) to place higher value on shareholders' interests or project the business interest, let alone the interests of stakeholders. Quadri,(2010) reported that too much power is concentrated on the Chief Executive Officer (CEO), and the CEOs, more often than not, are also the chairmen of the board of directors. He further mentioned that this lack of check and balance compromise the ability to make independent decision on behalf of the shareholders.

In order to measure liquidity in the banking industry, the balance sheets usually constitute the major tool with which the exercise is carried out. This is done by comparing a set of items in the balance sheet with another. Liquidity of banks can be defined as the availability of ready money or the ease with which an asset can be converted to cash in order to meet the deposit withdrawal of its customers, satisfy their loan requirements and meet up with the liquidity requirement of the regulatory authority (Rotimi, 2007). The trick to making the most money, then, is to make sure that the banks have enough liquid assets on hand to meet all their depositors' calls on the funds. This is because liquid assets pay little interest, with the most liquid, cash, paying none at all. Getting this right is the responsibility of the ALM (Asset liability management) function usually headed by the Asset liability committee (Andrew, 2007). No matter how solvent a bank is, if it cannot pay depositors calls, it will very shortly not be a functioning institution.

In the banking industry, liquidity is necessary in order to meet the deposit withdrawal of its customers, satisfy the loan demand of its customers and satisfy the requirement of the monetary authority on reserves. Liquidity can be considered from the nature of a particular financial instrument, that is, whether or not the financial instrument the bank is holding is of long term or short term nature (Rotimi, 2007). Intuitively, this discussion relates to liquidity risk, which is known to be one of the most important type of bank risk and its proper management has an important role for the health and growth of the bank in both good and bad times. In general, liquidity must be judged in light of a bank's ultimate ability to fund its obligations. Factors that must be examined include, but are not limited to, the volatility of deposits, the degree of reliance on interest sensitive funds, accessibility to the money market, compliance with internal liquidity policy and the nature, volume and anticipated usage of credit commitment. In short, bank managers have to determine the ideal or optimal level of liquidity so that the obligations are met without hurting future profits (Delis *et al.,* 2009). According to Delis *et al.* (2009), bank liquidity can be measured either by the ratio of liquid assets to customer deposit and short term borrowings of banks or the ratio of liquid asset to total deposit and borrowed funds.

Rotimi (2007) argued that the three main sources of liquidity available to a bank amongst others are the primary, secondary and the apex bank sources. He mentioned that the primary source includes cash, short term assets and other instrument that can be counted in the determination of liquidity ratio; such has treasury bills, commercial papers, certificate of deposits. All the instruments mentioned here can easily be turned to cash because they can be discounted if and when the need arises. He also explained that secondary source refers to short term loans and advances. He said that a bank will have its liquidity more replenished, the more the repayment of its loans and advances is made. Thirdly, he mentioned that the apex bank is another source of liquidity to the bank. This is in line with the function of the CBN as the lender of last resort. That is, banks can always approach the CBN for short term accommodation when in short of cash. The CBN according to him can also facilitate the liquidity of banks by assisting in discounting of financial instruments instead of banks waiting till the instruments mature.

As earlier mentioned, corporate governance affect the entirety of an organization. It cuts across every aspect of an organization ranging from routine activities to functional activities (the way and manner in which these activities are carried out to ensure that the interest of owners and other stakeholders are protected). Liquidity is very crucial to the survival of banks. However, in other to ensure that a bank is kept liquid at all times, corporate governance must be brought to the front burner. As suggested by the agency theory (Anthony, Sridharan, Farshid, & Braendle, 2012), the following corporate governance variables have been identified in this study as affecting the liquidity of banks: effective internal control; the compositions of board of directors; audit committee independence; and auditors' independence. Kee *et al*., (2009) reported that effective internal control; the compositions of board of directors; audit committee independence; and auditors' independence are corporate governance variables that affect the financial/operational transparency and investors' protection. This study therefore seeks to study these variables in relation to the liquidity of banks.

