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THE ENFORCEMENT OF CORPORATE GOVERNANCE PRACTICES ON NIGERIAN BANKS

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Copyright Statement

THE ENFORCEMENT OF CORPORATE GOVERNANCE PRACTICES ON NIGERIAN BANKS

By

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Dedication

Specially dedicated to the loving memory of my mother to who I remain eternally grateful for her wonderful upbringing, love, and prayers. And to my ever-loving father, for his love, support, commitment, and encouragement throughout this process. This is a little token of my appreciation for all you are and do for me.

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Author's Declaration

This is to confirm that this study was done with the guidelines of the University and the aim of this study is to shed light on an alternative Corporate Governance Enforcement Mechanism.

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List of Abbreviations

ANCOR	Anti-Corruption Revolution
BDC	Bureau de Change
BOFIA	Banks and other Financial Institutions Act
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
EFCC	Economic and Financial Crimes Commission
FOIA	Freedom of Information Act
FRC	Federal Reporting Council
FRCN	Financial Reporting Council of Nigeria
ICPC	Independent Corrupt Practices Commission
IMF	International Monetary Fund
MPC	Monetary Policy Committee
NDIC	Nigeria Deposit Insurance Corporation
OECD	Organisation for Economic Co-operation and Development
SEC	Securities and Exchange Commission

ABSTRACT

In taking Nigeria's peculiar institutional composition into careful consideration, this thesis aims at critically evaluating the Nigerian Corporate Governance Regulatory system which is enveloped with systemic corporate corruption and to analyze how regulatory policy responses can be carefully formulated to ensure sound corporate governance practices and to prevent any banking failures. This thesis will investigate the various problems to an effective corporate governance regulation in the Nigerian Banking sector with suggestions on how to ensure better corporate governance regulation and enforcement. This will involve an investigation into the role of government in the enforcement of corporate governance practices in the Nigerian Banking sector. This thesis will also investigate the corporate governance practices to understand how they could hinder the enforcement of corporate governance practices in the Nigerian Banking sector and to also develop a theoretical framework to expatiate governmental involvement in the world and relate it to the corporate governance enforcement in the Nigerian banking sector.

Furthermore, this thesis will analyze the various regulatory reforms in the banking sector in Nigeria to ascertain its significance to an effective corporate governance regulation in the Nigerian Banking sector.

Design/Methodology

This thesis employed exploratory research in an interpretative methodology concept to elucidate and provide a comprehensive account of the corporate governance practice and regulation in the Nigerian Banking Sector. This thesis employs the mixed method collection methods such as in-depth interviews and focus groups method to conduct a survey of corporate governance professionals in the academic sector, in practice (countries, management(banks), industries and professional accounting bodies and economic bodies) and the Nigerian banking sector.

Findings

This study has provided evidence to the notion that a country's institutional structure and arrangement has an influence on its model and style of corporate governance practice and regulation. In order words, the structure of the country in the case of Nigeria(corruption) mirrors the corporate governance regulations. It therefore suggests that the inseparable constituents of the country could either facilitate the progress of the regulatory mechanism or impede the implementation of effective corporate governance regulation. This thesis therefore

argues that more governmental involvement is very much needed in the corporate governance regulation of Nigerian banks.

Contributions

This thesis is adding to the limited studies on the role of government in the enforcement of corporate governance regulation within the Nigerian banking sector with a theoretical framework to illustrate the process of operation. This thesis further stresses the need for countries to fashion out corporate governance regulations that considers the peculiar challenges of the country while ensuring that they are generally in line with accepted corporate governance practices. This research analyses the Nigerian banking sector with its peculiarities with reference to its challenges that is a microcosm of its distinct socio-political and environmental settings.

This research contributes to the institutional theory in government role in ensuring corporate governance. It furthers it by introducing the coercive isomorphism in showcasing how government can use a level of force to ensure that corporate governance regulations are practiced. The methodological contribution uses the exploratory form of research methodology to view the whole banking sector and therefore able to analyze and see the various facets on the Nigerian banking sector. The research has put to bed the notion of one size fits all within the international best practices in corporate governance. Therefore, the practical contribution for the Nigerian baking sector is to make corporate governance policies that considers the peculiar challenges of the sector.

This thesis employed the coercive isomorphism of institutional theory to draw up a theoretical framework which is the major contribution in the research to show the role and nature by which government can be involved in the enforcement of corporate governance practices in Nigerian banks. Detailed illustration is in the theoretical framework chapter illustrating how the legitimacy authority is given and how to get regulators and banks to comply with the guidelines of the corporate governance principles.

CHAPTER 1: INTRODUCTION

1.1 Background of the Research

The Banking crises that came after the 2009 economic meltdown across the world has ensured that good corporate governance is promoted across the globe. This period led to more focus on the corporate governance regulation with the creation of laws and codes to guide the conduct of corporations and the banking sector while some other countries were driven to strengthen and revise existing regulations to ensure better protection *(La Porta et al., 2002; Berger et al., 2005).*

Furthermore, debates surrounding the effectiveness of corporate governance regulation around the world led to a push for better regulation and set out punishment for corporate offenders. This was widely supported by the research of *Proimos (2005),* when he argued that sound regulation is only possible if there is a definite governance regulatory framework with set out requirement that are monitored by the law and stringent penalties attached to defaulters to combat corporate collapses. This therefore highlights the role and the importance of government in the enforcement of corporate governance practices.

