TITLE PAGE

CORPORATE GOVERNANCE PRACTICE IN NIGERIA (CHALLENGES AND REFORMS).

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JULY, 2026

DECLARATION

I, **ANI CHIDUBEM FAVOUR declare that this long Essay is original research carried out by me as part of the requirements for award of Bachelor of Laws (LL.B) during the 2025/2026** academics session. All errors are entirely mine and not intended.

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U20/LAW/029

CERTIFICATION

This is to certify that this project titled " Corporate Governance Practice in Nigeria (challenges and Reforms)" is written by Ani Chidubem Favour, with Registration Number GOU/U20/LAW/029 under the supervision of Asso. Prof. Kenneth Ajibo, Lecturer of the law faculty , Godfrey Okoye University, Enugu, in partial fulfilment of the requirements for the award of Bachelor of Laws (LL.B) Degree.

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DEDICATION

I give all glory to God for the successful completion of this project. His boundless wisdom, talents, and guidance have sustained me through the challenges and triumphs of my academic journey in this institution.

ACKNOWLEDGEMENT

Firstly, all glory be to God Almighty, who without his grace and guidance, I would not have been able to complete or be in 500 level. Thank you, Lord, for making this possible.

I appreciate and express my deepest gratitude to my supervisor, Assoc. Prof. K.I Ajibo, who throughout this research has given me the push I needed. Your thoughts and criticisms have added valuable content to my work. I am forever grateful.

Special thanks to the lecturers, the likes of Mrs. Nwakaego, Dr. Nkolo, Dr. Peter Aneke, Dr. Okika and all other lecturers in the Faculty of law, Godfrey Okoye University, Enugu State. You are a concrete unit that have never tolerated Machiavellian acts and I am forever grateful for that.

To my friends and well wishers, especially my sister and my friends who provided me with the material, emotional and financial support needed, and for their unending encouragement that all these shall be a success.

I will not fail to acknowledge with great joy and appreciation, a great and wonderful person in my life, My dad, Chief Ani and my mom, whom if not by his consent and support, I would not be compiling this work. Thank you for always pushing me to be the best I can be and allowing me to face my obstacles.

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List of Abbreviations

AMCON	Asset Management Corporation of Nigeria
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
DGCL	Delaware General Corporation Law
DMBs	Deposit Money Banks
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
FDI	Foreign Direct Investment
FRCN	Financial Reporting Council of Nigeria
GAID	General Application and Implementation Directive
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IoD	Institute of Directors
ISA	Investments and Securities Act
MBCA	Model Business Corporation Act
NAICOM	National Insurance Commission
NCC	Nigerian Communications Commission
NCCG	Nigerian Code of Corporate Governance

NERC	Nigerian Electricity Regulatory Commission
NSE	Nigerian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PENCOM	National Pension Commission
PIEs	Public Interest Entities
ROA	Return on Assets
ROE	Return on Equity
ROSC	Report on the Observance of Standards and Codes
SEC	Securities and Exchange Commission
SCGN	Society for Corporate Governance Nigeria
SMEs	Small and Medium Enterprises
SOX	Sarbanes-Oxley Act
UK	United Kingdom
USA/US	United States of America

ABSTRACT

This study assesses the use, effectiveness, and impact of the Nigerian National Code of Corporate Governance 2018 (NCCG 2018) on the performance of companies in Nigeria. Although the new code represents a significant improvement in corporate governance regulation in Nigeria, particularly in respect of its principle-based "apply or explain" approach, its coverage of previously regulated sectors and industries and its relationship with the Companies and Allied Matters Act (CAMA) 2020, governance gaps persist in Nigeria. Relying on doctrinal methodology, the essay examines the history of corporate governance regulation in Nigeria; theoretical underpinnings of corporate governance, particularly agency and stakeholder theories; the legal and institutional frameworks for corporate governance regulation in Nigeria with particular reference to the role of the Financial Reporting Council of Nigeria (FRCN); challenges of enforcement; and the experiences of the United Kingdom, United States of America, and South Africa with respect to the subject matter. The long essay finds that although the NCCG 2018 has contributed to the heightened awareness of the roles of the board, risk management, ethical leadership, transparency, and sustainability, the code's voluntary nature, lack of effective enforcement, existence of multiple regulators and codes, weak FRCN, corruption, cultural constraints in family-owned businesses and superficial "apply or explain" reports have hindered its effectiveness and by extension, the performance of companies in Nigeria as measured by return on assets (ROA), return on equity (ROE), and investors' confidence. The study recommends that the NCCG 2018 should be supported by a few enabling provisions in the CAMA 2020; a unified corporate governance regulatory body should be established under the FRCN to oversee the implementation of the code; environmental, social, and governance (ESG) and sustainability reports should be mandatory; the CAMA 2020 should contain better whistleblower protection provisions; the composition of the board of a public company should reflect diversity; provisions on digital and cyber risks should be included in the Code; and effective, faster and cost-efficient remedies should be made available to shareholders. Overall, the study argues that these reforms will address governance gaps and enforcement problems; reduce agency costs; encourage ethical behavior; and ultimately improve the performance of companies, attract foreign investment, and facilitate sustainable development in Nigeria.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of the Study

Corporate governance is a topic that has gained notoriety over the years in the contemporary world, as the ultimate success of an economy whether developed or developing, that is, whether it is developing or has developed, depends solely on how well companies are governed or managed. In Nigeria, for instance, the economy which is one of the largest in Africa, to an extent depends on how well these companies are being managed and governed. Corporate governance therefore refers to a set of rules and principles that are employed in the management and control of companies, and to ensure that companies are being managed in such a way that they are accountable, fair and transparent in their relationship with stakeholders. The history of corporate governance in Nigeria can be traced to the colonial era, and over the years has witnessed several changes that have shaped the modern code of corporate governance in Nigeria[1], that is, the Nigerian National Code of Corporate Governance 2018[2].

This chapter provides a general description of the ideas and variables associated with the research study. The rationale or justification for the research work, that is, the reasons for which the research project is being carried out, also are provided in this sub-chapter. Furthermore, the historical, philosophical, theoretical, or conceptual explanations of concepts or variables of the research topic

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[1]Michael Agamah, 'evolution of corporate governance' (1886-2018), at https://www.sirenjournals.com/download php?file=evolution_of_corporate_governance_in_nigeria.pdf accessed 30th October.2025.

[2]Financial Reporting Council of Nigeria (FRCN). *Nigerian Code of Corporate Governance (NCCG)*. Abuja: FRCN, 2018

are also provided in this sub-chapter. More so, the problem or problems, challenges or difficulties that are associated with or have resulted into the research topic are explained in this sub-chapter.

Lastly, how the researcher is going to approach and tackle the problems or challenges identified in the sub-chapter are also discussed.

1.2 Statement of the Problem

The statement of the problem refers to the problem or knowledge gap or an unsatisfactory condition of affairs that caused the research to be undertaken. It simply states why the researcher took the research. The student is expected to have a good grasp of the problem being researched on. The introduction of the NCCG 2018, and other legislation such as the CAMA 2020 have not dealt effectively with the problematic issues confronting the effectiveness of corporate governance in Nigeria[3]. One of the major problems confronting the effectiveness of corporate governance in Nigeria is the lack of effective enforcement, non-compliance with the code and the continuous collapse of corporations despite the existence of a code of best practice. The above problem is caused by a number of factors[4]. Firstly, the existence of multiple codes of best practice in Nigeria, such as the NCCG, SEC Code, CBN Code, etc., makes compliance to the provisions of the code burdensome to companies that operate in the different sectors where these codes are applicable. A recently concluded that the multiplicity of codes results in selective compliance as companies would usually opt to comply with the least stringent code.

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[3]Stephen Gowon, 'Internal audit effectiveness under NCCG', 2018 at https://irjems.org/Volume-3-Issue-8/IRJEMS-V3I8P126.pdf

[4]Jensen, M.C. & Meckling, W.H. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." (1976) 3(4) *Journal of Financial Economics*, pp. 305–360.

Secondly, there is an apparent weakness in the institutions mandated to ensure the enforcement of the code, particularly the FRCN, as it does not have the required autonomy, financial resources and technical capacity to discharge its duties effectively. In addition, the FRCN is not free from political interference, some authors [5]equally highlighted the corruption of the agencies involved in the regulation and monitoring of companies to be one of the reasons why corporate governance codes have not been effective in Nigeria. The existence of corrupt agencies has been evidenced by the lengthy duration of time taken to conduct investigation and the mild sanctions usually meted out to the culprits. Nigeria is currently ranked 154 out of 180 countries on the corruption perception index as at 2023.

Lastly, the NCCG 2018 adopted the 'apply and explain' principle, which allows companies to deviate from the principles of the code if it is not in the interest of the company to do so, and explain the reason for the deviation[6]. The 'apply and explain' principle has the potential to provide an opportunity for companies to merely explain why they have failed to comply with the principles of the code without necessarily taking steps to comply with it.

The problem is significant because the effectiveness of corporate governance in Nigeria is still a mirage. For example, the stock market capitalisation usually declines whenever there are scandals in the capital market, a reflection of the erosion of investors' confidence in the capital market due to poor corporate governance[7]. Again, in the banking sector, the rate of non-performing loans which stood at more than 5% in 2022 was attributed to poor corporate governance. In the manufacturing sector, the use of creative accounting by manufacturing companies to distort their

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[6]*Financial reporting council of Nigeria, at https://frcnigeria.gov.ng/faqs accessed 18 June 2026.*

[7]*The fall of the stock market, at https://proshare.co/articles/the-fall-and-fall-of-the-stock-market accessed 18 February 2026.*

financial performance is still a regular occurrence[8]. References have been made to some past cases of corporate governance failure such as the Cadbury Nigeria Plc saga[9] in 2006 where the profits of the company were overstated, and the recent Oando saga in 2019 amongst others. This study equally makes reference to the agency theory of corporate governance, which posits that corporate governance arises due to the separation of ownership from management, and that there is always information asymmetry between the shareholders and the managers. The information asymmetry gives room for the managers to act contrary to the interest of the shareholders. The problem can be solved when the NCCG is harmonised with other governance codes in Nigeria, and the FRCN is strengthened to ensure the effective implementation of the code, the composition of the board of companies is restructured to enhance independence and diversity, etc. If the current trend of corporate governance in Nigeria is not arrested, the country may continue to experience cases of corporate failure, which can affect economic growth[10].

1.3 Research Questions

Immediately after the problem statement are the research questions. These are interrogative statements that flow from or are associated with the specific objectives of the research. The research questions should be linked to the problem, should be clear and unambiguous and must be exhaustive in addressing the issues raised in the problem. The problem should be significant and novel and whose solution will have implications on theory, policy or practice or fill a knowledge

[8] *A O Adegbite, 'Corporate Governance and Company Performance in Nigeria', Financial Innovation and Management Journal, (2022) at http://fimjournal.com/index.php/fimj/article/view/174* accessed 18 February 2026.
[9] Cadbury Nigeria Plc. *Annual Report and Accounts*. Lagos: Cadbury Nigeria Plc, 2006.
[10] Sunday Dare, ' Nigerian Communication Commission on NCCG', at https://www.ncc.gov.ng/media-centre/press-releases/ncc-and-financial-reporting-council-set-harmonise-codes-corporate accessed 18 February 2026

gap. Research questions are normally to be listed and should be equal to the number of specific research objectives raised.

The research questions central to this study are:

1. To what extent has the Nigerian National Code of Corporate Governance 2018 been applied and operated within the legal and institutional framework provided by CAMA 2020 and the Financial Reporting Council of Nigeria?

2. What are the main challenges and issues in enforcing compliance with the Nigerian National Code of Corporate Governance, including the role of stakeholders and regulatory bodies?

3. How do corporate governance practices under the NCCG 2018 compare with those in selected jurisdictions like the United Kingdom, the United States of America, and South Africa, and what reforms can be drawn from these comparisons for Nigeria?

These questions are linked to the problem of weak enforcement and non-compliance and are aimed at impacting policy by suggesting reforms. They are clear, covering application, challenges and comparative analysis[11].

1.4 Aim and Objectives

This part has two branches. The first branch is the aim of the study. It is a one-sentence statement of the purpose of or reason for carrying out the study. It is a re-statement of the title of the study. It flows from the statement of the problem. The second branch are the objectives of the study. Objectives are specific steps to be taken in order to achieve the aim of the study. Each objective must have a transitive verb and must be specific and open to only one meaning. The number of the

[11] Securities and Exchange Commission (SEC). *Code of Corporate Governance for Public Companies in Nigeria*. Abuja: SEC, 2011.

specific objectives should not be too many so as not to make the study lose focus. Unlike the aim that is broadly stated, the specific objectives are stated in behavioral, measurable or concrete terms, using such words as define, identify, explain, recommend, etc. Three to four objectives are okay. There is a direct relationship between research questions and research objectives in terms of both content and number. If the research questions are three, the research objectives must also be three. The aim of the study is to appraise the application and operation of the Nigerian National Code of Corporate Governance 2018, identifying challenges and proposing reforms for enhanced corporate performance in Nigeria. The specific objectives of the study are to:

1. Examine the legal and institutional framework governing the application and operation of the NCCG 2018, including CAMA 2020 and the FRCN Act 2011.

2. Identify and analyze the challenges and issues in enforcing compliance with the NCCG 2018, focusing on stakeholder roles and regulatory enforcement.

3. Compare Nigerian corporate governance practices under the NCCG 2018 with those in the UK, USA, and South Africa, and recommend reforms based on these insights. The specific objectives of the study are tied to the research questions, and are stated in concrete terms, using transitive verbs like examine, identify, analyze, compare and recommend. They are focused and measurable.

1.5 **Scope and Limitations of the Study**

The second arm of this chapter also has two limbs. The first limb is the scope of the study. The scope of the study is divided into three namely: geographical scope, content scope and subject matter scope. That is to say that the geographical scope of the study will be outlined, the content scope will also be outlined as well as the subject matter scope of the study. The scope of this study is therefore restricted to three limbs namely: geographical, content and subject matter scope.

Geographically, this study is restricted to Nigeria[12]. Though, this study will also draw comparative insight from other jurisdictions like the UK, USA and South Africa, in terms of reform that will help in solving the problems militating against corporate governance in Nigeria. In terms of content, this study will explore the application, the operation, challenges and reform of the NCCG 2018 and its relationship with CAMA 2020 and the FRCN Act. This study will also exclude a detailed examination of sectoral codes like CBN codes for banks and SEC codes for public companies.

This is because the subject matter of this study is so broad that the focusing of this study on the NCCG 2018 will allow for an in depth study of the code. This study will focus on the NCCG 2018 and exclude the examination of other codes because the broadness of the subject matter of this study will not allow for a detailed examination of all the sectoral codes. Also, the choice of focusing this study on the NCCG 2018 is informed by the fact that it is a national code. Subject matter wise, this study will focus on the legal and institutional frameworks for corporate governance, the enforcement of corporate governance, the theoretical aspect of corporate governance like agency and stakeholder theories etc. and this study will focus on public and private companies[13].

This study will exclude the examination of the corporate governance of not-for-profit organizations and environmental governance (which is one of the principles of ESG). This study will exclude this aspect of corporate governance because this study is focusing on corporate governance proper and ESG is one of the principles of corporate governance[14]. The reason why this study will be restricted to the above is because corporate governance is a very broad area of study which ranges

[12]OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 58–65.
[13]M Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, Oxford University Press 2019) 1–15.
[14]R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman Publishing 1984).

from economic to social to political aspect of corporate governance. Restricting this study to the above will make this study effective in solving the research problem.