Theoretical Framework

Agency Theory

In the management of modern corporations, large numbers of shareholders (owners) allow separate individuals to control, direct the affairs of the corporation and direct the use of their collective capital for wealth creation (Anthony, Sridharan, Farshid, & Braendle, 2012). The relationship between the owners of corporations and the individuals who possess specialized skills or expertise relevant for the management of these corporations is referred to as principal-agent relationship. The owners are referred to as the principal and the managers are the agents (Pandey, 2005). In this type of relationship, a problem called agency problem is created. This theory assumes that as agents are not the owners of capital, they may seek personal interest by shirking duties to enjoy leisure and hiding inefficiency to avoid loss of rewards (Anthony *et al.*, 2012). They further, argued that agency theory also assumes that if the principal and the agents are mainly concerned about maximizing their personal wealth, agent may not always act in the best interest of the principal. The self-seeking agenda of agents are usually at the expense of their principals; therefore in order to make managers to act in the interest of the shareholders, there is the need to make policies and put in place mechanisms, structures to monitor and control the decisions of managers to ensure the objective of such decisions align with shareholders' interest (Jensen, 1983 cited in Anthony *et al.*, 2012). However, one of such mechanisms aimed at addressing agency problem is the corporate governance mechanism (Anthony *et al.*, 2012). In summary, corporate governance includes all the internal devices, codes, rules, policies, procedures, structures put in place to guide the management of an organization in line with best practices.

One of the key financial goals of the modern corporations besides profitability is liquidity. This is concerned with the ability of firms to pay expenses and meet obligations as at when due. Without this goal, a firm may go into voluntary or compulsory liquidation. Therefore, it is important that efforts be made by firms to ensure this important goal. Corporate governance mechanism is a measure aimed at ensuring that objectives of firms are achieved. This study seeks to investigate how corporate governance affects liquidity of firms; in this case, banking firms by studying the relationship between corporate governance variables and bank liquidity. From the foregoing, we hypothesized that: there is no relationship between corporate governance (effective internal control, the compositions of board of directors, audit committee independence, auditors' independence) and bank liquidity.

Methodology

In this study we investigate the relationship between certain corporate governance variables and the liquidity of banks. The corporate governance variables investigated are: effective internal control system; the composition of board of directors; audit committee independence and auditors' independence. The research design used for this study is the survey research design. This was considered appropriate because survey research design is suitable to investigate behavioural phenomenon among group of people and such phenomenon is not directly observable (Fagbohungbe, 2002). Specifically, the cross sectional survey research design was used since all the variables of the study were observed at a point in time. This design was considered effective and relatively economical.

The data used were obtained through the primary source. The variables were operationalised by designing a well-structured questionnaire. We designed the questionnaire to measure the variables of the study on a five points Likert-type scale. The respondents were asked to select from the scale the point that best reflect the extent of the existence of variables observed.

This study was investigated within the banking industry but it does not include micro finance banks, merchant banks, the central bank, internationally financed banks and specialized banks. The study (corporate governance and bank liquidity) is limited to the commercial banking sector; this is because commercial banks are regulated by the Nigerian code of corporate governance for banks (CBN, 2006). There were twenty four (24) banks licensed to practice universal banking in Nigeria as at the time of this study out of which ten were discovered by the apex bank in 2009 (Nigeria Deposit Insurance Corporation, 2011) to be financially troubled. The cause of the trouble was traceable to bad corporate governance practices amongst other things. Therefore, the distressed banks were excluded for the purpose of this study. As a result, out of the twenty four (24) banks, the fourteen (14) banks that were not financially troubled constitute the population of this study, out of which five (5) banks were selected for investigation; this constitutes about 35% of the study population which we believe is a good representation of the population. The sample of five (5) banks selected is the unit of analysis upon which the conclusion is drawn (http://rulesofreason.wordpress.com/2012/01/27/unit-of-analysis-vs-unit-of-observation/).

However, the unit of observation from which data were collected is the top management staff of the selected banks; and since it is greater than thirty ($n \geq 30$), it was considered large (Gupta, 2011). The sum of one hundred (100) questionnaires was administered to the top level managements across the selected banks out of which seventy (70) was duly completed and returned. The questionnaires were administered to the top management staff of the selected banks at their respective branches; this is because corporate governance issue is a corporate policy issue affecting the entire organization (headquarters or branches) and since the branch is an integral part of the entire organization, we believe that whatever is practiced at the headquarters is replicated at the branch.