This debate led to the variance between rules based corporate governance system as practiced in the United States of America and the principled based corporate governance system as practiced in the United Kingdom. The rule based and the principled based corporate governance principle do not always function exclusively of each other. There is therefore a need for a synergy between the legal requirements and the self-regulatory instruments which indicates that self-regulation is only possible where there is a sound institutional platform in existence.

To ensure that there is sound and effective corporate governance practices, there must be sound institutions that are to enforce the requirements as set out by the organs of government *(Adegbite, 2012)*. This has led calls for the involvement of government in the enforcement of corporate governance practices and to restore public confidence in both the financial markets and the institutions given the peculiar nature of the Nigerian banking sector (Adegbite et al., 2011). This is in line with the ROSC (2004), report that Nigeria amongst a few challenges with relations to corporate governance practices, is the institutional weaknesses in regulation, enforcement, and compliance.

There needs to be a synergy between the legal requirements and the self-regulatory instruments of the corporate governance practices which is highlighted by Wymeersch (2005) when he stated that the efficiency of self-regulation and the enforcement techniques are directly dependent on the pronounced legal nature of the corporate governance codes. He also noted

that whilst it is important for a synergy between the components, the feasibility of this occurring is not great as it varies from country to country largely down to the legal system of each host nation. This therefore posits that countries are best served by formulating corporate governance practices and regulations to suit their specific challenges which includes their ethical environment and their socio-political and economic environment. It should be highlighted here that corporate governance regulation in developing countries will differ in various ways such as their ideologies, concerns, robustness and of course the necessity.
This research will throw more light on the importance of corporate governance in the Nigerian sector while expatiating on the corporate governance challenges faced by Nigeria.

A critical evaluation of the Nigerian banking sector will uncover the regular regulatory challenges faced by the enforcement bodies which some academicians have argued has some of its roots in the neoliberalism adopted in Africa.
Therefore, the researcher is adducing a more governmental involvement in corporate governance rather than a relaxation of the barriers to entry for foreign investors in the banking sector. In trying to analyze these issues, this study attempts to shed light on the banking sector issues and the regulatory responses to the various corporate scandals. Knowing the importance of the banking sector in the Nigerian economy, the discussions here will aim to provide an understanding of the corporate governance regulatory model in the Nigerian banking sector and the enforcement agencies and to put forward ways to promote good corporate governance regulations. It is therefore vital to know that there is hardly any sector of the economy that has not suffered the consequences of a lack of good corporate governance practices.
According to Sanusi (2016), the banking sector has posed the most worrisome consequence because it was the worst hit sector since the 1990s and between 1990 and 1996, the financial condition of the banks in Nigeria was critical.

Corporate collapses may have occurred due to specific circumstances attached to each country's government & regulatory policies, goals, and financial capabilities as the case in Nigeria. The common reason is centered on the following: failure to adopt effective government regulations that have resulted in inefficient business decisions (Kariyawasam, 2011).

According to the World Bank (2014) research on 60 developing nations also identified a lack of transparency, disclosure, and corruption among firms in developing countries as the single greatest impediment to economic development in developing countries such as Nigeria.

Role of Corporate Governance in the Banking Sector

The way corporate governance works within the banking sector is quite different from other sectors due to its pivotal role as an economic instrument in a nation. Largely, the research on corporate governance has been centered on the shareholder model and the stakeholder model theory *(Jensen and Meckling, 1976).* However, it is difficult to look at the banking sector from the lens of only an agency theory due to its needs and challenges that comes with the sector *(Arun and Turner, 2004).*

This is evident with regards to the other players who are also risk bearers in the banking sector such as the depositors and the government which means there needs to be a larger perspective in theorizing corporate governance to include all its peculiarities and operations *(Macey and O'Hara, 2003).*

1.2 Research Problem

There has been so much clamor from academician such as (Alo, 2003; Wilson, 2006; Dabor and Adeyemi, 2009; Roe 2003; Ahmed 2007; Olusa, 2007), for the reform of corporate governance regulatory mechanisms in Nigeria. While these academicians have drawn attention to the weakness of the regulatory body as a reason for a reform, little has been done with regards to an in-depth research on the reason for the failure of enforcement.

This therefore leads to the research problem which is the focus of this research. There is a mismatch between corporate governance practices on theory and what is been practiced within the banks. This is the reason behind the reforms and the sharp practices that have enveloped the banking practices in Nigeria which is in contravention to laid down regulations within the banking sector.