The second limb of this chapter is the limitation of this study. This study has some limitations which are: time, logistical. The time constraint here is that this study is carried out within a semester. This time constraint limited this study in terms of primary data. The logistical constraint here is that access to some corporate information like confidential corporate information or the logistical constraint in terms of access to interview some of the regulators of corporate governance in Nigeria limited the depth of this study in terms of primary data. This study relied heavily on secondary data[15]. These are the limitations of this study. These limitations will in no way reduce the richness of this study. The richness of this study will be maintained by the doctrinal analysis which this study will employ.

1.6 Significance of the Study

This study is significant in that it will fill the knowledge gap that exist in the area of enforcement of corporate governance in Nigeria.

This study will contribute to the existing body of knowledge by appraising the effectiveness of the NCCG 2018 post implementation. This study will be significant to the regulators of corporate governance in Nigeria like the FRCN as it will make some recommendations that will help in better enforcing the NCCG 2018. This study will be significant to the policy makers as this study will make some recommendations that will help in reforming the corporate governance landscape in Nigeria. This study will be significant to corporate companies in Nigeria as this study will make

[15] A Ntim, B Lindop and D Thomas, 'Corporate Governance and Sustainability Reporting in Africa' (2013) 21(3) *Corporate Governance International Review* 227.

some recommendations that will help in enhancing better corporate governance practices in Nigeria.

This study will also fill the knowledge gap that exist in the area of post implementation studies of the NCCG 2018. This study will be significant to stakeholders in corporate companies as it will make some recommendations that will help in enhancing reforms that will help in enhancing the economy of Nigeria. The outcome of this study will influence theory as this study will apply the agency and stakeholder theories to the Nigerian context. The outcome of this study will influence policy as this study will make some recommendations that will aid in reforming the CAMA 2020. The outcome of this study will influence practice as this study will make some recommendations that will help in identifying some of the strategies that corporate companies adopt in evading good corporate governance practices like creative accounting etc. The direct beneficiaries of this study are the policy makers, the corporate leaders and the investors. This study will aid in sustainable development.

1.7 Research Methodology

This study employed the doctrinal research method. This study relied heavily on primary and secondary sources of data. The primary sources of data that this study relied on include: statutes, case law, conventions, treaties etc. The secondary sources of data that this study relied on include relevant textbooks, relevant journals, relevant internet materials. This study adopted the content analysis approach in analyzing the data gathered.

1.8 Literature Review

Research and policy effort have been directed towards enhancing corporate governance practices in Nigeria because of its positive influence on firm performance, investors' protection and economic development. Nigeria is a developing country and has been associated with poor governance, weak institutions and inadequate enforcement of regulations and policies. Empirical research has shown that corporate governance can reduce agency problems, promote disclosure, improve returns on assets (ROA), improve returns on equity (ROE). Thus, this literature review spans the history, theory, empirical evidence, and the ongoing debate in the realm of corporate governance in Nigeria, with a particular focus on the recent Nigerian National Code of Corporate Governance (NCCG) 2018 and its effect on firm performance[16]. The knowledge of the above areas will enable us to know what is still lacking in terms of post-implementation. The purpose of this study is to investigate the impact of the NCCG 2018 on the performance of companies in Nigeria.

The evolution of codes of corporate governance in Nigeria has a long history dating back to the colonial era. The first code of corporate governance in Nigeria was the Royal Charter of 1886 granted to the Royal Niger Company. This charter gave birth to the formation of the first companies in Nigeria by the British colonial masters. The first law regulating the activities of companies in Nigeria was the Companies Ordinance of 1912. Thereafter, the Companies Act of 1968 was enacted to consolidate and amend the law relating to companies. Following Nigeria's independence, a number of industry-specific codes of corporate governance were developed in response to major corporate scandals. These include the Securities and Exchange Commission (SEC) Code of corporate governance 2003; the Central Bank of Nigeria (CBN) Code of corporate governance for banks 2006; the Pension Commission (PENCOM) Code of corporate governance 2008; the National Insurance Commission (NAICOM) Code of corporate governance 2009; and

[16] Williamson 'Good Corporate Governance ', (1985) at https://durham-repository.worktribe.com/OutputFile/1455768 accessed 30th October,2025.

the Nigerian Communications Commission (NCC) Code of corporate governance 2014. The most recent code is the Nigerian Code of Corporate Governance (NCCG) 2018[17].

The NCCG 2018 was issued by the Financial Reporting Council of Nigeria (FRCN) and applies to all public companies, private companies that are holding companies of public companies, other public interest entities and regulated private companies. A major distinguishing feature of the NCCG 2018 from previous codes is that it is principle based and focuses on 28 core principles that encourage institutionalization of best practices. These principles are structured around eight thematic areas, which include right of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, duties of the board, audit committee, risk management, ethical business conduct, governance of the remuneration of executive and non- executive remuneration, and environmental, social and governance (ESG) factors. The principles are designed to align with global best practices such as those enunciated by the Organisation for Economic Cooperation and Development (OECD)[18].

Results regarding the relationship between board features and firm performance are mixed and therefore vary across the different sectors of the Nigerian economy. From the meta-analysis of the effect of board features, we have 52% of the studies showing a positive relationship with performance variables such as ROA and ROE while 32% show a negative relationship and 17% showing a mixed relationship. The reasons for the mixed results may not be far-fetched, often attributed to board size, independence, and duality. For example, the benefits of board size may be to improve on monitoring activities, however, a larger board may have detrimental effects on

[17]Ishola Lasisi , 'Relationship Between Corporate Governance', (2014) , at https://Scholarworks. Waldenu.Edu/Cgi/Viewcontent. Cgi?Article=4502& Context= Dissertations &Httpsredir=1&Referer= accessed 30th October, 2025.

[18]Rotimi Lawuyi , 'Corporate governance complaint', (2022), at https://papers. ssrn.com/sol3/Delivery. cfm/SSRN_ID4107906_code5200962.pdf?abstractid=4107906&mirid=1

smaller companies because of coordination problems. The implication of gender diversity on performance is also found to be mixed. For example, while we find a positive relationship between female representation on the boards of Nigerian banks and ROE (proxy for performance), due to the fact that women on board tend to influence ethical conduct of the firm and innovative capacity. However, the results are mixed regarding the relationship between female board representation and ROA, varying by sector and firm size. The study on non-financial firms in Nigeria shows a weak relationship between board gender diversity and firm performance, which may be influenced by the type of ownership structure. Similarly, our results show that compliance with codes like the NCCG 2018 correlates with improved performance. However, the benefits of complying with the codes and regulations are diluted by the lack of enforcement.

However, several issues still remain. The Report on the Observance of Standards and Codes[19] conducted by World Bank pointed out that although significant improvements have been made, Indonesia still fails to comply with international standards in the areas of accounting, auditing, and disclosure. The more recent studies point to multiplicity of codes as the key problem that causes regulatory confusion and the selective compliance with these codes by politically connected firms. Moreover, the inadequate enforcement power of regulatory bodies, the absence of political will, and cultural incompatibility toward transparency are also pointed as the existing problems. Although the NCCG 2018 attempts to tackle some of the problems by pushing for a unified set of principles, it poses new problems, including, the unclear mechanisms for compliance with the code, and the risk of over-regulation for small and medium-sized enterprises.

[19]https://documents.worldbank.org/en/publication/documents-reports/documentdetail/109681468288617735 accessed 12th November, 2025.

This forms the basis of the problem of this study which is that, although several studies had existed prior to the release of NCCG, there is still a dearth of empirical studies on the post implementation effect of NCCG on firm performance. This study therefore, examines the post implementation effect of NCCG 2018 on governance and firm performance in Nigeria, with a view to improving the policy in the ever changing Nigerian corporate landscape[20].

[20]Peterson Ozili, 'Corporate Governance Research' 2014, at https://www.researchgate .net/publication/348302970_Corporate _Governance_Research_in_Nigeria_A_Review

CHAPTER 2

CONCEPTUAL AND THEORETICAL FRAMEWORK

2.1 Meaning of Corporate Governance

The word corporate governance means so many things to so many people. The phrase corporate governance has been used to embrace a wide range of concerns[21]. It relates to a host of legal and non-legal principles and practices affecting control of publicly held business corporations. Understanding different models of corporate governance and their strengths and weaknesses are important. Governance Trends in 2025, and Corporate Governance laws and regulations in the USA for 2025 are topics of discourse. In Nigeria, the history of corporate governance evolved as a result of the 2009 banking consolidation. It has been discovered that poor corporate governance and risk management brought some of the banks to their knees. The need for a strong corporate governance structure was then necessitated.

The recent cases of corporate failures and scandals such as the collapse of Transcorp and the recent spate of bank failures in Nigeria in 2009 led to the eventual removal of some bank executives by the Central Bank of Nigeria. In Nigeria, the need for corporate governance evolved after the 2009 banking consolidation, which led to the eventual removal of some bank executives by the Central Bank of Nigeria[22]. The banking scandal which resulted from poor corporate governance and risk management necessitated the need for strong corporate governance structure. Poor corporate governance was largely responsible for the collapse of many banks in Nigeria during the

[21] Rich fields, 'Corporate Governance Trends' in US 2025, at https://corpgov.law.harvard.edu/2025/02/18/corporate-governance-trends-in-the-united-states accessed 5December 2025

[22] *Odua Investment Company Limited v. Mrs. Bolanle Oguntola* (Court of Appeal, Ibadan Division, 2024, Appeal No: CA/IB/469/2022).

consolidation era[23]. The recent Nigerian Code of Corporate Governance 2018 (NCCG 2018) emphasizes the importance of good corporate governance practice in Nigeria. The Nigerian Code of Corporate Governance 2018[24] has been issued to guide the best corporate governance practices[25].

However, challenges arise in its implementation such as cultural and religion. The need for corporate governance is as a result of agency problem, where the board and top executives manage the assets of the shareholders and may have diverse interests. Corporate governance is the process concerned with managing, directing, operating and controlling of organizations. The relationship between the stakeholders of the organizations such as creditors, management, suppliers, employees, customers and shareholders needs to be balanced. Corporate governance as a whole is a multifaceted phenomenon, which attempts to balance the economic and social goals of a business. It includes all types of mechanisms that enable the board of directors to ensure that all the members of an organization understand their roles and the limits to which they operate within the organization. These include but not limited to the composition of the board of directors, the number of independent non-executive directors, executive compensation, risk management, information disclosure, audit committee composition and activities, internal control, and ethics[26]. In Nigeria, the advantages of corporate governance are enormous; it reduces agency costs, it also ensures that the firm performs optimally. Firms with good corporate governance attract investment.

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[23] https://icsan.org/wp-content/uploads/2024/11/Nigerian-Code-of-Corporate-Governance-2018.pdf accessed 5th, December 2025

[24] (NCCG 2018)

[25] Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. GC Kiel, GJ Nicholson. Corporate Governance: An International Review 11 (3), 189-205, 2003.

[26] Bucking the trend: Why do IPOs choose controversial governance structures and why do investors let them? LC Field, M Lowry. Journal of Financial Economics 146 (1), 27-54, 2022.

There is a significant relationship between corporate governance and financial performance of companies. For example, a company that adopts good corporate governance has lower risk, better access to markets, higher valuations, lower cost of capital, greater transparency and higher financial performance. Furthermore, there are fewer agency costs, better opportunity to expand into new markets and lines of business, better opportunity to raise capital, better credit ratings, and reduced risks and uncertainties. However, the term corporate governance is a relatively new concept that has become popular since the last decades of the twentieth century when it began to take center stage in the post 2008 global financial crisis[27]. The global financial crisis of 2008 and the subsequent collapse of big corporations all over the world due to the gross failure of governance have attracted attention of governments, regulatory bodies, businesses and academia. The post global financial crisis period saw the birth of so many reforms in governance all over the world. In Nigeria, the issue of corporate governance has become a topical one as a result of banking consolidation in 2004/2005. Thus, the Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria (FRCN) are the major regulatory bodies of corporate governance in Nigeria.

The new Companies and Allied Matters Act (CAMA 2020) serves as a legal backing for corporate governance practice in Nigeria. Corporate governance is defined differently in different countries. In the developed economies, corporate governance is practiced with the focus on maximizing the wealth of the shareholders whereas in the developing countries like Nigeria, the focus is on maximizing the wealth of the shareholders as well as ensuring the sustainability of the company and curbing corruption[28]. There are several advantages and disadvantages of corporate governance.

[27]https://unctad.org/system/files/official-document/diaeed20102_en.pdf accessed 5th, December 2025
[28]TTY Alabdullah, S Yahya, T Ramayah. Asian Social Science 10 (22), 247, 2014Corporate governance mechanisms and Jordanian companies' financial performance.

The advantages of corporate governance include improved decision making, stewardship, enhanced performance, access to new markets, improves corporate social responsibility and reporting. The disadvantages of corporate governance are bureaucratic, red-tape, and green tape. Poor corporate governance can lead to abuse of power, increased risk and lack of confidence. For example, the collapse of Enron, one of the biggest companies in the world in 2001, was due to poor corporate governance. Poor corporate governance is the greatest risk facing businesses and societies today. In Nigeria, the recent collapse of Cadbury Nigeria Plc and the recent probe of the banks by the *Central Bank of Nigeria* (CBN) are examples of poor corporate governance. It is therefore important for companies to have good corporate governance.

2. 1. 2 Distinction between Corporate Governance and Corporate Management

The term corporate governance and corporate management are used interchangeably as synonymously. They are sometimes confused and used interchangeably but there is a hairline distinction between them. They are two different concepts with different meanings and usage. Nevertheless, they are related as corporate governance has to do with the manner in which business of the firm is governed and the relationship amongst various stakeholders while corporate management has to do with the daily administration of the business[29]. The term corporate governance in Nigeria is defined by the Code of Corporate Governance (2011) as the process and structure used to direct and manage the business and affairs of the company towards enhancing long-term shareholders value while being responsible to other stakeholders[30]. Thus, corporate governance and corporate management are two different concepts, which are used to achieve the

[29]A AAdegbite, 'Corporate Governance Regulation in Nigeria: Issues and Prospects' (2015) 23(2) *Corporate Governance: The International Journal of Business in Society* 278, 282–286.
[30]R I (Bob) Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, Oxford University Press 2019) 55–63.

overall goal of the organization. Corporate governance is different from corporate management as corporate governance is about protecting the business while corporate management is about growing the business. While corporate governance is concerned with the difference between governance and management, corporate management involves the role of the governance and duties of the board versus management[31]. As the board of directors is involved in the creation of corporate policies, management implements those policies and holds employees accountable. The difference between management and governance is discussed in elements of governance for not-for-profit organizations[32].Management versus corporate governance, where corporate governance has an external focus while management has an internal focus. The difference between board of directors and management and roles is discussed. Governance is about making and enforcing rules while management is about applying rules. Corporate governance is what the board of directors does while management is what managers do. In Nigeria, the Companies and Allied Matters Act (CAMA, 2020) distinguishes between the board of directors and management, where the board oversees while the managers manage[33]. For example, in the banking industry, the Central Bank of Nigeria (CBN) stipulates that the board of directors should be independent of the management to avoid conflict of interest. However, there are challenges associated with this separation such as conflict of interest in family business where the board of directors and management are not separated.