For the purpose of analysis, the ordinary least square regression model was used to estimate the relationship between corporate governance variables and the liquidity of banks. The explanatory variables as suggested by the agency theory

(Anthony, Sridharan, Farshid, & Braendle, 2012) are: effective internal control; the compositions of board of directors; audit committee independence; and auditors' independence. The dependent variable is the liquidity of banks. The conceptual underpinning of this study is given as:

$$Y = \lambda_o + \lambda_1 X_1 + \lambda_2 X_2 + \lambda_3 X_3 + \lambda_4 X_4 + \varepsilon \text{ …………………Equation 1}$$

Where Y = Liquidity of banks
λ_o= Intercept
X_1= Audit committee independence
X_2= Auditors' independence
X_3= Composition of the board of directors
X_4= Effective internal control
ε = Error term
λ_{1-4}=Coefficients

Data Analysis and Interpretation of Results

Table 1 reveals that corporate governance variables can only account for about 31% of the variability in banks' liquidity. This is evidenced by R^2 of 0.306. The table also reveals that audit committee independence and auditors' independence are statistically significant since their p-values are less than the default value (0.05) set. It means that audit committee independence and auditors' independence have significant impact on the liquidity of banks. On the other hand, the composition of board of directors and effective internal control are not statistically significant because their p-values are greater than the default value (0.05) set. The implication is that composition of board of directors and effective internal control do not impact on banks liquidity.

Table 1: Summary of Regression estimates

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig. value**
	B	Standard error	Beta		
(constant)	1.151	.483		2.383	.020
Audit committee independence	-5.472E-02	.115	-0.063	-.477	.035
External auditor independence	.347	.112	0.413	3.088	.003
Board composition	.106	.116	0.107	0.916	.363
Internal control	.167	.119	0.185	1.406	.164
R^2	**0.306**				
R	**0.553**				

Source: *Survey results*

Consequently, the hypothesis that $\lambda_3, \lambda_4 = 0$ is accepted while the hypothesis that $\lambda_1, \lambda_2 = 0$ is rejected. By so doing, effective internal control and the composition of the board of directors as independent variables are dropped from the model since the two variables are not statistically significant. The implication is that the model is now:

$$Y = \lambda_o + \lambda_1 X_1 + \lambda_2 X_2 + \mathcal{E} \text{ ………………………Equation 2}$$

The new model suggests that audit committee independence and auditors' independence are the variables explaining the variability in bank liquidity. Table 1 also reveals that R, which is the correlation coefficient of the model, is 0.553 (55.3%). It measured the association between corporate governance variables and bank liquidity. The values of 0.553 shows that the corporate governance variables investigated are positively correlated with bank liquidity. It means that, as corporate governance becomes more effective, the ability of firms to pay expenses and meet obligations as at when due also increases. The R^2 which is the coefficient of determination is 0.306. This implies that 30.6% of the variability in liquidity can be explained by variation in audit committee independence and auditors' independence (the explanatory variables). It means that a unit improvement in audit committee independence and auditors' independence would result to 30.6% improvement in the liquidity of banks. Furthermore, it shows that 69.4% of the variability in bank liquidity is influenced by other variables other than audit committee independence and auditors' independence. It means that 69.4% improvements on banks liquidity are accounted for by other variables which are not included in the model.

Conclusion and Recommendations

The study investigated the relationship between corporate governance variables and bank liquidity. Using the ordinary least square regression model, the study concludes that there is a relationship between corporate governance factors and the liquidity position of banks. Specifically, the liquidity of banks is directly affected by audit committee independence and auditors' independence in a positive way. It means that the more audit committee and auditors (internal and external) of banks gain independence, the more the liquidity position of banks is improved. The study recommends therefore that stakeholders of bank should pay close attention to the independence of audit committees and auditors by enhancing it since it positively affects liquidity of banks.

Finally, since the study reveals that 69.4% of the variability in bank liquidity is explained by other variables apart from audit committee independence and auditors' independence. It means that there are several other variables influencing the liquidity of bank. Therefore, further research should investigate other variables affecting liquidity such as board size, ownership, and directors' education.

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