According to Anya (2003), a lack of transparency has shrouded the way banking activities are conducted and have therefore contributed to the large volume of financial crimes in Nigeria. The banking sector was built on trust and fiduciary principles but has been replaced by manipulations and all forms of sharp practices. Some of these practices include the deliberate distortion of banking records to bury the correct and true statement of affairs in the banks. It is in such records that supervisory regulators pass the assessments on the bank's performance in terms of corporate governance affairs. Wrong information puts the regulatory body on the back foot and therefore handicapped by such cover up until the bank hits the lowest point of total collapse. Anya (2003), argues that the requirement of disclosure is flouted more often because the sanctions for such violations are inconsequential to the offences committed.

According to the assertion of Chukwudire (2004), the major problem of the Nigerian economic sector is directly or indirectly related to bad corporate governance. He further stresses here the influence of the human factor as a major driver to the bad corporate governance. Reference is further made here to the membership of the board of banks and their reluctance to discharge their responsibilities in complying with the legal requirements and regulatory standards as enshrined in the corporate governance regulations in the banking sector.

According to Yahaya (1998), banking operations in Nigeria are not conducted with high ethical standards with high insider abuse which is responsible for weakening the internal and external regulatory system. There is an argument that the culture of Institutionalized corruption and political patronage (Sanusi, 2006) is to blame.

Furthermore, to the assertion by the Central Bank of Nigeria head in 2006, the ROSC (2004) reiterated that the challenges with the practice of corporate governance in Nigeria lies in institutional weakness, poor levels of compliance, lack of enforcement, transparency, political interference, and corruption. These are the reasons behind the poor corporate governance practices in the Nigerian banking sector and forms the crux of the research problem of this thesis which lies on a mismatch between laid down principles of corporate governance in Nigeria and the reality of practice as experienced in the Nigerian banking sector. These issues will be analysed extensively in this research to ascertain their importance to the enforcement of corporate governance practices in the Nigerian banking sector.

This was echoed by Jakada & Inusa (2004), in their assertion that the general problem of the Nigerian banking sector is the inability of the regulatory body that includes the CBN in enforcing the policies that will compel the banks to obey the already established codes of corporate governance. It is argued that the inappropriate professional behaviors of the leadership of the banks have led to irregular compliance with the laid down corporate governance regulations (Adewale, 2014).

While there has been research on the challenges facing the regulatory bodies, the Nigerian political structure is intertwined with the leadership structure of the regulatory bodies and therefore get their powers to enforce by the legitimization of the political/government structure (Nwagbara, 2012; Shehata, 2015; Zuckweiler et al., 2016). Therefore, this qualitative exploratory research will be analyzing the role of government in the enforcement of corporate governance in the Nigerian banking sector to ensure that practices is in the line with theory in the corporate governance regulations.

1.3 Research Aim and Objective

The aim of this research is to investigate the role of government in the enforcement of corporate governance practices within the Nigerian banks. In achieving this, the research will be investigating the capacity of the regulators and suitability of the corporate governance code in Nigeria.

The whole research is centered on trying to investigate and come up with user-friendly answers to this question, what is the role of government in the corporate governance of Nigerian Banks?

The objectives of the study are to;

(i.) Investigate corporate governance practices in the bank that hinder the enforcement of corporate governance.

(ii.) To develop a theoretical framework to understand governmental involvement in corporate governance practices of Nigerian banks.

In summary, the objective of this study is drawn from the assertion that the corporate governance principles to order the practice of the Nigerian banking sector is different from the practice within the banks.

1.4 Research Question

According to (Denzin & Lincoln, 2011) Research question is seen as the lens that helps usher the researcher in providing sufficient meaning to the research. This is used as a guide for the research during the data collection process, analysis, and the interpretation of the findings.

These research questions represent the research objective and is therefore divided into 4 to represent fully the research objective.

1. Are the laws or corporate governance codes enforceable or amiable to compliance?

2. To what extent are banks accountable for the failure of Corporate Governance practices?

3. What is the role of government in conflict resolution in the Banking sector?

4. What is the capacity of the Regulators?

The first and second research question of “Are the laws or corporate governance codes really enforceable or amiable to compliance and to what extent are banks accountable for the failure of corporate governance practices are coined from the first research objective that involves Investigating corporate governance practices in the bank that hinder the enforcement of corporate governance.

The second research objective that is focused on developing a theoretical framework to understand governmental involvement in corporate governance practices of Nigerian banks. The third research question that includes what the role of government is in conflict resolution in the banking sector. And finally, the fourth research question peruses the capacity of the regulators. The third and fourth research questions are coined from the last research objective to understand and develop a theoretical framework to highlight how the government can get involved in the corporate governance practice in the Nigerian banking sector.

1.5 Relevance of the Research

There has been much clamor from academician such as (Alo, 2003; Wilson, 2006; Dabor and Adeyemi, 2009; Roe 2003; Ahmed 2007; Olusa, 2007; Adegbite, 2012) calling for the reform of corporate governance regulatory mechanisms in Nigeria. While these academicians have drawn attention to the weakness of the regulatory body as a reason for a reform, little has been done in terms of the in-depth reason for the failure of enforcement. Furthermore, in the light of a lack of enforcement, this research is examining the role of government in the enforcement of regulation on the Nigerian banking sector to combat a dearth of literature in a governmental involvement in the corporate governance enforcement. There is an argument that the culture of Institutionalized corruption and political patronage (Sanusi; 2006) is to blame.