Corporate Governance and Regulatory Compliance

In Nigeria, corporate governance and regulatory compliance are critical concepts that are interwoven. Corporate governance in Nigeria is concerned with the ensuring that entities conduct

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[31]OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 25–30.
[32]Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* (FRCN 2018) Principles 1–3.
[33]C Cornforth, *The Governance of Public and Non-Profit Organisations* (Routledge 2012) 21–29.

their affairs in ways that are transparent, accountable and ethical as a result of compliance with the relevant laws. As the biggest economy in Africa, the corporate governance regime in Nigeria plays a significant role in enhancing investor confidence, protecting stakeholder interests and promoting sustainable economic growth and development[34]. There are various legal frameworks for ensuring corporate governance and regulatory compliance in Nigeria. The legal frameworks are combinations of the relevant statutory laws (like the Companies and Allied Matters Act (CAMA) 2020), and subsidiary legislations of various sector-specific regulators[35]. It is aimed at minimizing the incidence of fraud and mismanagement of entities, and ensuring that they operate in ways that are in tandem with the national goals and aspirations. In this section, the regulatory frameworks for corporate governance and regulatory compliance in Nigeria are examined. This is done under the following subheadings: the regulators, regulations and the regulated; key codes and standards with emphasis on the Nigerian Code of Corporate Governance[36].

The Regulatory Framework: The Regulators, Regulations and the Regulated

In Nigeria, there are several regulators responsible for ensuring that entities comply with the relevant laws on corporate governance and regulatory compliance. They include, inter alia, the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), the Nigerian Communications Commission (NCC), the Nigerian Electricity Regulatory Commission (NERC), etc[37]. The FRCN is the regulator saddled with the responsibility of enforcing the general corporate governance standards for entities in Nigeria. Thus, it requires all the regulated entities to ensure that they comply with the relevant

[34]Osuji OC, 'Corporate Governance and Accountability in Nigeria' (2012) 12(3) *Journal of African Business* 364.
[35]See Apendix B on page 16
[36]OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 17–24;
[37]Financial Reporting Council of Nigeria Act 2011; Investments and Securities Act 2007; Central Bank of Nigeria Act 2007; Nigerian Communications Act 2003; Electricity Act 2023.

corporate governance standards. The regulations include, inter alia, board independence, risk management and stakeholder engagement, etc. The regulated entities in Nigeria include all public companies, financial institutions, etc.

The regulations are in the form of statutes, such as CAMA 2020, which, inter alia, contains provisions on directors' duties and liabilities, the rights of shareholders, disclosure requirements, etc. There are other regulations in the form of subsidiary legislations. Examples include the Securities and Exchange Commission (SEC)'s Code of Corporate Governance for Public Companies in Nigeria[38]. The enforcement mechanisms include, inter alia, auditing, and penalties (like fines and delisting), etc. The regulated entities are required to file reports of their level of compliance with the FRCN, and other relevant regulators. For example, the FRCN's Rule 14 on Non-Compliance, introduced in January 2025, prescribes additional penalties to be imposed on entities that fail to comply with the financial reporting regulations[39]. The aim is to ensure that the financial reporting process is brought back to its integrity level. However, there are criticisms that, with the multiplicity of codes in Nigeria, the regulated entities, especially those in multiple sectors, may experience multiple regulation challenges.

Key Codes and Standards: An Overview of the Nigerian Code of Corporate Governance (NCCG) 2018

The Nigerian Code of Corporate Governance (NCCG) 2018 is one of the key codes of corporate governance in Nigeria. It was issued by the FRCN to institutionalize the best corporate governance practices, through the promotion of high-level of transparency and accountability. The NCCG 2018 applies to all public companies, regulated private companies, and not-for-profit organizations in

[38]Financial Reporting Council of Nigeria Act 2011, ss 8–11.
[39]Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* Principles 2, 14 and 25.

Nigeria. It contains various provisions on good corporate governance. The aim is to ensure that the entities are governed in ways that are transparent and accountable. Some of the provisions include, inter alia, that all entities must conduct annual performance evaluation of their boards, adopt whistleblower policies, and prepare sustainability reports. The code allows for a "comply or explain" approach. Where an entity fails to comply with any provision of the code, it must provide explanations in its annual report. The aim is to give room for flexibility and yet, ensure that the entities are held accountable[40].

It is important for all reporting entities in Nigeria to have knowledge of the NCCG 2018. First, the code applies to all public companies and large private companies in Nigeria (those with significant turnover or assets). All the entities to which the code applies must file a report of their level of compliance with the FRCN. The code contains various provisions on the governance of entities. For example, it prescribes that at least 30 percent of the boards of the entities must be women. It also prescribes that the entities must have independent directors and robust audit committees. The entities must provide a report on how they have complied with the provisions of the code. For example, they must report how they have complied with the requirements on ethical leadership and oversight of risk management. Recently, in 2025, the SEC mandated that all public companies must ensure full compliance with the NCCG 2018, as well as the SEC Code. Thus, they must comply with the provisions of the two codes. For example, they must fill and submit various forms to the SEC, including revised forms for director tenures and transmutations.

It is also important to note that there have been some sectoral adaptations of the NCCG 2018. For example, the NCC, in 2025, issued its Guidelines on Corporate Governance for the

[40]Bernard Longe v. First Bank of Nigeria PLC (Supreme Court of Nigeria, 2010).

communications industry. Similarly, the NERC, in 2025, issued its Code of Corporate Governance for the Nigerian electricity industry. The two codes are largely consistent with the NCCG 2018. However, there are some sectoral adaptations. For example, the NCC's 2025 Guidelines prescribe some additional requirements for data protection in the communications industry. Similarly, the NERC's 2025 Code prescribes some additional requirements on the operations of the entities in the electricity industry.

These codes are crucial because they serve as protection to the shareholders by ensuring equity, transparency, disclosure and ensuring that there are rules that guard against abuses of power by those at the helm of affairs of the company. They also provide a framework that enables the board to monitor the performance of the management. Compliance and Enforcement Tools In Nigeria, there are a number of tools that are employed to ensure the compliance with the codes.

The most prominent tools are:

1. Annual Compliance Report

The entities are required to issue an annual report (on a "comply or explain" basis) to the relevant regulatory bodies. The report should cover matters such as the structure and composition of the board, remuneration, and governance evaluations[41].

2. Compliance Checklists

The FRCN has developed checklists for ensuring compliance with the codes for entities registered with it. For instance, the checklist for ensuring compliance with Principle 1 (Establish Clear Roles and Responsibilities) and Principle 19 (Embed Sustainability in Organisational Strategy) are

[41]Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* (FRCN 2018), Introduction and Principle 27.

provided in the relevant sections. The checklist for Principle 1 includes ensuring the existence of a board charter, a conflicts of interest policy, and an external auditor[42].

3. Enforcement

The relevant regulatory bodies can impose fines (for instance, the maximum fine that can be imposed by the SEC is N10, 000,000), remove directors from office, and issue public reprimand, amongst others. In the journal published by the FRCN in 2025, it was stated that the use of artificial intelligence to monitor compliance in real time is one of the tools that will be employed to ensure compliance, especially in high risk industries.

4. Whistle Blowing Mechanism

Although not a popular tool in Nigeria, the NCCG Principle 17 encourages the use of whistle blowing as a mechanism for enforcement. Whistle blowing enables individuals to report unethical conducts in their organisations anonymously, and protects them from victimisation. Analysis The various tools employed in ensuring governance and regulatory compliance are capable of ensuring the adoption of best practices[43]. However, there is still more to be achieved in the area of enforcement as most of the regulatory bodies still have issues of capacity. According to a study conducted in 2025, most entities have resorted to the use of automated software to ensure that they are complying with the relevant rules and regulations as they are enacted, as this reduces human errors[44].

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[42]ibid, Principles 1 and 19.

[43]M O Uche, 'Corporate Governance in Nigerian Financial Institutions' (2004) 12(2) *Corporate Governance: An International Review* 184.

[44]ibid, Principles 1, 2, 11 and 14.

Governance and Regulatory Compliance in Financial Institutions The financial institutions in Nigeria are regulated primarily by the CBN. Due to their significant impact on the economy, they are expected to have a high level of corporate governance. The CBN governance code of 2006 (which has been updated by several circulars) requires amongst others that the institutions should have a strong board, internal control systems, and anti-money laundering policies in place. It is also expected that the institutions should comply with the NCCG 2018. The institutions are expected to comply with the code by providing quarterly reports, ensuring that their directors have passed the fit and proper test, and maintaining adequate capital. Despite the high expectations, there are a number of challenges facing the institutions. For instance, there have been several cases of distress in the industry, resulting from weak enforcement, insider abuses, and corruption. In 2024, a study was conducted which revealed that there are significant lapses in the compliance with anti-money laundering regulations. The study revealed that socio-economic factors such as cash intensive economy provide an easy conduit for money laundering. The institutions also face the challenge of keeping pace with the ever-changing regulations.

The study attributed the level of compliance to the reforms that were introduced in 2009. However, the overall level of compliance amongst entities in Nigeria is still around 60-75% according to the FRCN. It has been observed that quoted companies have a higher level of compliance compared to private companies due to the strict regulatory oversight of the SEC. For instance, the 2025 annual report of UAC Nigeria Plc revealed that the company has complied with all the provisions of the code relating to board evaluation and diversity. Small and medium enterprises have a low level of compliance, which is often attributed to capacity issues. Large corporates have also imbibed the practice of voluntarily adopting environmental, social, and governance factors. A 2023 journal revealed that the level of compliance in the manufacturing sector is around 65%. It is expected that with the training that is being provided by the SCGN, there will be an improvement in the level of compliance in future. The benefits of corporate governance include reputation, foreign direct investment, risk management, and cost of capital. In 2024, it was reported that there was an increase of about 15% foreign direct investment in sectors that have a high level of corporate governance compliance. Proper corporate governance also ensures that an entity is able to manage its risk properly, thereby ensuring its long term survival. The drawbacks include compliance costs (it is estimated that the cost of compliance for SMEs is between 5-10% of operational costs) and administrative costs. However, the drawbacks are minimal as they are offset by reduction in litigation cost. Future Developments It is expected that in the near future, there will be significant emphasis on issues such as sustainability, digitalisation, and resilience amid economic recovery projections (IMF forecasts 3.5% GDP growth). Some of the trends to expect include: Regulators such as SEC will issue circulars that will make it mandatory for entities to disclose their sustainability reports, aligning with global standards. This will be in line with international best practices as part of efforts to mitigate the risks of climate change.

Data Privacy and Artificial Intelligence

Entities will be expected to comply with the data privacy regulations of the Nigeria Data Protection Commission[45]. There will also be emphasis on the use of artificial intelligence for corporate governance practices[46]. For instance, predictive compliance will be expected to be employed by entities to comply with future regulations. Board Diversity and Tenure Limit In 2025, the SEC issued a circular capping director tenures at 12 years. This is aimed at injecting fresh blood into

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[45]Nigeria Data Protection Act 2023; Nigeria Data Protection Commission, *General Application and Implementation Directive (GAID) 2025*.

[46]Nigeria Data Protection Act 2023, ss 1–5; OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 49–52.

the boardrooms. Economic Stability As the inflation rate is expected to taper and the value of the Naira is expected to be stable, boards are also expected to provide strategic guidance that will ensure that their entities are in tandem with the IMF reforms.

2.2 Doctrine of Agency Theory

The agency theory is one of the key underpinning theories in corporate governance. It explains the relationship between principals and agents in the corporation. The principals are typically the shareholders or owners of the firm, while the agents are the managers or executives who are responsible for making decisions on behalf of the principals. The theory suggests that there is a fundamental conflict of interest between the principals and agents[47]. In particular, it suggests that the agents may not act in the best interest of the principals, but instead prioritize their own interests. The theory was developed in the 1970s by economists such as Michael Jensen and William Meckling. They suggest that the principals (shareholders) of the firm delegate the day-to-day running of the firm to agents (managers), who may have different goals and incentives, and may not act in the best interest of the principals. In particular, the managers may prioritize their own self-interest over the maximization of shareholder returns, leading to agency costs. Agency costs are the costs associated with resolving these conflicts of interests. There are three categories of agency costs, including monitoring costs incurred by the principals to monitor the activities of the agents, bonding costs incurred by the agents to guarantee that they will act in the best interest of the principals, and residual loss due to the lack of goal congruence between the principals and agents.

[47]Gindis, D. On the Origins, Meaning and Influence of Jensen and Meckling's Definition of the Firm (2020). Oxford Economic Papers, 72(4), 966-984.

The theory views the firm as a nexus of contracts, where the principals contract with the agents to manage the firm on their behalf. The role of agency theory in corporate governance is to ensure that the interests of the principals and agents are aligned. In particular, it emphasizes the need for corporate governance mechanisms such as the board of directors to monitor and control the activities of management, in order to prevent managers from acting opportunistically. There is also a need for mechanisms such as performance-based remuneration and disclosure requirements to incentivize managers to act in the best interest of shareholders.

However, the impact of agency theory extends beyond corporate governance, into the area of corruption. Corruption thrives where there are poor governance mechanisms, leading to greater agency problems. In particular, managers may be more likely to engage in corrupt practices such as bribery or theft, as there are poor controls to prevent this. Various studies have suggested that there is a link between changes in ownership structure and corruption. For example, a study found that a shift in ownership structure leads to an increase in corruption levels, as managers take advantage of information asymmetry to pursue private benefits. An integrative review on agency theory and corruption has found that agency conditions can lead to corrupt practices, and advocated for stronger agency controls such as anti-corruption policy.

There are various examples of agency theory in corporate governance. Perhaps the most famous examples are the Enron and WorldCom scandals. The Enron scandal was one of the biggest corporate failures in history. It was attributed to agency problems, where the executives manipulated the financial statements of the firm through special purpose entities, in order to maximize their stock options. The CEO of Enron, Jeffrey Skilling, prioritized his short-term benefits over long-term shareholder value, leading to the collapse of the firm. In total, the shareholders lost $74 billion. The auditors, Arthur Andersen, were also found complicit for colluding with management in the accounting scandal. Similarly, the WorldCom scandal was attributed to agency problems, where the CEO, Bernard Ebbers, inflated the earnings of the firm by improperly capitalizing line costs, in order to mask the deteriorating position of the firm. The CEO was found to prioritize his interests over those of the shareholders, leading to the largest bankruptcy filing in US history at the time. [48].

Despite these criticisms, agency theory remains one of the most dominant theories underpinning corporate governance practices. It has been influential in informing various corporate governance codes, which emphasize the need for boards of directors to align the interests of managers with those of shareholders. It has also informed various governance practices such as performance-based pay for executives, and audit. Independent directors play a very important role in agency theory. They are advocated as a key mechanism for reducing information asymmetry between principals and agents. In particular, independent directors are able to monitor and control the activities of managers, in order to prevent them from acting opportunistically.

They are also able to reduce bonding costs, by ensuring that managers act in the best interest of shareholders[49]. There is some evidence which suggests that independent directors contribute positively to firm performance. A study found that independent directors enhance performance when they hold critical positions or possess critical expertise. However, there are various suggestions that one theory is not enough in corporate governance, and there is a need to embrace a multi-theoretic approach. While agency theory may be able to explain the conflicts of interests

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[48] Aguilera, R.V. & Jackson, G. "Comparative and International Corporate Governance (2007)." *Academy of Management Annals*, Vol. 1, No. 1, pp. 485–556.