According to Anya (2003), a lack of transparency has shrouded the way banking activities are conducted and have therefore contributed to the large volume of financial crimes in Nigeria. The banking sector was built on trust and fiduciary principles but has been replaced by manipulations and all forms of sharp practices. Some of these practices include the deliberate distortion of banking records to bury the correct and true statement of affairs in the banks. It is in such records that supervisory regulators pass the assessment on the bank's performance in terms of corporate governance affairs. Wrong information puts the regulatory body on the back foot and thereafter handicapped by such cover up until the bank hits the lowest point of total collapse. Anya (2004) argues that the requirement of disclosure is flouted more often so that the sanctions for such violations are inconsequential to the offences committed.

Recent research by the Central Bank of Nigeria (CBN) has pointed out that there is a culture of "institutional corruption" within the banking industry which therefore poses a challenge for the regulatory body of CBN in charge of enforcing the codes or even coming down on offenders with sanctions. This argument was also supported by Ayodele; (2011), in stating that some of the challenges of corporate governance reforms in Nigeria stem from the country's culture of institutionalized corruption and political patronage which is characterized by weak regulatory frameworks and the refusal of government agencies to enforce and monitor compliance.

However, Ayodele (2011) challenges the reform stating that this seems very much as the researcher going far forward without investigating the reasons behind regulatory values. There has to be a reason why the enforcement agencies cannot function very well before finding challenges to the reform. It could also be argued that his assertions are reasons for the failure of enforcement rather than a challenge of reform. Furthermore, Ayodele (2011) argues that the institutionalized corruption is so entrenched that law enforcement is done alongside a culture of political patronage. The politicians siphon public funds and launder them through the corporations and use their political influence to prevent the law enforcement agencies from investigating their cronies (Dike, 2005; Bakre, 2007; Yinusa and Adeoye, 2006).

The regulatory challenges that have been highlighted in the enforcement of corporate governance in the Nigerian banking sector calls for an examination of the role of government and the regulatory agencies. Furthermore, it points towards a strong governmental involvement in the enforcement of corporate governance policies in the banking sector.

Furthermore, this research would be adding knowledge to the topic by using a theory to show how government can be involved in the enforcement of corporate governance in the Nigerian banking sector. The Institutional theory to be precise the Coercive Isomorphism theory will be used to analyze how the government can promote good corporate governance in the banking sector in a regularity environment that is characterized by weak institutions and lack of enforcement.

1.6 Structure of the Research

The first chapter of this research is the introductory chapter that gives a background of the research, the research problem that led to the research, the aim and objectives of this research, the research question that the thesis would attempt to answer and finally the relevance of the research. Subsequently, the next chapter is the Literature review section that analyses the various views of authors on corporate governance looking at the regulation, practice, and compliance.

Chapter 3 is an explanation of the methodology and the methods used in data collection to support research. The interpretive qualitative research methodology is used in this research with an exploratory research format making use of focus groups and interviews for the collection of data. The next chapter helps the research to be seen through the lenses of a specific theory. This theory is used to create a framework on how to analyze the data and to understand how the research would become feasible. The findings chapter looks at the data that has been collected and to analyze the research based on the response from participants. Chapter 6 is the discussion chapter that looks at the various points raised by the research to analyze and use it to support the literature. Finally, the last two chapters discuss the contribution and the limitations of the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

In trying to give certain assertions or answers to the research topic, the gap in the literature must be analyzed. This research will aim to bridge the gap in literature in the role of government in the enforcement of corporate governance in the Nigerian banking sector. Firstly, there is a common knowledge that the literature on corporate governance has noticeably treated the corporate scene as a common entity that is remarkably similar and therefore there has been limited attention paid to the various sectors. These sectors that have been neglected are vital to the philosophy and configuration of corporate governance regulation (Bokpin, 2013). Academicians have largely treated corporate governance as a whole and this is not the case as various countries have their own problems or issues independent of another nation/sector.

Secondly and most importantly there is a lack of sufficient literature on the role of government in the enforcement of corporate governance in the banking systems. Corporate governance is approached more as a solution to a perceived organizational problem and not as a planned logical study. This has therefore led to the literature been singular in nature and not collective as it should be (Murphy and Topyan, 2005; Adegbite, 2010). This is also the reason why there are so many definitions of corporate governance because it is used to suit a particular style or to answer a question.

Finally, the issue of corporate governance regulations in emerging countries and Sub-Saharan Africa is almost inconceivable (Arun and Turner, 2004). In trying to analyze these issues, this research will try to bring to light the banking sector issues and the regulatory responses to the various corporate scandals as an antecedent to investigating the role of the government in banking corporate governance regulation. Knowing the importance of the banking sector in the Nigerian economy, the discussions here will aim to provide an understanding of the corporate governance regulatory model in the Nigerian banking sector. The self-regulatory model and its challenges that have led to the question of the role of government in corporate governance will also be analyzed.

This research would shed more light and add to the ongoing debate on corporate governance regulation in banks (La Port et al., 2002; Berger et al., 2005; Bonin et al., 2005; Arun and Turner; 2004; Iannotta et al., 2007; Monks and Minnows, 2004) and the corporate governance literature in the Nigerian spectrum and more importantly in the Nigerian banks**.** The Paradigm of regulation of corporate governance has changed so much since the banking crisis, equipped with codes and laws to govern in some countries while some countries have been regular in amending existing regulations to absolve banking crises (La Porta et al., 2002; Berger et al., 2005). This period brought with it various issue of enforcement, more so the debate of going for either the soft law or the hard law.

According to Wymeersh (2005), Shareholders enforce codes through market mechanisms by employing their legal rights. However, in some lesser developed countries like Nigeria where shareholders are not made aware of their legal rights and there isn't enough checks and balances, enforcement is only but an unapprehensive term. The 2009 global economic recession that rocked the banking sector due to irresponsible risk-taking, poor management and corruption by leaders of the banks did little to show that the banking regulation reforms are working as planned. This led to the debate on how most developing nations like Nigeria would approach regulations to repair the bad corporate integrity without destroying free market principles that is the bedrock of capitalism (Coglianese et al., 2004).

Adegbite (2012), points out the debate within the regulatory channels to combat the poor enforcement within the banking sector when he argues that the encouragement of soft laws that is principled based and gives firms the ability to comply or explain is good for more developed nations that have stronger judicial system, but the developing/underdeveloped nations are on the other side of the debate and he says they need stricter regulations and punishment to corporate offenders.

Regulation has been discovered as a more effective alternative to the "over-liberated" freedom that has engulfed modern capitalism. This raises the question of what exactly the role of government in all of these is. According to Proimos (2005), there must be requirements that should be monitored effectively to ensure good corporate governance regulation. According to Adegbite (2011), one of the ways to prevent reoccurring corporate collapses and restore some public confidence is for the government to take up a more hands-on approach towards enforcement. The enforcement of corporate governance regulations has been poor due to many reasons including corruption, a weak judiciary, and enforcement agencies. All of which gives more strength to the cry for the government to become involved in the enforcement but be careful not to undermine the market flow and the regulatory bodies.

Much effort in recent years has been given to the formulation of ever more elaborate and robust rule of corporate governance. Most countries import legal texts and regulations from developed market economies in form of Codes of practice. This imported, or rather informal codes of practice are not a real reflection of the socio-economic levels of the countries and therefore does not fit in. This invariably raises the question of the universality of corporate governance codes called "One size fits all".

Subsequently, surveys have identified over 100 national corporate governance codes have been adopted by various organizations (Gregory, 2002 and 2015). These set of rules are remarkably similar even though the corporate governance practices differ substantially across countries (OECD, 2003). There are many concerns about the effectiveness of corporate governance rules in transition in developed countries. The copied codes of conduct are not adhered to and negligence of rules by firms are not been followed up by actions. The main bone of contention isn't the copied regulations but the area of enforcement of those copied codes. Countries are copying codes from other developed nations that not only have strong institutions and regulatory bodies but strong and impartial judiciary, which the Nigerian economic spectrum cannot boast of. Therefore, the regulations should be tailored to fit an individual country and the needs of a particular bank rather than a carpet regulation that doesn't look at the economic and literacy differences of the nations.

In great part, this is because codes are not being enforced and increasingly policymakers have realized that "enforcement much more than regulations" is the main problem in developing countries. The issue of agreement in enforcement extends beyond corporate governance as intimated by Nobel Laureate Douglass North (1991) when he argued that "how effectively agreements are enforced is the single most important determinant of economic performance".

This research is investigating the benefits of government involvement because it is seen that these could ensure better enforcement of the corporate governance principles. However, in as much as the researcher is clamoring for more governmental involvement, it is a very delicate issue because it will not eliminate everything and also it has to be measured so the government does not overstep their boundaries.

2.2 Corporate Governance of Banks in the World

The banking sector is at the center of criticism for their role in the financial crisis with reference to the weak nature of the governance been the main cause for the financial crisis (Kirkpatrick, 2009). This led to many countries setting up various committees to come up with measures to ensure that bank governance is effective. This led to the foundations of the 2012 UK governance code from the recommendation of Sir David Walker led committee tasked with finding measures to improve governance at the board level (Walker, 2009). Similar recommendations led to the Netherlands Banking code as agreed on by the bankers with guidelines and principles on the composition and expertise of members of the board, the assessment of their functions and their remuneration. The Netherlands code had its foundations principled on “Complementarity, independence, a collegial board and diversity as cornerstones for the supervisory board to perform their tasks effectively”.