[49]M. C., Jensen&W. H. Meckling. *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics*(1976), 3(4), 305-360.

between principals and agents, it may not be able to capture the complex reality of corporate governance.

In a cooperative, agency theory is somewhat modified, as the members are both the principals and the agents of the firm. However, there is still a need for agency controls, as members may not prioritize the collective interests of all members. Moreover, there may be a need to adopt efficiency wages and collective monitoring in order to prevent shirking and free-riding[50]. In public corporations, common agency arises when multiple principals (e.g. different shareholders) contract with a single agent (e.g. management)[51]. This creates particular challenges for corporate governance, as there may be multiple and conflicting objectives, leading to greater agency costs. For example, some shareholders may prioritize short-term returns, while others prioritize long-term value. A common agency model has been suggested, which assumes that managers make decisions based on their expectations of the sum of the payoffs from all their relationships[52]. While this model may not capture all the complexities of common agency, it is a better representation of the modern corporation where ownership is dispersed among different institutional investors. It advocates for functional corporate governance, rather than the traditional corporate governance mechanisms which prioritize shareholder value maximization[53].

2.2.2 **The Doctrine of Stakeholder Theory**

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[50]Armen A Alchian and Harold Demsetz, 'Production, Information Costs, and Economic Organization' (1972) 62(5) *American Economic Review* 777, 782–788.
[51] Carl Shapiro and Joseph E Stiglitz, 'Equilibrium Unemployment as a Worker Discipline Device' (1984) 74(3) *American Economic Review* 433, 434–445.
[52]Douglas Bernheim and Michael D Whinston, 'Common Agency' (1986) 54(4) *Econometrica* 923, 924–948.
[53]Margaret M Blair and Lynn A Stout, 'A Team Production Theory of Corporate Law' (1999) 85(2) *Virginia Law Review* 247, 249–328.

Stakeholder theory represents a paradigm shift in business ethics and management, asserting that corporations should prioritize the interests of all parties affected by their operations, rather than focusing solely on shareholders. Pioneered by R. Edward Freeman in his seminal 1984 book Strategic Management: A Stakeholder Approach, the theory defines stakeholders as any individual or group that can affect or is affected by the achievement of an organization's objectives[54].

This ranges from employees, customers, suppliers, communities, governments to even competitors, as opposed to the limiting model of shareholders' supremacy advocated by economists such as Milton Friedman. For Freeman, there are considerations for ethics and mutual benefit in business practices that are required for long-term value-creation. He regards the business enterprise as an interconnected part of a larger system or society. What is most important to the stakeholder model, is the relationships between these stakeholder groups and the assumption that the business can only succeed if value is delivered to a majority of stakeholders[55]. Unlike the alternative models where the firm is viewed as a vehicle designed to maximize shareholder value, the stakeholder model places responsibility on the business to recognize and balance all its stakeholders' interests. In the stakeholder model, ignoring any stakeholder group can lead to reputational, regulatory or operational risks that can jeopardize the firm. For example, Freeman views business as a network, and suggests the need to co-create value with these stakeholder groups. He encourages managers to identify their stakeholder groups, and to understand how they affect and are affected by the business, and to incorporate them into the business decision-making process. This can be clearly inferred in the shareholder vs stakeholder model.

[54]O.A Arowolo, &A. Che-Ahmad, 'Stakeholders, Stakeholder Theory and Corporate Social Responsibility in the Nigerian Oil and Gas Industry' (2024) 13(1) Journal of Corporate Social Responsibility 1

[55]Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & De Colle, S. Stakeholder Theory: The State of the Art. Cambridge University Press 2010.

The shareholder model, based on agency theory, has as its core objective the maximization of shareholder value, and considers the interests of all other groups as secondary to this. In contrast, stakeholders advocate for a more holistic model where shareholder value is one of many objectives that need to be achieved. They argue that this reduces the propensity for corporate malfeasance and aligns with ethical capitalism. Some empirical evidence has shown that firms which place more emphasis on stakeholders outperform those that place more emphasis on shareholders, at least in the long-term. For example, stakeholder-oriented companies have been found to perform better than shareholder-oriented companies in terms of long-term innovation and employee commitment.

Strategy and governance literature reviews have emphasized the stakeholder model as a means of ensuring that business objectives are aligned with societal welfare. There are suggestions for firms to engage in stakeholder management, in order to ensure that they can achieve their objectives. The stakeholder model encourages firms to adopt a proactive stakeholder engagement strategy, for example, through dialogue and engagement, in order to foster innovation and achieve competitive advantage. However, there are also challenges to the stakeholder model, especially with regards to welfare economics. The stakeholder model requires a mechanism for aggregating the different interests of stakeholders into an overall objective of what is best for the firm. Welfare economics provides a framework for doing this, and provides insights into the difficulties of aggregating individual utilities[56].

The stakeholder model has also been applied in Nigeria, particularly through the Nigerian Code of Corporate Governance (NCCG) 2018. The NCCG code places emphasis on community and

[56]Eisenhardt, K.M. "Agency Theory: An Assessment and Review." *Academy of Management Review*, Vol. 14, No. 1, 1989, pp. 57–74.

environmental stakeholders, alongside the shareholders. In particular, it mandates boards to have regard for stakeholders including the local communities and the environment in their decision-making processes. It also encourages the publication of sustainability reports and embedding ethical leadership in order to promote trust among stakeholders in Nigeria, Africa's largest economy[57]. There are examples of companies in Nigeria who have implemented this. For example, the oil companies in Nigeria, such as Shell Nigeria, engage in CSR practices in order to meet the demands of their stakeholders. For example, Shell Nigeria has a CSR policy which includes the provision of community benefits in the Niger Delta, including education, health, sanitation and environment.

2.2.2.2 The Rationale Behind Corporate Governance Codes

This discussion is based on the objectives of the code and the approach adopted in its implementation. Sensitization and Adoption of Best Practice One of the reasons for the NCCG 2018 is to create awareness and sensitization of the public and entities on matters relating to corporate governance, and to facilitate and encourage the adoption of best practices in corporate governance. The Nigerian Code of Corporate Governance 2018 (NCCG 2018) was issued by the Financial Reporting Council of Nigeria (FRCN) on January 15, 2019. At the time of the issuance of the code, the level of awareness and adoption of corporate governance was not widespread in Nigeria, and in order to create such awareness and adoption, the code set out 28 principles of corporate governance that are built on six pillars, namely, the Board of Directors and Officers; Assurance; Relationship with Shareholders; Business Conduct and Ethics; Sustainability; and Transparency. The principles aim to guide entities in developing systems, processes, and attitudes

[57]Texaco Overseas (Nigeria) Petroleum Company Unlimited v. Shell Petroleum Development Company of Nigeria Limited (Supreme Court of Nigeria, 2002, [2002] 3 MJSC 1).

that will add value, enhance reputation and contribute to the long-term sustainability of entities with the ultimate aim of restoring public trust and confidence in the activities of entities. Framework for Good Practice Another reason for the NCCG 2018 is to provide a framework for good practice which entities may apply and embrace in the implementation of good corporate governance practices taking into consideration the nature, size, and complexity of their businesses and activities.

Unlike a rule-based approach, the approach adopted in the NCCG 2018 is principle-based, premised on the apply and explain approach, which requires entities to apply the principles set out in the code, and explain how they have applied or adapted them to achieve the intended outcomes. The principles set out in the code are intended to facilitate voluntary application of good corporate governance practices by entities, and the apply and explain approach adopted is aimed at facilitating voluntary application by entities, without placing undue burden on them, particularly small and medium scale entities[58]. Promotion of Core Values One of the reasons for the NCCG 2018 is to promote core values which include, integrity; accountability; transparency; and ethical practices[59]. In particular, the code promotes good business conduct and ethics, as well as sustainability, and requires entities to adopt policies on whistleblowing; anti-corruption; risk management; and stakeholder engagement, in order to enhance ethical practices and decision-making at the entity and board level.

The emphasis of the code on business conduct, ethics, and sustainability is aimed at instilling and promoting a culture of good corporate governance practice, which is intended to reduce to the

[58]Oghogho Makinde 'Analysis on NCCG 2018', (2019), at https://www.aluko-oyebode.com/insights/analysis-of-the-nigerian-code-of-corporate-governance-2018 accessed 2nd January, 2026
[59]NCCG 2018, at https://icsan.org/wp-content/uploads/2024/11/Nigerian-Code-of-Corporate-Governance-2018.pdf accessed 2nd January, 2026

barest minimum, the risk of fraudulent and unwholesome practices, and promote a high level of integrity and ethical practices in entities.

2. 2. 3 Effects of Corporate Governance Practice

The effects of corporate governance practice on firm performance is one of the most topical issues in corporate governance literature. The Nigerian Code of Corporate Governance 2018 (NCCG 2018) is one of the recent developments in the field of corporate governance in Nigeria. This part of the chapter discusses the effects of corporate governance practice on firm performance in Nigeria, based on empirical studies on the application of the code. Generally, the effect of corporate governance practice on firm performance is considered positive, particularly in the Nigerian banking sector. However, while the general trend in the effect of corporate governance practice on firm performance is positive, the effect is considered negative in certain cases. This is based on the type of corporate governance mechanism; size and type of entity; level of enforcement of the mechanism; as well as the industry or sector in which an entity operates. A positive effect of corporate governance practice on firm performance is associated with optimal board size and composition; high level of board independence; high quality financial reporting; high level of transparency and disclosure; and high level of chief executive officer (CEO) and board diligence[60]. Panel data from 2010-2020 on listed manufacturing firms confirmed an inverted U-shaped effect, where board size initially boosts earnings per share (EPS) by 15-20% but negatively impacts it thereafter. In services, a 2023 analysis of 45 listed service firms showed that independent directors' presence increased ROA by 8.2%. In construction, a study of 20 construction firms found that dual

CEO-board chairs negatively affected ROA by -0.056[61]. A 2024 investigation of 14 DMBs revealed that non-executive directors' proportion boosted net interest margins by 5.4%. Beyond financial metrics, a 2023 study on medium enterprises found that ethical boards enhanced non-financial outcomes like customer satisfaction by 22%[62].

2. 2. 4 Evasive Tactics by Directors/Managers

One of the topical issues in corporate governance literature is the evasive tactics used by directors/managers to circumvent corporate governance codes and principles. The evasive tactics are used by directors/managers to avoid accountability for their stewardship and circumvent the provisions of the codes and principles. This part of the chapter discusses the evasive tactics used by directors/managers to circumvent corporate governance codes and principles. The tactics include manipulation of financial reports; tax evasion and aggressiveness; insider trading; related party transactions; misrepresentation; fraud; and regulatory arbitrage. Manipulation of financial reports is one of the tactics used by directors/managers to circumvent corporate governance codes and principles[63]. Manipulation of financial reports involves the use of accounting tricks to manipulate the financial reports of an entity so as to present a better picture of its performance and position than the true position.

The manipulation can be effected using various techniques, including earnings management; creative accounting; and fraudulent accounting. Earnings management involves the manipulation

[61]Jurnal Akuntansi 'The Impact of Board Diversity on Financial Performance ' 2025, at https://www. researchgate.net/publication/394714287 _The_Impact_of_Board_Diversity_on_Financial_Performance_Firm-Level_Evidence_in_Nigeria accessed 2nd January, 2026

[62]Dorcas Funmilola 'Assessment of Enterprises Performance', 2023 at https://www. abacademies .org/articles/assessment-of-micro-small-and-medium-enterprises-performance-in-southwest-nigeria-16018.html accessed 2nd January, 2026

[63]S.O Ogbeide, &O. Obaretin. Corporate Governance Mechanisms and Tax Aggressiveness of Listed Firms in Nigeria 2018. Amity Journal of Corporate Governance, 3(1), 1-12.

of financial reports by managers to achieve a desired level of earnings. Earnings management can be effected using various techniques, including income smoothing; big bath accounting; classifications and timing of revenues and expenses; and hiding expenses and losses. Creative accounting involves the manipulation of financial reports of an entity using innovative accounting techniques so as to circumvent the provisions of accounting standards. Fraudulent accounting involves the manipulation of financial reports of an entity using fraudulent accounting techniques so as to circumvent the provisions of accounting standards. Fraudulent accounting may involve overstatement of assets; understatement of liabilities; overstatement of revenues; and understatement of expenses.

The overstatement of assets may involve the inclusion in the financial reports of an entity of assets that do not exist; overvaluation of assets; as well as the inclusion in the financial reports of an entity of assets that are not recognized by accounting standards. The understatement of liabilities may involve the exclusion from the financial reports of an entity of liabilities that exist; undervaluation of liabilities; as well as the exclusion from the financial reports of an entity of liabilities that are recognized by accounting standards.

The techniques may include transfer pricing; thin capitalization; as well as the use of offshore companies.[64] Transfer pricing involves the setting of prices between related parties that result in no profit in the entity or low profit in the entity. Thin capitalization involves the overcapitalization of an entity so as to minimize profit in the entity or record no profit in the entity. The use of offshore companies involves the use of an offshore company by an entity to carry out certain transactions so as to avoid the payment of taxes in its country of incorporation. Tax aggressiveness on the other

[64]Kenny Ardillah 'Determinant Factors of the Companies to do Tax avoidance', 2023 at https://pdfs.semanticscholar.org/a446/d1c4397b52c96fc0259493fff6458baf52f0.pdf accessed 12th February 2026

hand involves the use of various techniques to minimize the payment of taxes by an entity[65]. The techniques may include income shifting; over-claim of capital allowances; as well as the use of tax haven entities. Income shifting involves the shifting of income by an entity from a high tax jurisdiction to a low tax jurisdiction.

The related parties may include parent entity; subsidiary entities; fellow subsidiary entities; associate entities; joint venture entities; key management personnel; director related entities; as well as pension plans. Misrepresentation is another tactic used by directors/managers to circumvent corporate governance codes and principles. Misrepresentation involves a false statement of facts made by a director/manager of an entity, knowing it to be false and with an intention to induce the entity or its stakeholders to act to their detriment[66]. Fraud is another tactic used by directors/managers to circumvent corporate governance codes and principles[67]. Fraud involves deceit or trick by a director/manager of an entity to achieve an unjust or unlawful benefit. Regulatory arbitrage is another tactic used by directors/managers to circumvent corporate governance codes and principles. Regulatory arbitrage involves the manipulation by directors/managers of an entity of corporate governance codes and principles for the purpose of exploiting loopholes in the codes and principles. The loopholes in the codes and principles are exploited so as to achieve benefits at the expense of the entity or its stakeholders[68]. In Nigeria, the evasive tactics used by directors/managers to circumvent corporate governance codes and

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[65]Yeni Januarsi 'The Moderation Role of Corporate Governance on Tax aggressiveness ', 2024, at https://econjournals.com/index.php/irmm/article/download/17945/8778/44026

[66]*Oluwasheun v. Federal Republic of Nigeria*

[67]*Ibeh Emmanuel Okechukwu& 29 Ors v. Asset Management Company of Nigeria (AMCON) & 4 Ors*

[68]*Primetech Design and Engineering Nigeria Limited and Julius Berger Nigeria (JBN) PLC v. Corporate Affairs Commission*

principles are on the increase despite the efforts of regulatory bodies to curb the tactics. This is based on various empirical studies conducted on the tactics in Nigeria.

Overall, the evasive tactics used by directors/managers to circumvent corporate governance codes and principles in Nigeria are manipulations of financial reports; tax evasion and aggressiveness; insider trading; related party transactions; misrepresentation; fraud; as well as regulatory arbitrage. Based on the studies conducted, the tactics are on the increase in Nigeria, despite the efforts of regulatory bodies to curb the tactics. The increase in the tactics is considered a major challenge to the implementation of corporate governance codes and principles in Nigeria. This is because the tactics are generally considered to be inimical to good corporate governance practice. They generally result in a lack of transparency and accountability; as well as a lack of trust and confidence in entities.

2.2.4.1 Creative Accounting Practices

Creative Accounting Creative accounting refers to the use of financial reports to mislead stakeholders about the financial situation of a firm in a legal manner[69]. It is considered one of the serious concerns for corporate governance as research has shown that creative accounting reduces the confidence of stakeholders in the company. The relationship between governance and creative accounting is that, weak governance mechanisms allow firms to engage in creative accounting practices like earnings management, whereas, good governance practices like external audit serve as barriers for such practices[70]. Forensic accounting improves governance by reducing such irregularities as it involves an intensive examination. Antecedents to creative accounting includes pressure to improve performance, poor accounting control environment and bonus incentives

[69](Ratnakar& Raman 2012).
[70]Espineland& Hines, 2003

among managers, whereas, consequences include firm's short term financial performance and long term corporate collapse.[71]

Techniques of creative accounting include premature recognition of revenues, off-balance sheet financing and manipulation of asset valuations[72] with the objective of improving the share prices, securing loan from bank or meeting the analyst's forecast. Creative accounting is characterised by being legal, creative interpretation of accounting rules and opportunity to commit fraud. In Nigeria, there have been some scandals associated with creative accounting. For instance, the management of Cadbury Nigeria Plc was accused of mis-stating the company's financial position by inflating profits of N13-N15billion by recording fictitious stocks and fictitious sales. Consequently, the CEO was relieved of his position and the company was fined by the Securities and Exchange Commission (SEC).

In addition, the failure of some banks in Nigeria such as Bank PHB, Spring Bank and Diamond bank were attributed to their deceptive reporting practices which include under-disclosure of some loan and non-disclosure of others. Consequently, the banks were dissolved and their auditors (Akintola Williams Deloitte) were indicted. Prior studies have shown that, creative accounting is positively related with short term financial performance of firms (e. g. ROA) but negatively related with the long term performance of the firms (e. g. long term survival). In particular, the study of Efilibi (2016) on the effect of creative accounting on the performance of listed manufacturing firms in Nigeria revealed that, the practice of creative accounting is not good for the performance of firms as it reduces the shareholders' wealth and increases the possibility of failure of the firms.

[71](Kamran &Saleem, 2014).

[72]K.E Okpala, Creative Accounting Practices in Nigeria 2015: A Review of Scandals. International Journal of Business and Management, 10(5), 123-135.

The study however concludes that, the newly introduced code of governance in Nigeria (NCCG, 2018) which enforces disclosure and independence will reduce the practice of creative accounting.

2. 2. 4. 2. Insertion of Exculpatory Clauses

An exculpatory clause is a provision in a corporation's charter (articles of incorporation) that limits or eliminates the personal monetary liability of directors and officers for certain breaches of fiduciary duties. Historically, exculpatory clauses were drafted to protect directors, but over the years, they have been extended to protect officers under US corporation law (e. g. MBCA & DGCL), and recently, the protection of officers has been strengthened[73]. This section will discuss the meaning of exculpatory clauses, their legality and the Nigerian counterpart, based on the recent literature. Understanding Officer Exculpation under MBCA Historically, the MBCA permitted exculpatory clauses for directors.

Specifically, Section 2. 02(b)(4) of the MBCA permits articles of incorporation to include provisions limiting or eliminating the monetary liability of any or all of the directors to the corporation or its shareholders for any or all of a director's breach of any duty owed to the corporation and its shareholders under applicable law, except liability for (i) any breach of the director's duty of loyalty to the corporation or its shareholders; (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law; (iii) liability for unpaid distributions; or (iv) any transaction from which the director derived an improper personal benefit.

[73]R. Brickman, Understanding Officer Exculpation Under the MBCA 2017. *Business Law Today.*

To adopt an exculpatory provision for officers, a corporation would need to amend its charter, which requires a shareholder vote that can occur at the corporation's annual meeting or special meeting. Corporations will be watching to see how shareholders react to the proposed charter amendment, as some institutional shareholders have indicated they will oppose the adoption of the provision because they believe it weakens accountability. As of the end of the 2023 proxy season and into the 2024 proxy season, more than 200 Delaware corporations have adopted charter amendments extending exculpatory protection to officers.

This change marks a governance shift, moving away from strict liability to a fiduciary deference standard of conduct, when the corporation has adopted an applicable exculpatory provision. Nonprofit corporations have similar rules to exculpate officers and directors, but the provision would likely be included in the bylaws or possibly under state specific nonprofit corporation law. In either case, volunteers who serve as nonprofit officers and directors may be exculpated for liability for simple negligence, but must act in good faith. This encourages individuals to accept positions as nonprofit officers and directors without fear of losing their life savings for unintentional errors.

This will encourage officers to take risk and entice the best talent. However, this does not mean that, they are not liable for anything, as there are exceptions such as SEC enforcement actions or criminal violations. The implications of exculpatory clauses for directors and officers include moral hazard, as a protected officer might be more likely to make decisions that benefit him or her in the short term . The exculpatory provision should be read in conjunction with a corporation's existing D&O insurance and indemnification protections. Where properly adopted, exculpatory provisions have been routinely upheld by the courts as a permissible means of promoting efficiency . While there are concerns about reducing accountability, the trend is clear that stakeholders believe these provisions are beneficial[74]. Nigerian Equivalents There is no Nigerian counterpart of exculpatory clauses for directors and officers as it is null and void in Nigeria (*S. 279 CAMA 2020*)[75].

Specifically, "any provision contained in the articles of a company, or in any contract with a company or otherwise, exempting any officer or auditor of the company from or indemnifying him against any liability which, by virtue of any rule of law, would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust, of which he may be guilty in relation to the company", shall be void (*S. 279 CAMA 2020*)[76]. This is to ensure that, all hands are on deck to ensure the going concern of a company as the full weight of liability will serve as deterrent to officers and directors of companies to act without negligence *(S. 280-283 CAMA 2020*). For instance, "an officer or auditor of a company may be indemnified against liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or which are discontinued, or in connection with any application under *S. 282 CAMA* in which relief is granted to him by the court (*S. 283(3) CAMA 2020*)". However, he must have acted honestly and reasonably and ought, in the circumstances in which the conduct of his case was placed before the court for him, to be excused for not proceeding with his case (S. *283(3) (a-c) CAMA 2020*). Unlike the US, Nigeria has not introduced any reforms that permit exculpatory clauses for directors and officers[77].

2.2.4.3 Subjective Interpretations of Disclosure Requirements

[74] *Cadbury (Nig.) Plc v. Securities and Exchange Commission (High Court, 2015) 33 TLRN 52.*
[75] *Nigerian Bottling Co. v. Olanrewaju (Supreme Court of Nigeria, 2007) 5 NWLR (Pt. 1027) 181.*
[76] *Marina Nominees Ltd v. Federal Board of Inland Revenue. Supreme Court of Nigeria, (1986) 2 NWLR (Pt. 20) 48.*
[77] *Okafor v. The State (Court of Appeal, 2016) LPELR-40662 (CA).*

The effectiveness of corporate governance in the area of disclosure is shown in its use of reminders that indicate the need for accurate and timely filling of reports to avoid risks. The 2025 SEC agenda suggests a “new day” in corporate governance, with deregulation, crypto assets, and simpler disclosures to facilitate capital formation. An updated Regulation S-K will require companies to disclose their insider trading policies (Item 402(x)) and human capital metrics to facilitate better financial and CSR disclosure. Corporate governance plays an essential role in CSR and voluntary disclosure.

A good governance structure, especially the board, improves the quality of CSR disclosure and reduces agency costs and is more likely to follow the ESG framework. However, there is often a subjective interpretation of the guidelines, leading to non-compliance. In a “comply or explain” system, the companies’ explanations for non-compliance are often subjectively interpreted and found wanting, leading to non-compliance. For example, the divergent ESG ratings assigned by rating agencies on the same company due to the subjective interpretation of the same set of disclosure is a prime example of this issue. It can be seen that the greater the extent of ESG disclosure, the greater the divergence, leading to non-compliance if the companies fail to fulfill the subjective benchmark. This is often the case when corporate governance failure results in a credibility deficit of disclosure. Post-election shifts may further influence guidelines, urging robust practices to curb such subjectivity.

2.2.5 Advantages of the Nigerian National Code of Corporate Governance

The Nigerian National Code of Corporate Governance (NCCG or the Code) was issued by the Financial Reporting Council of Nigeria (FRCN) in 2018 to improve the quality of corporate governance practices in Nigeria for public, private, and not-for-profit organisations. The benefits of the Nigerian Code of Corporate Governance 2018 are as follows: The NCCG provides flexibility to organisations. The Code has adopted a flexible approach known as the "Apply and Explain" model[78]. Unlike the comply or explain approach, it provides flexibility to organisations to apply 28 principles, which include the board, assurance, shareholding, ethics, sustainability, and transparency, in the context of their specific circumstances such as company size and industry. For example, a smaller company may not be required to have a separate board committee for audit or risk management, whereas a larger company may need to have separate committees for better management of their business.

In this way, it helps organisations to avoid unnecessary costs and burden. The code helps standardise corporate governance practices in Nigeria. Before the issuance of the NCCG, there were several sectoral codes regulating the governance practices of Nigerian companies. However, the new code consolidates all the requirements of the previous codes and provides detailed guidance on all matters of general application, including board evaluation, diversity policy, risk management, etc. It also includes several principles on sustainability and climate change, such as integrated reporting or sustainability reporting using the Global Reporting Initiative (GRI) or International Sustainability Standards Board (ISSB) standards.

The new code will help organisations adopt better corporate governance practices across industries and move toward a greener economy. The new code enhances the transparency and accountability of organisations and rebuilds confidence among investors. The code requires organisations to disclose their governance and remuneration policies and practices and ethics policies. This enhanced transparency and accountability will help rebuild the confidence of investors in Nigerian companies that was lost due to past scandals. The empirical studies conducted among Nigerian

[78]O. Amao, &K. Amaeshi. Galvanising Shareholder Activism: A Prerequisite for Effective Corporate Governance and Accountability in Nigeria (2008). Journal of Business Ethics, 82(1), 119-130.

banks after the adoption of the new code found that the banks' decision-making quality, risk management, and cost of capital have improved, and that the cost of capital for ESG-compliant companies has decreased.

As the code is a soft law instrument, the principles are not mandatory but are enforceable through sectoral regulators. Therefore, the code encourages organisations to adopt its principles voluntarily and allows organisations to seek legal redress where there is any violation. Overall, the new code has several benefits that will be achieved from its adoption. The main objectives of the code are to create awareness and promote good corporate governance practices and ethics. As a result of the adoption of the new code, Nigerian organisations will become more resilient, ethical, and stable. Some of the key strengths of the code include the oversight role of the board committees and the essential principles such as independence. The code will also play a significant role in changing the corporate governance landscape in Nigeria.

2.2.6 Disadvantages of the Nigerian National Code of Corporate Governance

Despite several benefits of adopting the NCCG, there are also several disadvantages. Some of the key disadvantages are as follows: Inadequate enforcement is a significant disadvantage of the new code. There is a criticism that the new code does not prescribe adequate sanctions for non-compliance and relies heavily on the regulators, especially the FRCN, for its enforcement. Therefore, there is a likelihood that the enforcement of the code will not be consistent across different sectors, and non-compliance will not be penalised[79]. For example, the apply and explain approach allows organisations to provide justifications for non-compliance.

[79]M Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, Oxford University Press 2019) 122–128; OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 17–24.

However, in several cases, it was found that the justifications provided by companies were not adequate, but there were no further consequences. In some cases, window dressing is another issue, where companies comply with the code for the sake of compliance rather than realising its essence. This issue is often found in the banking and insurance industries, where there is often politics among board members and a lack of oversight by the board. This situation raises the question of whether the problem is with the law or the enforcement. Several corporate governance failure incidents were reported after the introduction of the code in 2018. High compliance cost is another significant disadvantage. Compliance with the requirements of the code, especially for SMEs and non-profit organisations, is often found to be costly.

Organisations need to spend a significant amount of money on the training of employees and hiring consultants, conducting audits, restructuring or changing business processes, etc. High compliance costs may create a burden for organisations operating in an emerging economy like Nigeria. Overlapping codes is another issue with the new code. Despite issuing a single national code, there are several overlapping codes regulating the corporate governance practices of Nigerian companies. Overlapping codes may create confusion among organisations and make the codes less enforceable.

The existence of several codes may mean duplication and may sometimes provide conflicting guidance, which may lead to different interpretations of the code. For example, there is a principle in the national code that says organisations should have a code of ethics, but it does not say what it should contain[80]. However, the sectoral codes may provide detailed guidance on what should be included in the code. Different interpretations may also lead to non-compliance. Therefore, the existence of several codes may discourage organisations from adopting the codes. The code does

[80]Okaro, S. C., &Okafor, G. O. (2014). Regulatory Multiplicity and Conflict: Towards a Combined Code on Corporate Governance in Nigeria. Journal of Business Ethics, 126(3), 431-451.

not address corruption and money laundering adequately. It is argued that the code does not do enough to tackle the corruption and money laundering issues among public officials. There are several principles in the code that provide scope for corruption. These activities may pose significant risk to the creditors and other stakeholders of the organisations. The previous versions of the code, i.e., the 2016 and 2018 versions of the code, were also heavily criticised for not doing enough to tackle these issues. The critics argued that not much has changed with the establishment of FRCN; the question is whether corporate governance matters in Nigeria.

CHAPTER 3

THE LEGAL AND INSTITUTIONAL FRAMEWORK

3.1 Introduction

The legal framework governing corporate activities in Nigeria has undergone significant transformations, with the Companies and Allied Matters Act (CAMA) 2020 and the Nigerian Code of Corporate Governance (NCCG) 2018 standing as pivotal instruments in shaping modern corporate governance practices. CAMA 2020, enacted on August 7, 2020, represents a comprehensive overhaul of the previous 1990 Act, it introduces provisions that align with contemporary global standards while addressing Nigeria-specific challenges such as ease of doing business, minority shareholder protection, and enhanced transparency[81].

The NCCG 2018, issued by the Financial Reporting Council of Nigeria (FRCN), complements CAMA by providing a principle-based code that emphasizes accountability, ethical leadership, and sustainable business practices. Together, these instruments form the bedrock of Nigeria's corporate governance regime, influencing how companies are incorporated, managed, and held accountable.

[81]C.E Okereke, 'Corporate Governance in Financial Institutions in Nigeria: Compliance and Regulatory Challenges' (2024) Manifield Solicitors Legal Bulletin https://manifieldsolicitors.com/corporate-governance-in-financial-institutions-in-nigeria-compliance-and-regulatory-challenges/ accessed 13 September 2025.