There is a distinction between the corporate governance of banks and that of the non-financial institutions and these differences vary extensively. The corporate governance of non-financial institutions focuses on the size and composition of the board, the ownership structure, executive compensation, and the market for corporate control which is in variance to that of the banking sector that focuses on the regulation of the banks, the capital structure of banks (i.e., funding through deposits and high leverage) and the complexity and opacity of the banks structure and business. This therefore shows that the traditional corporate governance approach is not adequate since it neglects the foundations of the bank’s corporate governance and the interests of the other stakeholders.

2.3 Defining Key Terms

The issue of corporate governance is described along the lines of certain key elements such as a corporation, regulation and governance. A better understanding of corporate governance involves a good grasp of the various components of the key terms in the corporate governance practice.

2.3.1 Corporation

The corporation is defined along the lines of the regulation or its importance in the economic environment. According to Stenberg (2004), “a corporation means a separate legal individual that has its owners and determine its purposes and who is ultimately entitled to control it”. He goes on to state that the “shareholders in exchange of its capital contributed and its risk, benefit from the corporation profit by the way of share dividends/capital gains”.

However, Post et al. (2002,) state that “a corporation is an organisation involved in mobilising available resources for productive uses in order to create wealth and other benefits (and not to intentionally destroy wealth, cause harm or increase the risk) for its multiple constituents or stakeholders". The society plays a huge role in the definition of a corporation because of the responsibility placed on the corporation to conform to the societal norms and values of its host community in a corporate system (Post et al., 2002,).

The owners of corporations are the principal decision makers on how they want to run the corporation and what the corporation stands for. However, the corporation is under the jurisdiction of the society rules/laws.

2.3.2 Regulation

Majone (1993,) describes regulation from the political-economic perspective as a different system of economic organisation and the legal form which binds them. Furthermore, it is a legal instrument used by the government to ensure individuals and corporations conform to the societal responsibilities through sanctions and reprimands (Den Hartog, 2015). These measures involve the constant and focused control exercise through a government regulatory agency (Selznick, 2015).

In other words, regulation could be described as a legislative mandate over activities that are perceived as desirable to the society. In respect to the banking system, the peculiarities, and the importance of them in the society necessitated the drive to seek regulations that will ensure its protection such as corporate governance practices.

Regulations of an industry are subject to the knowledge gained in the industry in question to be able to cover the industry dictates, environmental demands, and economic demands through effective enforcement to arrive at a conclusive policy (Landis, 1966).

Regulations have been grouped into 3 main categories including social, financial, and economical due to the complexities of the society and the corporate activities (Ogus, 1994). Social regulation is seen as those that have a part to play in the daily interactions of human to have a sane society where individuals possess a level of responsible behaviours in the social sense such as environmental protection, consumer protection and health and safety (Ogus, 1994).

The financial regulation in the banking sector is seen as a body of specific rules or agreed on behaviour that has been imposed by government agencies or financial institutions, self-imposed by an understanding of the corporate system (Llewellyn, 1986). These regulations differ from countries due to the different organisational setting or most importantly their differences in circumstances. The application of the regulations also differs among countries due to many reasons such as institutional weakness as has been pointed out by researchers (Estache and Wren-Lewis, 2009). It is argued that institutional weakness in a country could derail the effort of optimal regulatory policies to compete with best international standard and as such, every country should implement specific and practicable regulations that reflect the needs of its economic environment. Developing countries issues range from an inability to implement regulations, lack of commitment, and lack of capacity of the regulations which are all well documented (Barth et al., 2004)

2.3.3 Governance

Governance has been defined in a variety of ways to suit organisational/individual demands or to pass a message across. The World Bank (1991) defines governance as "the exercise of authority, management, control or power of government. This definition suits the message the World Bank is trying to send across, but another describes it as an "effort to implement the study of good order and workable arrangements" (Williamson, 2005). He is illustrating good order being the spontaneous order in the market and the international demands whereas the workable arrangements refer to the various modes of the organisation.

These differences in description continue in research with Rosenau (1995), stipulating that governance is a system of rules that represent all levels of human activity that the pursuit of goals possess transnational repercussions. Whereas Rhodes (1996) views governance as being made up of “self-organising and inter-organisational networks characterised by resource exchange, rules of the game, a level of autonomy and interdependence.

Within an institution, governance is seen as a setting of rules, the application, and the enforcement (Feeny, 1993). In other words, governance is seen as the procedures or practices that institutions are expected to operate by. In summarising all descriptions, governance is seen as involving patterns of organisational interactions with too many inter-dependents actors across all facets of the society with a view to satisfying the collective human needs in a fast-growing complex environment (Kooiman, 2003).

It can therefore be argued that governance can be categorised across 3 main areas such as governance in a global sense which is above individual governments, governance in a national sense which is within the confines of a country and governance within an organisational/corporate scene which is within the confines of a board of directors (Mueller, 1992). It is, therefore, the combination of governance, regulation, and corporation that best describes corporate governance.