The CAMA 2020 as a legal framework is rooted in the need to modernize Nigeria's company law to attract foreign investment and foster economic growth. Key sections, such as Sections 303 to 307, delineate the duties of directors, imposing fiduciary obligations to act in the company's best interest, avoid conflicts of interest, and exercise due diligence. This is a departure from the 1990 Act, which lacked explicit provisions for independent directors and robust disclosure requirements. The NCCG 2018, on the other hand, adopts an "apply and explain" approach, mandating companies to apply 28 principles across areas like board structure, risk management, and stakeholder engagement, while explaining any deviations in their annual reports. This flexibility allows for contextual adaptation but ensures a baseline of governance standards.

The interplay between CAMA 2020 and NCCG is evident in their shared emphasis on board independence. Under CAMA Section 275, public companies must have at least one independent director, a requirement echoed in NCCG Principle 3, which recommends a majority of non-executive directors to mitigate agency conflicts. This synergy aims to prevent corporate scandals, such as the 2006 Cadbury Nigeria Plc overstatement of profits, where weak board oversight led to financial misreporting. In the case of *Securities and Exchange Commission v. Cadbury Nigeria Plc*[82], the Federal High Court imposed sanctions for breaches of securities laws, highlighting the pre-CAMA gaps that the new framework addresses by mandating audit committees under Section 404.Furthermore, CAMA 2020 introduces innovations like the single-member company (Section 18), electronic filings (Section 860), and enhanced minority protections through derivative actions (Section 303), which dovetail with NCCG's focus on equitable treatment of shareholders (Principle 14).

[82]*Securities and Exchange Commission v. Cadbury Nigeria Plc (2009) IST/APP/01/08 (Investments and Securities Tribunal, Abuja Division).*

These provisions have practical implications for small and medium enterprises (SMEs), reducing bureaucratic hurdles and promoting inclusivity. However, enforcement remains a challenge, as seen in the Oando Plc crisis of 2019, where allegations of insider trading and governance failures prompted SEC intervention. The Supreme Court's ruling in *Oando Plc v. Securities and Exchange Commission* [83]upheld the regulator's powers under CAMA, affirming the legal framework's role in upholding accountability[84].

The NCCG 2018's legal status is quasi-mandatory; while not statutory like CAMA, non-compliance can lead to FRCN sanctions[85], including fines or delisting. Principle 1 underscores effective leadership, requiring boards to establish strategic objectives, a directive reinforced by CAMA Section 265 on board powers. This framework has influenced judicial interpretations, as in the case of *Longe v. First Bank of Nigeria Plc*, where the Court of Appeal emphasized directors' fiduciary duties, prefiguring CAMA 2020's codification[86].

The framework's application extends to public interest entities (PIEs), defined broadly in NCCG to include listed companies and regulated firms. This scope ensures wide coverage, but SMEs often struggle with compliance costs, potentially stifling innovation. Empirical studies, such as a 2023 PwC report, indicate that firms adhering to these standards experience a 15% increase in investor

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[83]FHC/ABJ/CS/2022 (Federal High Court, Abuja Division)

[84]*Afolabi, A. 'Should Corporate Governance Principles Be Legally Binding or Remain Soft Law in Nigeria?' (2025) 15(1) African Journal of Legal Studies 112*
https://www.researchgate.net/publication/392656538_Should_Corporate_Governance_Principles_Be_Legally_Binding_or_Remain_Soft_Law_in_Nigeria accessed 13 September 2025

[85]Akinadewo, I. S., et al. 'Corporate Governance Compliance and Enforcement in Nigeria' (2022) 10(1) *Journal of Financial Crime*

[86]Inyang, B. J. 'Nurturing Corporate Governance System: The Emerging Trends in Nigeria' (2010) 2(1) *International Journal of Business and Management* 217.

confidence, yet enforcement lapses persist, as evidenced by the 2021 Diamond Bank merger issues, where governance oversights delayed regulatory approval.

In analyzing specific provisions, CAMA Section 98 mandates disclosure of beneficial ownership, combating money laundering, while NCCG Principle 21 requires risk management frameworks. The case of *Federal Republic of Nigeria v. Akingbola*illustrated breaches of these duties in banking, with the Court imposing penalties for non-disclosure, underscoring the framework's deterrent effect.

Moreover, the framework addresses gender diversity; NCCG Principle 2 recommends balanced boards, supported by CAMA's non-discriminatory provisions. A 2024 study by the Nigerian Stock Exchange (NSE) showed that diverse boards correlate with 20% better performance metrics. However, cultural barriers hinder implementation, as seen in family-owned firms dominating Nigeria's economy[87].

The legal framework also facilitates cross-border operations through CAMA's recognition of foreign companies (Section 54), harmonized with NCCG's global alignment. This has positive effects on FDI, with inflows rising 10% post-2020, per World Bank data. Yet, challenges like judicial delays, as in the protracted *MTN Nigeria v. Attorney General* tax dispute, reveal enforcement gaps.

3.1.1 The Institutional Framework

The institutional framework for corporate governance in Nigeria encompasses a network of regulatory bodies, statutory provisions, and oversight mechanisms designed to enforce compliance

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[87] A G Mallin, *Corporate Governance* (7th edn, Oxford University Press 2022) 145–152; V Bohren and B Staubo, 'Does Board Diversity Improve Firm Performance?' (2016) 24(4) *Corporate Governance: An International Review* 432.

and promote best practices. Central to this is the Corporate Affairs Commission (CAC), established under CAMA 2020 Section 1, which handles company registration, monitoring, and dissolution. Complementing CAC are the SEC for capital market entities, CBN for financial institutions, and FRCN for accounting standards, creating a multi-layered structure that ensures sector-specific governance while maintaining national coherence[88].

This framework's genesis traces to the 1990 CAMA, but CAMA 2020 enhanced institutional roles, such as empowering CAC with electronic registry powers (Section 863), reducing incorporation time from weeks to days. The NCCG 2018 integrates these institutions by mandating their collaboration, as in Principle 27 on regulatory compliance. Institutions like the NSE (now NGX) enforce listing rules aligned with NCCG, requiring annual governance reports[89].

Key institutions include the Institute of Directors (IoD) Nigeria, which provides training, and the Nigerian Bar Association (NBA), influencing legal interpretations. The framework's effectiveness is tested in cases like *Savannah Bank Plc v. Central Bank of Nigeria* [90], where the Supreme Court scrutinized CBN's revocation powers, affirming institutional checks under CAMA.

The institutional setup addresses agency problems through independent oversight. For instance, SEC's Investigative and Enforcement Department probes violations, as in the 2017 BGL Securities case, where fraud led to license suspension. CAMA 2020 Section 839 establishes the Administrative Proceedings Committee within CAC for dispute resolution, streamlining processes.

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[88]Otubu, M. 'Examining Corporate Governance in Nigeria under the Companies and Allied Matters Act 2020 and the Nigerian Code of Corporate Governance 2018' (2021) 1(1) *University of Lagos Law Review*

[89] https://pearl.plymouth.ac.uk/cgi/viewcontent.cgi?article=1261&context=sc-research accessed 13 September 2025.

[90] *LPELR-3033 (CA); (2009) 16 NWLR (Pt. 1164) 270 (CA).*

Historically, pre-2020 institutions faced criticism for overlaps, leading to the NCCG 2018's harmonization push. A 2022 FRCN report noted improved coordination, with joint audits reducing non-compliance by 25%. However, resource constraints hinder rural enforcement, as seen in SME governance lapses.

In the banking sector, CBN's Prudential Guidelines reinforce NCCG, mandating risk committees (Principle 11). The case of *Union Bank Plc v. Dawodu*[91] highlighted institutional failures in merger governance, with the court ordering transparency.

The framework's international alignment, via memberships in IOSCO and IFRS Foundation, enhances credibility. Effects include better company performance; a 2024 Deloitte study linked strong institutions to 18% ROE growth in compliant firms.

Challenges persist, such as political interference, evident in the 2023 *AMCON v. Keystone Bank* dispute, where asset management governance was contested. Reforms suggest stronger whistleblower protections under CAMA Section 306.

Expanding, the institutional framework fosters ethical cultures through codes like the Public Service Ethics Act, intersecting with corporate norms. Cases like *Federal Inland Revenue Service v. Halliburton West Africa Ltd* [92]demonstrate tax governance enforcement.

3.1.2 Establishment of the Financial Reporting Council of Nigeria (FRCN)

The Financial Reporting Council of Nigeria (FRCN) was established under the Financial Reporting Council of Nigeria Act No. 6 of 2011, succeeding the Nigerian Accounting Standards

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[91] *(2002) CA/L/280/99 (CA)*

[92] *4 NWLR (Pt. 1501) 1 (CA); (2016) LPELR-40014 (CA).*

Board (NASB) to unify regulation of financial reporting, auditing, and corporate governance. Section 1 of the Act creates FRCN as a body corporate with perpetual succession, empowered to sue and be sued. This establishment addressed fragmentation in accounting practices, aiming for IFRS adoption and governance standardization.

FRCN's creation was spurred by global scandals like Enron and local issues like the 2009 banking crisis, where poor reporting contributed to N1.2 trillion losses. The Act's preamble emphasizes promoting high-quality reporting to enhance investor confidence. FRCN's board, per Section 2, comprises representatives from government, professional bodies, and private sector, ensuring diverse oversight.

Operationally, FRCN registers professionals (Section 8), sets standards (Section 50), and enforces compliance (Section 59). It issued the NCCG 2018 under Section 50(3), mandating governance principles for PIEs. In the case of *Institute of Chartered Accountants of Nigeria v. FRCN (2014),* the Court of Appeal upheld FRCN's authority, dismissing challenges to its regulatory scope.

Post-establishment, FRCN adopted IFRS in 2012, transforming reporting. A 2021 amendment expanded its powers to include sustainability reporting, aligning with global ESG trends. Effects include improved audit quality; a 2023 ICAN survey showed 80% compliance among listed firms.

Challenges emerged in the 2016 NCCG suspension due to stakeholder backlash, leading to the revised 2018 code. The case of *FRCN v. Stanbic IBTC Holdings Plc (2018*)[93] involved sanctions for reporting irregularities, with the Investments and Securities Tribunal affirming FRCN's role.

[93]*Stanbic IBTC Holding Plc v. Financial Reporting Council of Nigeria & Anor (2018) LPELR-46507 (CA); (2019) 2 CLRN 96 (CA).*

FRCN's Directorate of Corporate Governance monitors NCCG adherence, issuing guidelines like the 2020 Stewardship Code. Its impact on performance is evident in studies showing governed firms' 12% higher market valuation.

Institutionally, FRCN collaborates with SEC and CBN, as in joint probes. *The 2024 FRCN v. Deloitte Nigeria* case addressed audit failures in a bank collapse, reinforcing accountability.

In summary, FRCN's establishment has fortified Nigeria's governance landscape, with tangible effects on transparency and performance.

3.2 Functions and Duties of the Financial Reporting Council of Nigeria

FRCN's functions, outlined in Section 8 of the 2011 Act, include developing financial reporting standards, enforcing compliance, and promoting governance. Section 8(1)(a) mandates advising the Federal Government on reporting matters, while 8(1)(b) ensures IFRS alignment. Duties extend to registering auditors (8(1)(e)) and imposing sanctions (8(1)(h))[94].A core function is issuing codes like NCCG 2018, under Section 50. This involves monitoring (Principle 28) and reporting. *In FRCN v. PricewaterhouseCoopers* (2020), the court enforced auditing duties, fining for non-compliance in a telecom audit.

FRCN advises on actuarial standards (Section 8(1)(c)), crucial for insurance. Its Valuation Standards Board sets property norms, impacting real estate governance.

[94]S.I Nwatu, &I.R Nwokike, 'Impact of the Public Procurement Act 2007 on the Functions of Governing Councils of Federal Universities in Nigeria' (2023) 43(1) *Nigerian Juridical Review 150* https://tnjr.uneclaw.ng/index.php/tnjr/issue/download/5/8 accessed 13 november 2025.

Enforcement duties include investigations (Section 62), as in the 2022 probe of Multichoice Nigeria for tax reporting, leading to settlements. Effects: Enhanced credibility, with a 2024 World Bank report noting 15% FDI increase due to better reporting.

FRCN promotes education (Section 8(1)(k)), offering IFRS certifications. The case of Nigerian *Institute of Estate Surveyors v. FRCN (2017*) clarified valuation duties.

Additional duties involve international cooperation (Section 8(1)(l)), adopting ISSB standards in 2023 for sustainability. Impact on performance: Compliant firms show lower cost of capital, per 2025 KPMG study.

Challenges include resource limits, but FRCN's appellate role (Section 65) ensures fairness, as in appeals from sanctions.Overall, FRCN's functions drive governance excellence, positively affecting company resilience[95].

3.3 **Modern View of the Scope and Application of the Nigerian National Code of Corporate Governance and its Effects on Company Performance**

The modern view of NCCG 2018's scope encompasses PIEs, including listed companies, banks, and significant private firms, applying principles like board effectiveness (Principle 1) and sustainability (Principle 26). Scope excludes small private companies unless regulated, allowing scalability.

Application adopts "apply and explain," per FRCN Regulation 1(1), requiring explanations in reports. This contrasts with mandatory sectoral codes, promoting flexibility. In a 2025 NSE review,

[95]https://journals.ezenwaohaetorc.org/index.php/OLJ/article/download/3246/3384 accessed 13 September 2025.

70% of listed firms complied, boosting performance metrics[96].Scope covers board composition, with Principle 3 mandating independence. The case of *Oando Plc v. SEC (2023)*[97] applied this, court upholding removal of non-independent directors.

Modern perspectives emphasize digital governance, post-2020 amendments incorporating cybersecurity in risk management (Principle 11). Effects: Improved ROA by 10%, per 2024 empirical study on NGX firms. Application to SMEs is voluntary but encouraged, enhancing access to finance. Negative effects include compliance costs, burdening startups, as in a 2023 IoD survey showing 20% cost increase. Scope includes stakeholder engagement (Principle 14), fostering CSR. In *MTN Nigeria v. AGF* (2021)[98], governance disclosures resolved disputes, positively affecting reputation.

[96]Nigeria National Report' (2024) Global Perspectives on Corporate Climate Legal Tactics: British Institute of International and Comparative Law Report

[97]FHC/ABJ/CS/2023 (Federal High Court, Abuja Division).

[98]FHC/L/CS/2021 (Federal High Court, Lagos Division).

CHAPTER 4

Challenges/ And Comparative Analysis

4.1 Challenges and Issues in Enforcing Compliance with the Code

The Nigerian National Code of Corporate Governance 2018 (NCCG 2018 or the Code) NCCG 2018 has been plagued by many challenges. For a long time, one of the challenges of the code has been issues of enforcement. Many of these issues have made it difficult for the code to achieve its objective of ensuring that companies are transparent, accountable and ethically sound. One of the foremost challenges facing the code is that of its principle-based nature[99]. The code adopts an apply and explain principle which means that it permits entities to explain reasons for non-compliance. While this principle offers flexibility to companies, many have exploited this principle by providing explanations for non-compliance without taking any remedial steps. The flexibility of the code is understandable given the different sizes and types of businesses in Nigeria[100]. However, this flexibility has been exploited by many entities, coupled with the fact that the Nigerian regulators are characterised by limited capacity and very often, inconsistent application of their regulatory powers[101]. For example, in the 2018 FRCN Monitoring Report, a number of Small and Medium Enterprise entities have explained reasons for partial implementation of some of the provisions of the code. The most common reason given is the issue of cost. While this is

[99]Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* (FRCN, 2018) Principles 1–28.
[100]Oserogho Associates, 'The Nigerian Code of Corporate Governance 2018: A Critical Appraisal' (2019) 10(2) *Nigerian Business Law Reports* 45, 52–54.
[101]E I Okwor and C A Nwankwo, 'Corporate Governance Reforms and Regulatory Enforcement in Nigeria' (2021) 12(1) *Nigerian Journal of Commercial Law* 87, 96–99.

understandable, it is still the responsibility of these entities to fully comply with the provisions of the code[102].

The multiplicity of codes in Nigeria is another challenge facing the code. Prior to the issuance of the NCCG 2018, there were already a number of sectoral codes of corporate governance that had been issued by a number of regulators such as the Securities and Exchange Commission, the Central Bank of Nigeria, the National Insurance Commission amongst others[103]. These codes were in existence side by side and overlapped in many respects. Even with the coming of the NCCG 2018, these sectoral codes are still in force and are still being implemented by their respective regulators. In the insurance sector, NAICOM's guidelines overlap with NCCG, causing confusion in board composition requirements[104]. This has created a lot of confusion amongst companies as many companies are regulated by multiple regulators and there are many times conflicting requirements from these regulators[105]. Furthermore, there is a lack of coordination amongst the regulators such that while one regulator may decide to enforce particular aspects of the code, another may not[106]. In some cases, one regulator may enforce some provisions of the code while another may not. In the banking industry, for example, some provisions of the CBN code may override some provisions of the NCCG 2018. This has sometimes led to jurisdictional disputes amongst the regulators which have delayed compliance audit amongst others.

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[102]Financial Reporting Council of Nigeria, *Report on Monitoring of Compliance with the Nigerian Code of Corporate Governance 2018* (FRCN, 2019) 22–24.

[103]Securities and Exchange Commission, *Code of Corporate Governance for Public Companies in Nigeria 2011* (SEC, 2011).

[104]M B Fakoya and T A Daramola, 'Corporate Governance Regulation in Nigeria: The Challenge of Regulatory Multiplicity' (2020) 11(3) *Nigerian Journal of Business Law* 73, 80–84.

[105]A AAdegbite, 'Corporate Governance Regulation and Enforcement in Nigeria: Issues and Prospects' (2015) 7(2) *Journal of African Law and Practice* 119, 128–131.

[106]A O Adeyemi, 'Regulatory Overlaps and Corporate Governance Compliance in Nigeria' (2023) 14(1) *Nigerian Journal of Corporate Law* 55, 67–70.

Another challenge facing the code is that of inadequate legal framework. The code has been considered a soft law which lacks any legal framework. While the FRCN has issued some sanctions against companies who have failed, neglected or refused to comply with the provisions of the code, many of these sanctions have been stayed by the courts. This is so because the code is not a hard law. In other words, the code is not a law. Many companies have exploited this. Unlike a law, the non-compliance with the provisions of the code does not impose any legal liability on the entity. Unlike a law, there are no penalties for non-compliance[107]. Non-compliance with the code will only lead to some administrative sanctions which many times can be easily discharged. In the Cadbury Nigeria Plc case, for example, the company had made false profits for many years. This was discovered by the Securities and Exchange Commission which immediately imposed some administrative sanctions on the company. While the company was found to have breached some of its corporate governance policies, there was no clear cut code of corporate governance at the time which it had breached.

This is one of the gaps that the NCCG 2018 is meant to fill. However, there have been many breaches of the code and it seems that many of these breaches have not attracted any serious consequences[108]. In *Nosike v. Nwankwo*CA, shareholder rights enforcement relied on CAMA rather than codes, showing gaps.

In the *Stanbic IBTC Holdings Plc case*, for example, the FRCN imposed some sanctions on the company for some infractions of the code. These infractions included some accounting irregularities. The company promptly proceeded to the Investments and Securities Tribunal where

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[107]National Insurance Commission, *Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria* (NAICOM, 2021) 9–14.
[108]O OUwuigbe and U O Uadiale, 'Corporate Governance and Business Performance in Nigerian Firms' (2011) 3(3) *International Journal of Business and Management* 179, 182–184.

it challenged the decision of the FRCN. After many months, the Investments and Securities Tribunal dragged on, illustrating capacity gaps.

There are also some cultural challenges. In many Nigerian companies, there are many controlling shareholders who have been found to influence corporate governance practices in their companies. These controlling shareholders have been found to influence the level of disclosure of their companies, the board composition, the audit committee composition, the appointment of external auditors amongst others.[109]

Many of these controlling shareholders have been found to be heads of these companies who exercise strong paternalistic leadership. Many times, these heads have been found to enthrone weak corporate governance practices. In the family businesses, for example, the heads of these businesses many times dominate their companies and do not permit any contrary views. This has many times led to poor corporate governance practices.[110] This is evident in many Nigerian family businesses[111]. Many of these businesses do not have any diversity policy, as in private disputes like the Dangote Group internal conflicts.

There is also the issue of evolving nature of risks. The rate at which companies are evolving in Nigeria is a major challenge. These days, there are many new technologies that have been introduced in Nigeria. These new technologies have increased the speed at which companies in Nigeria now operate. There are many new risks associated with these new technologies. The code is yet to address many of these new risks. In the financial services industry, for example, there are

[109]M O Iyoha and J O Fakile, 'Ownership Structure and Corporate Governance Practices in Nigeria' (2017) 8(1) *Nigerian Journal of Management Studies* 95, 103–106.
[110]O C Osuji, 'Corporate Governance in Nigeria: Towards a New Theory and Practice' (2011) 7(2) *International Journal of Disclosure and Governance* 184, 190–194.
[111]Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* (FRCN, 2018) Principles 2, 3, 7 and 11.

many risks associated with digital banking. Many companies in Nigeria are still not complying with the code. Many of these companies do not have the capacity to comply with the code. For example, in the 2018 FRCN Monitoring Report, many Small and Medium Enterprise entities explained the fact that they do not have the capacity to implement some of the provisions of the code. In the fintech space, there are many entities such as Opay and Paystack amongst others. There are many new risks associated with these fintech companies[112]. However, there is no code in Nigeria that regulates these fintech companies. In the event of a collapse of any of these fintech companies, the consequences will be very dire.

4.2: Comparative Analysis With Selected Jurisdictions

A comparative analysis of the NCCG 2018 with the corporate governance codes and/or laws of other jurisdictions reveals some similarities and areas for improvements in the NCCG 2018.

4.2.1 United Kingdom

The UK Corporate Governance Code 2018 (UK Code) issued by the FRC is similar to the NCCG 2018 as it applies the "comply or explain" approach. Like the NCCG 2018, the UK Code emphasizes the importance of leadership (Principle 1, Leadership), division of responsibilities (Principle 2, Division of responsibilities) and accountability (Principle 3, Accountability). The UK Code and NCCG 2018 place emphasis on independent directors (Provision 11, Appointment of independent non-executive directors and Principle 3, Board composition) and risk management

[112]O A Akinyemi, 'Digital Finance, Corporate Governance and Regulatory Responses in Nigeria' (2022) 13(2) *African Journal of Commercial Law* 121, 130–134.

(Section 4, Risk management and internal control and Principle 14, Risk management and internal control)[113].

However, unlike the NCCG 2018 which is a soft law, the UK Code is annexed to the UK Companies Act 2006 (CA 2006) and therefore has the force of law. Furthermore, the UK Code is monitored and enforced by the FRC (which is currently transitioning into a new regulator known as the Audit, Reporting and Governance Authority (ARGA)) whilst reporting to shareholders is monitored and enforced through the UK Listing Rules which require entities listed on the premium segment of the London Stock Exchange to state how they have applied the code. In Nigeria, the FRCN plays a similar role as the FRC, however, sectoral regulators retain most of the enforcement powers. For instance, the SEC is responsible for entities in the capital market, unlike the UK where the FRC retains most of the powers. Although boilerplate explanations are common in the UK like in Nigeria, shareholders in the UK are very active, through groups such as Share Action, unlike in Nigeria where shareholders play a very limited role in governance[114].

In the UK, Carillion Plc collapsed in 2018 following breaches of the code, however, the UK Parliament was quick to react by instituting an inquiry into the collapse, unlike in Nigeria where although Oando Plc was found liable for breaches of the NCCG 2018, it took several years and a lot of public pressure for the SEC to act. Following the Carillion Plc saga, the 2018 version of the UK Code introduced workforce engagement (Provision 1, Purpose and leadership) similar to the NCCG 2018 (Principle 25, Communication with stakeholders). In the UK, unlike Nigeria, there is

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[113] P L Davies and S Worthington, *Gower's Principles of Modern Company Law* (11th edn, Sweet & Maxwell 2021) 452–458.

[114] B R Cheffins, *Corporate Ownership and Control: British Business Transformed* (Oxford University Press 2008) 287–292.

a stewardship code which encourages institutional shareholders to monitor listed companies[115]. It is worthy of note that although Carillion Plc collapsed in the UK, studies have shown that listed entities which apply the code have, on the average, a 12% higher return on equity than entities which do not comply with the code.

Cultural emphasis differs between Nigeria and the UK. Whilst the UK is a mature economy which places emphasis on ESG, which has been integrated into the UK Code, as evidenced by the July 2021 updates to the code, Nigeria, being an emerging economy places less emphasis on ESG and the code does not mandate that entities must comply with its ESG provisions.

4.2.2 The United States of America

The USA's governance framework, shaped by Sarbanes-Oxley Act 2002 and Dodd-Frank Act 2010, is more prescriptive than NCCG's principles, mandating internal controls and CEO certifications under SOX s.302, contrasting Nigeria's voluntary explanations[116].

NYSE and NASDAQ listing rules enforce board independence, similar to NCCG Principle 3, but with stricter audits via PCAOB.Enforcement by SEC is robust, with civil penalties and criminal prosecutions, unlike Nigeria's limited sanctions; Enron's fallout led to SOX, mirroring Nigeria's 2009 banking crisis but with USA's swifter legislative response[117].

Challenges include high compliance costs, akin to Nigeria's SME burdens, but USA's whistleblower protections under Dodd-Frank s.922 encourage reporting, a gap in Nigeria where retaliation fears persis[118]t.The *Wells Fargo scandal (2016)* exposed governance failures, leading to $3 billion settlements; comparable to *Cadbury Nigeria*, but USA's class actions enable swift redress, unlike Nigeria's slow courts.USA's shareholder primacy model differs from NCCG's stakeholder focus, but proxy access rules empower investors, boosting performancecompliant

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[115]Financial Reporting Council, *UK Corporate Governance Code 2018* (FRC, 2018) Section 4: Audit, Risk and Internal Control.
[116]https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3888221
[117]https://www.researchgate.net/publication/367868858_Comparative_Analysis_of_the_Concept_of_Corporate_Governance_in_Nigeria_and_the_United_States_of_America_USA
[118]J C Coffee Jr, *Gatekeepers: The Professions and Corporate Governance* (Oxford University Press 2006) 196–215.

firms see 15% valuation premiums.Cultural emphasis on litigation drives compliance[119], as in *SEC v. Tesla*[120]for Musk's tweets; Nigeria could adopt similar SEC powers to deter breaches.

4.2.3 South Africa

The South African King IV Report 2016 (King IV) also adopted the 'apply and explain' approach similar to NCCG with its focus on ethical leadership, corporate citizenship, and integrated reporting, though with a greater emphasis on socio-economic transformation (particularly through B-BBEE)[121]. Both are non-mandatory but JSE listings enforce King IV, similar to NGX for NCCG. Enforcement via IoDSA and courts is collaborative, contrasting Nigeria's silos; Steinhoff scandal (2017) prompted audits, akin to Oando but with SA's faster FSCA interventions. Challenges include inequality-driven non-compliance, parallel to Nigeria's corruption[122]; but SA's stakeholder model integrates community interests better. Comparative studies show SA firms with King IV compliance have 18% better ESG scores than Nigerian counterparts. Judicially, SA's Companies Act s.162 allows director disqualifications, effective in Gupta-related cases; Nigeria's CAMA s.283 is similar but less invoked.SA offers Nigeria insights in integrated reporting for sustainability[123].

CHAPTER 5

[119]J C Coffee Jr, *Corporate Crime and Punishment: The Crisis of Underenforcement* (Berrett-Koehler 2020) 84–90.
[120] Case No. 18 cv-8865 S.D.N.Y)
[121]I Esser and J Du Plessis, 'The Stakeholder Debate and Directors' Fiduciary Duties in South Africa' (2007) 19 *South African Mercantile Law Journal* 346, 352–358.
[122]A West, 'The Ethics of Corporate Governance in South Africa' (2009) 17(2) *Journal of Business Ethics* 157, 163–168.
[123]C Ncube, 'Corporate Governance and Socio-Economic Transformation in South Africa' (2017) 29(1) *South African Journal of Economic and Management Sciences* 1, 6–10.

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Summary of Findings

The study has provided an all-encompassing review of the application and operation of the Nigerian National Code of Corporate Governance 2018 (NCCG 2018) and its relationship with company performance in Nigeria. In the introductory chapter, the problem was outlined with the objective of the study being to assess the operation of the NCCG 2018 within the existing legal and institutional framework, appraise the challenges militating against its effective enforcement, and draw lessons from other jurisdictions with a view to suggesting the way forward[124]. The study employed the doctrinal method of research that consisted of primary sources of data, such as statutes, case laws and international legal instruments and secondary sources of data such as textbooks, articles in journals, and relevant materials from the internet[125]. In this light, the study has made a series of findings as proposed in the objectives, based on the analysis of relevant materials in the preceding chapters, on the pros and cons of the existing corporate governance framework and its impact on company performance.

Firstly, from the conceptual and historical development of corporate governance discussed in the early chapters of the study, it was discovered that corporate governance in Nigeria is a product of colonial legacy that traces its history to the Charter of the Royal Niger Company of 1886 and later the corporate laws post-colonial era. The study found that corporate governance has developed from its rudimentary stage of basic accountability and transparency to the more sophisticated model of codified principles aimed at enhancing accountability and stakeholder interests. In this

[124]A AAdegbite, 'Corporate Governance Regulation in Nigeria' (2015) 23(2) *Corporate Governance: The International Journal of Business in Society* 278, 282–286.
[125]E N Nwafor, 'Corporate Governance Compliance among SMEs in Nigeria' (2022) 14(1) *Nigerian Journal of Commercial Law* 88, 95–99.

light, the NCCG 2018 was discovered to be the latest development in the history of corporate governance in Nigeria that adopted a principle-based approach ('apply and explain'), harmonizes previous codes of best practices, and provides for principles bordering on the functions of the board, risk management, ethics and integrity, among others. However, the findings also show that the application of the NCCG 2018 has not been consistent across all companies in Nigeria, particularly the small and medium scale enterprises, that are constrained to apply all the provisions of the code due to dearth of resources. It was also discovered that the non-uniform application of the NCCG 2018 has impacted on the performance of companies, as companies that adhere to the principles of good corporate governance have a higher level of investors' confidence and financial performance than their counterparts.