2.3.4 Corporate Governance

Corporate governance just like its components terms has been defined and redefined in various terms to suit an individual or corporations demands. It had been described as a structure or functioning of a corporate policy. However, various actors have used their discretion to define it in their own ways. Finance literature views it as a collective problem between investors and the reconciliation of conflict between various corporate claims holders (Becht et al., 2002).

Others have defined it as “concerned with regulations, supervision, and conduct of oversight of the corporations”. According to Monks and Minow (2008), corporate governance is seen as the relationship between all the participants tasked with determining the performance and direction of corporations. Keasey et al. (1997), has advocated for the addition of processes, structures, cultures and the system that are tasked with the effective operation of the corporation.

The corporate collapses over the years and more recently has necessitated the need to add certain elements to the definition of corporate governance such as regulations, codes of best international governance practices (Letza et al., 2004) with an emphasis on the responsibilities of various parties. Subsequently, the Cadbury Committee report (1992,) defines it as the system through which organisations are controlled and directed. Whereas, the OECD (1999), focused on the responsibility of the corporation and has what is termed a well-rounded definition when it states that it is the relationship and responsibility among the group consisting of board managers and shareholders and managers designed to ensure the best performance to achieve the organisation objectives. Furthermore, a more summative definition has it as the "whole set of regulatory, market, internal governance and stakeholder. In conclusion, there is not a wide disparity in the definition of corporate governance, however, there are different views in terms of theories to aid the application of corporate governance practices and principles (Klapper et al., 2005).

2.3.5 Corporate Governance Practices

Corporate governance practices have evolved over time and it has become clearer over the years that there is no conventional corporate governance practice that can be transferred to another economic environment. This is in support of the conclusion by Mueller (1996,), where he stated that there is no accepted theory of governance. He argues simply that the notion of "one size fits all" is flawed due to the differences in settings and conditions.

Sun and Letza (2002), argues that the upshot of Mueller's (1996,) declaration has led to a continuous debate on what corporate governance mechanism is universally accepted and has led to various organisations evolving their governance mechanisms to fit into their organisations, agencies according to their understanding of corporate governance. In order words, the corporate governance practices are influenced by a combination of the national institutional settings, legal policies, and its regulatory environment (Maassen, 1999).

This is evident in the German model, Japanese model and the Anglo-Saxon model (Franks & Mayer, 1992; Pape and Weimer, 1999). The historical and political settings of developing countries including Africa has a large part to play in the model to adopt.

2.4 Unique Nature of Banking

The extant literature argues that the supposed delicate nature of banking requires proper public protection of depositors/stakeholders from self-centered and opportunistic bank managers. According to Arun & Turner (2004), the supposed old and narrow approach to corporate governance gives the impression that is a mechanism by which the interests of shareholders are protected by the managers. However, history will show that the intrinsic desire of managers is not to act in the best interest of their shareholders but themselves according to the father of modern economics Adam Smith, (Henderson, 1986). This issue was compounded in the Anglo-Saxon economies with the evolution of the modern firm which created the deviation of ownership and control.

2.5 Developing Economies Deregulation of Banks

It has been observed/ argued for the need for governments in developing countries to provide some level of deposit insurance to safeguard the banks and its depositors. There is a strong case for the regulation of banks to ensure better corporate governance standards. However, in the past 20years, governments have moved away from using such economic regulations to now applying what is referred to as prudential regulations as a reform mechanism.

The term Prudential regulation means when banks hold enough capital that is proportionate to their risk, prompt warning systems, resolution schemes within the bank and banks supervision whether on site or off site. The overall aim of the prudential regulation is to act as a risk absorber for both financial stability and depositor’s protection. This is not to say that this regulation has been a huge success in developing countries hence the cries for a more effective way or a remodeling or strengthening of the already existing prudential regulation (Brownbridge, 2002).

The practicality of the above prudential supervision in developing countries is inconceivable or at best remains a dream for the following reasons. Firstly, the inconsiderably small number of equitable trained supervisors in developing countries to supervise the process. Secondly, it has been agreed that financial institutions (banks) in developing countries should raise enough capital to cover for their risk-taking higher than that of developed nations. However, this is not exactly the case as too many banks in developing countries find it hard to raise such a huge capital base. For instance, the case of Nigeria saw bank merging to raise huge capital and even some after the merger still had to be backed up financial by the Central Bank of Nigeria. Thirdly, the inability of supervisory boards/bodies to ensure banks follow the set our prudential systems or serve suitable penalties because of a lack of political independence. Following closely to this is the fact that prudential supervision relies on and works best with authentic prompt information which sadly isn’t the case in most developing countries. In most developing countries, there is a meagerness in information disclosure.

With all the above restrictions on developing countries, it is fair to say that until the liberalization of developing economies is followed up with a strengthening of the prudential supervisory system then good corporate governance will remain alien to the banking sector. There is a need for a quick implementation of a vigorous corporate governance system in developing countries to ensure the safety/protection of shareholders and the various stakeholders. However, according to Arun and Turner (2002), the introduction of good corporate governance in the bank in developing economies have been curtailed by weak information disclosure requirements, poor legal framework, and dominant owners.