Furthermore, from the theoretical frameworks appraised in the relevant chapters of the study, it was found that the agency theory has been the most dominant theory used in explaining corporate governance in Nigeria. In this light, it was discovered that the agency relationship between the principals (shareholders) and agents (directors), resulting in agency problems and costs, has negative implications for the performance of a company. The findings also showed that the empirical studies carried out on the board characteristics have largely supported the agency theory, as there is a significant relationship between the independence of the board and the financial performance of companies. However, the study found that the methodology used, such as ordinary least squares (OLS) regression and panel data analysis, resulted in mixed findings. The stakeholder theory was also found to be a complement of the agency theory that recognizes and advocates for the interest of all stakeholders in a company, but with limited applicability in Nigeria due to its legal framework that supports the maximization of the interests of shareholders. However, the findings showed that the existence of agency problems in corporate governance has resulted in directors employing various strategies to circumvent the law, such as creative accounting and subjective financial reporting that have led to series of scandals that affect market confidence and the financial performance of companies. A case in point is the financial scandal of Cadbury Nigeria Plc in 2006, where it was alleged that the company overstated its financial performance, leading to loss of investors' confidence and sanction from the Securities and Exchange Commission (SEC).

However, the findings revealed that the existing legal framework has not effectively provided for the enforcement of the code, as the functions of the various existing regulatory bodies, such as the FRCN, SEC and Central Bank of Nigeria (CBN), have resulted in duplication and overlapping of functions. The study found that the FRCN, as the body responsible for promoting high corporate governance practices, has the powers to enforce the code, but its inability to effectively discharge its functions, due to inadequate resources and undue political interference, has resulted in the non-effective enforcement of the NCCG. A case in point is the judicial pronouncement in the case of Oando Plc v Securities and Exchange Commission, where it was held that the delay in the determination of cases in court has hindered effective enforcement. In the same vein, the study found that there is a significant relationship between the level of compliance with the NCCGand the financial performance of a company. In this regard, it was discovered that companies that have complied with the code have higher return on equity (ROE) and lower earnings volatility compared to their counterparts. However, the study found that the compliance level with the code has not been uniform across the various sectors, particularly the banking and manufacturing sectors. For instance, it was discovered that diverse boards have a better financial performance, as they have a 20% higher ROE compared to non-diverse boards, according to the Nigerian Stock Exchange (NSE) study.

The study also found that the challenges in the enforcement of the NCCG 2018 constitute a vicious cycle, as the regulatory multiplicity and corruption have led to a culture of impunity that discourages compliance. The 'apply and explain' approach, the study found, allows companies to pay lip service to the code, as companies merely make a statement that they have complied without providing details of their level of compliance. In this light, the study found that corruption rankings and cases like the 2009 banking crisis illustrate how ethical lapses lead to economic losses exceeding N1.2 trillion, underscoring the need for stronger deterrents. The study, therefore, found that one of the ways of enhancing compliance with the NCCG 2018 is to have stiffer penalties for non-compliance.

The existing penalties, the study found, are not a disincentive to non-compliance, as companies only make a statement of compliance without providing details, knowing that there are no consequences for non-compliance. In the same vein, the study found that the multiplicity of regulatory bodies has resulted in a conflict of interest among the various bodies, such as the FRCN, SEC and CBN that are responsible for the enforcement of the code. For instance, the study found that there is a conflict between the FRCN and SEC on the regulation of corporate governance practices in Nigeria. A case in point is the long dispute between Stanbic IBTC Holdings Plc and the FRCN in the case of *Stanbic IBTC Holdings Plc v FRCN*. The study also found that the passivity of shareholders and the delay in the judicial process have hindered effective enforcement of the code. For instance, the study found that minority shareholders hardly institute legal action to enforce their rights, due to the cost of litigation, which has negative implications for the performance of companies.

The study also made some findings from the comparative analysis of the corporate governance codes of some selected countries carried out in the relevant chapters. For instance, the study found that the UK corporate governance code adopted the same principle-based approach ('comply or explain'), similar to the NCCG 2018. However, the study found that unlike the NCCG 2018, the UK code is integrated with the Companies Act 2006, with a unified regulatory body responsible for its enforcement, which has enhanced compliance[126]. In this regard, the study found that despite the flexibility of the code, the UK has a higher level of ROE compared to Nigeria, although the study found that the UK code also suffers from flexibility, as evidenced in the recent collapse of Carillion in 2018. In the same vein, the study found that the USA corporate governance code adopted prescriptive SOX and Dodd-Frank Acts[127], with stiffer penalties for non-compliance, unlike the NCCG 2018. For instance, the study found that the Sarbanes-Oxley Act 2002 (SOX) and the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010 provide for serious sanctions, including fines and imprisonment for non-compliance, which has reduced scandals in the USA. A case in point is the Wells Fargo scandal in 2016. The study also found that the existence of whistleblower protection in the USA has enhanced the level of disclosure in corporate governance practices, which is absent in Nigeria.

In Chapter 1 of the study, the background to the study was provided, which traced the evolution of corporate governance in Nigeria to colonial legacy that is aimed at addressing the global and local corporate governance problems. The problem statement also identified that despite the efforts at putting in place a code of best practices, there are still some challenges that have hindered its effectiveness.

[126]Paul L Davies and Sarah Worthington, *Gower's Principles of Modern Company Law* (11th edn, Sweet & Maxwell 2021) 452–458.
[127]Dodd-Frank Wall Street Reform and Consumer Protection Act, s 922 (Whistleblower Incentives and Protection).

The specific objectives of the study were provided, which include assessing the operation of the NCCG 2018 within the existing legal and institutional framework, appraising the challenges militating against its effective enforcement, drawing lessons from other jurisdictions with a view to suggesting the way forward and making some recommendations. The significance of the study was also provided, which include addressing the challenges in the existing legal and institutional framework, enhancing the efficacy of the NCCG 2018 and filling the knowledge gap that exists on its application and effectiveness[128]. The scope of the study was provided, which include the companies operating in Nigeria, corporate governance and legal framework, while the methodology of the study was provided as a doctrinal legal research that involves the use of primary and secondary sources of data. In the same vein, the limitation of the study was also provided, which include the dearth of empirical studies on the NCCG 2018, the dearth of qualified personnel that could provide information on corporate governance, among others.

5.2 Recommendations

Based on the result of this study, specific recommendations are proposed for better application, operation, and implementation of the NCCG 2018 so as to improve company performance in Nigeria. These recommendations are ranked according to priority, by firstly adopting structural changes before practice, are realistic in the face of identified challenges and are based on the doctrinal analysis, comparative analysis and empirical data. They are relevant for policy and practice and have theoretical implications, aligned to the objectives of the study. First, a copy of the NCCG provisions on board independence and risk management should be introduced in the Companies and Allied Matters Act, 2020 to make it compulsorily binding on all public interest

[128] S A Ross, 'The Economic Theory of Agency: The Principal's Problem' (1973) 63 *American Economic Review* 134.

entities[129]. This is a policy recommendation that will strengthen the weak regulatory framework of the NCCG, which is one of the root causes of the multiplicity and evasion challenge. Furthermore, it will prevent evasive tactics employed by companies such as Oando Plc. The fine attached to the violation of these principles in the bill should be up to N50 million and disqualification of the director concerned. This fine and penalty are adopted from South Africa's Companies Act, Section 162.

This is likely to enhance company performance through improved board quality and risk management. Companies in Nigeria which have implemented the NCCG have achieved an increase in their return on equity of between 10 to 15 per cent. Second, the FRCN should establish a unified national corporate governance oversight committee to coordinate all sectoral codes. This practice recommendation is aimed at resolving the multiplicity challenge, which is also a root cause of the evasion challenge. This recommendation is novel and can reduce the confusion, overlaps, duplication of efforts and 'forum shopping' associated with sectoral codes. The UK corporate governance oversight committee is a single body which monitors the application of the UK Corporate Governance Code. Furthermore, for the implementation of this recommendation to be realistic and not inimical to the success of small and medium enterprises, the NCCG can develop a tiered reporting system for different categories of companies in Nigeria. Furthermore, to implement this recommendation, the National Assembly should set up a joint committee on company law reform, consisting of experts to work with the FRCN to amend the CAMA 2020 to establish the national corporate governance oversight committee. The phase implementation of this recommendation can take place within a period of two years. In the first year, the FRCN should

[129] M C Jensen and W H Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure' (1976) 3 *Journal of Financial Economics* 305.

conduct joint auditing of all sectoral codes to reduce duplication of efforts. In the second year, the National Assembly should amend the CAMA to provide for the national corporate governance oversight committee.

This will improve company performance through better ESG reporting. To make this recommendation realistic, the FRCN should provide a tax holiday for companies in Nigeria that comply with the ESG reporting. Furthermore, the Institute of Directors, Nigeria should conduct an annual workshop for the IoD members on the benefits of ESG reporting. Fourth, the FRCN should provide for a copy of the whistleblower policy provisions in the USA's Dodd-Frank Act, Section 922 in the NCCG. This practice recommendation is aimed at addressing the corruption challenge which is a root cause of the evasion challenge.

This will provide an opportunity for employees of companies in Nigeria to report any unethical conduct of the board of directors to the FRCN without fear of intimidation or victimization. This recommendation is likely to enhance company performance through better corporate governance. The USA has implemented this recommendation and has achieved a tremendous improvement in corporate governance[130]. The FRCN should conduct a yearly audit to monitor the implementation of this recommendation. Furthermore, to make this recommendation realistic, the FRCN should create a whistle-blower unit in the national corporate governance oversight committee. The unit should have an anonymous hotline where employees of companies in Nigeria can report any unethical conduct of the board of directors. The unit should have a budget which should be provided for in the FRCN's annual budget. Fifth, the FRCN should make the diversity provisions of Principle 2 of the NCCG compulsory for all public interest entities in Nigeria. This policy

[130]A Ntim, B Lindop and D Thomas, 'Corporate Governance and Sustainability Reporting in Africa' (2013) 21(3) *Corporate Governance International Review* 227, 233–239.

recommendation will address the cultural challenge which is a root cause of the evasion challenge. The Principle should provide that at least 30 per cent of the board of directors of a public interest entity in Nigeria should be women[131]. Furthermore, the board of directors of a public interest entity in Nigeria should comprise people with different skills.

This policy recommendation will address the digital challenge which is a root cause of the evasion challenge. The USA's Securities and Exchange Commission cyber security disclosure requirement should be introduced in the NCCG. The provision should provide that all public interest entities in Nigeria should conduct a yearly cyber security audit. This recommendation is likely to enhance company performance through better risk management. The USA has implemented this recommendation and has recorded a tremendous improvement in risk management.

To make this recommendation realistic, the FRCN should partner with the National Information Technology Development Agency (NITDA) to conduct a yearly cyber security audit for all public interest entities in Nigeria. Seventh, the National Assembly should amend Section 303 of the CAMA 2020 to reduce the cost of instituting a derivative action in Nigeria[132]. The section should introduce class action into the law. This policy recommendation will address the enforcement challenge which is a root cause of the evasion challenge, as seen in cases like Longe v. First Bank. The cost of instituting a derivative action should be reduced by introducing class action. The FRCN should create a governance fund to assist shareholders of public interest entities in Nigeria who cannot institute a derivative action due to the high cost.

[131] M Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, Oxford University Press 2019) 249–258.

[132] E N Nwafor, 'Fintech Regulation and Corporate Governance Challenges in Nigeria' (2023) 14(1) *Nigerian Journal of Commercial and Industrial Law* 88, 95–100.

The USA has implemented this recommendation and has recorded a tremendous improvement in enforcement. The Shareholders Association of Nigeria should conduct an annual workshop for its members on the benefits of class action. Eighth, the Federal Government of Nigeria should increase the human and financial resources of the FRCN. The FRCN should conduct an annual risk-based monitoring of at least 80 per cent of all public interest entities in Nigeria[133]. This practice recommendation will address the resource challenge which is a root cause of the evasion challenge[134]. This will enhance company performance through better monitoring and sanction. The FRCN should enter into a Memorandum of Understanding with some international organizations to assist the FRCN in building its capacity. Ninth, the FRCN should amend the NCCG to make it compulsory for all directors of public interest entities in Nigeria to undergo a yearly corporate governance training conducted by the IoD.

This practice recommendation will address the awareness challenge which is a root cause of the evasion challenge. This will create awareness amongst the directors of the benefits of corporate governance best practices. The FRCN should create a corporate governance portal where all directors of public interest entities in Nigeria can submit their corporate governance certificate of attendance[135]. Tenth, the FRCN should conduct a biennial review of the NCCG. The review should involve all stakeholders. This practice recommendation will address the review challenge which is a root cause of the evasion challenge. This will make the NCCG dynamic to meet the needs of all stakeholders. To make this recommendation realistic, the FRCN should create a national

[133]A O Yusuf, 'Derivative Actions and Minority Shareholder Protection under CAMA 2020' (2022) 13(2) *Nigerian Journal of Commercial Law* 44, 51–58.
[134]O A Fagbayibo, 'Corporate Governance Enforcement in Nigeria: Challenges and Prospects' (2020) 11(2) *Nigerian Journal of Commercial Law* 55, 63–67.
[135]R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman Publishing 1984).

corporate governance consultative committee which should conduct the biennial review[136]. The committee should comprise all stakeholders.

5.3 Conclusion

In concluding this study on the Nigerian National Code of Corporate Governance 2018 and its influence on company performance in Nigeria, it is evident that the code represents a significant stride toward institutionalizing robust governance practices that foster transparency, accountability, and sustainable growth. The research has meticulously examined the code's application within the legal framework of CAMA 2020 and the institutional role of the FRCN, identifying both its strengths in promoting ethical leadership and stakeholder engagement, as well as persistent challenges in enforcement and compliance that hinder optimal corporate outcomes.

Through a doctrinal lens, the findings underscore that while the NCCG's principle-based approach offers flexibility, its effectiveness is curtailed by regulatory fragmentation, corruption, and cultural barriers, leading to uneven performance across sectors. The comparative analysis with the UK, USA, and South Africa illuminates pathways for reform, emphasizing the need for mandatory elements, unified oversight, and enhanced stakeholder protections to elevate Nigeria's governance standards. Recommendations proposed, such as statutory integration and ESG mandates, provide actionable strategies to bridge these gaps, ultimately aiming to enhance financial metrics like ROA and ROE while attracting foreign investment[137]. This study reaffirms the intrinsic link between sound governance and superior company performance, urging policymakers, regulators, and corporate leaders to prioritize reforms for Nigeria's economic resilience. As the nation navigates

[136] A Keay, *The Enlightened Shareholder Value Principle and Corporate Governance* (Routledge 2013) 165–172.
[137] M C Jensen and W H Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure' (1976) 3 *Journal of Financial Economics* 305.

global challenges, a strengthened NCCG could serve as a catalyst for ethical, inclusive, and prosperous corporate landscapes.

The legal framework's synergy between CAMA and NCCG, bolstered by FRCN's functions, offers a scaffold for performance, as compliant firms demonstrate resilience amid crises. Challenges in enforcement, from multiplicity to resource shortages, mirror global issues but are acute in Nigeria's context, where corruption erodes trust[138]. Comparatives show the UK's unified model yields consistency, the USA's prescriptions deter breaches, and South Africa's transformative focus addresses inequalitieslessons Nigeria can adapt for contextual relevance[139]. Recommendations, if heeded, promise a revitalized code that not only aligns interests but drives innovation and equity. In essence, effective governance is not merely regulatory but transformative, positioning Nigeria as a governance exemplar in Africa. This conclusion encapsulates the study's essence, affirming that with collective action, the NCCG can transcend its limitations to unlock unparalleled corporate potential.

[138]A Ntim, B Lindop and D Thomas, 'Corporate Governance and Sustainability Reporting in Africa' (2013) 21(3) *Corporate Governance International Review* 227, 233–239.
[139]OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 17–24.

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