It has also been argued that private banks in developing countries are reluctant to introduce corporate governance principles. This is illustrated by the example of India where it is surmised as the privileging of one interest group over the rest of a company (Banaji and Mody, 2001).

2.6 Corporate Governance of Banks in Developing Economies

As much as the concept of corporate governance in developing countries has received periodic attention from authors in literature (Oman, 2001; Lin, 2001; Malherbe and Segal, 2001; Goswami, 2001) but it is not the same with corporate governance of banks in developing countries as it has been almost ignored (Caprio and Levine, 2002). Among the few literature on the corporate governance of banks in developing countries is that of Macey and O'Hara, (2001).

The corporate governance of banks in developing nation is not a small issue for too many reasons. Firstly, the banks seat at a very dominant position in developing economies and are the engines of economic growth (King and Levine 1993a, b; Levine 1997). Secondly, even though banks provide a generally accepted means of payment, they are also the predominant depository for economic savings. Thirdly, due to the financial market been undeveloped in such countries, the bank becomes even more vital as a source of financing major organizations/firms. Finally, the liberalization in too many of these countries in areas such as privatizations/ disinvestment which reduces economic regulations. This has brought more freedom to bank managers and therefore corporate governance regulation/policies have to be taken seriously in such cases.

According to Jensen & Meckling (1976); Fama & Jensen (1983), the separation has ushered in an agency problem where the management run the organization in their own interest. This is the contrary to the arguments of the stakeholder theory of equal inclusion. As Arun & Turner (2004) puts it that it could create an avenue for managerial slacking and in more extreme situations complete expropriation.

Furthermore, a broader view of corporate governance that sees it as a way in which the financiers assert control over managers to ensure a respectable return on their investment was introduced (Shleifer and Vishnu, 1997; Vives, 2000; Oman, 2001).

Macey and O'hara (2001), argues that because of the delicate contractual obligations of the banking sector and the fact that a lot of depositors are not educated enough on the issue to know the true value of a bank's loan portfolio or even some of the credit systems, the broader view of corporate governance has to be applied here and governmental intervention to restrain the behavior of bank management. Furthermore, depositors really do not know the exact value of the loan portfolios because those information's are not easily made available to them and also very costly to reveal which makes the bank's loan portfolio fungible according to Bhattacharya et al, 1998,).Likewise, there is a vacuum in the use of voting rights vested on depositors as vehicles in influencing firm decisions because bank management does not inform them of their voting rights for selfish reasons.(Caprio and Levine, 2002).With this lack of information to the depositors, bank managers can now go ahead and invest in riskier assets that they are not meant to invest which makes deposits value vulnerable.

This has made more informed depositors to need a guarantee before depositing anything in a bank. These guarantees are provided in the form of deposit insurance (implicit/explicit) by the government and this provides are safe landing for depositors knowing that the burden has been placed firmly on the government. This, however, does not stop the carelessness (increased risk-taking) of bank managers because it even gives them more liberty because the burden is now firmly on the government. The government can make it difficult for this to happen by placing certain economic regulations like asset restrictions, interest rate caps, and separation of commercial bank activities from investment and insurance banks and capital reserve requirement. These regulations would reduce the abilities of bank managers to issue too many liabilities or even divert assets to higher risk investments. It is important to know that such governmental moves can be flawed by "political institutionalized corruption". The caveat with the government providing deposit insurance is that it will create an environment that reduces the necessity on banks to raise capital from large uninsured depositors that could exert corporate control (Capiro and Levine, 2002).

It is important to have a balance in this regulation to give the bank some level of autonomy to do its primary task without feeling handicapped. Some (Major) shareholders would ideally want the bank managers to take more risk that could be socially incorrect whereas government regulators prefer less risk about concerns about financial stability. In regards the shareholders, they could encourage risk-taking by employing incentive-compatible compensation schemes. However, the government regulatory bodies can dissuade such through directives on bank managers and a restriction on the issue of option grants to bank managers. Even as suggested by Caprio and Levine (2002), that regulators can base the capital requirements on banks based on the compensation policies that encourage risk-taking.

In addition, it has been argued that competition from product and services sector can substitute corporate governance mechanism in that Industry (Allen and Galle, 2000). However, the same argument cannot be used for the banking sector because of the information sensitivity and the delicate nature of banks where the competition is not as rife, therefore makes it more important for it to require a stronger corporate governance mechanism.

2.7 Corporate Governance Issues in Developing Countries

It has been shown quite clearly that there is a distinction between the corporate governance issues that developing countries face compared to the developed countries. Arguably, there is an argument that the absence/weakness of an enforcement environment in the developing/transition economy is culpable for the mishap and influences the most basic corporate governance components.

There is a huge issue of commitment that shrouds the work of an entrepreneur/manager seeking external finance. The investors question the choices of the manager in terms of project choice, return/increased returns, adequately disclosure of relevant information etc. In the absence of a sense of lack of commitment from the manager then the investors will immediately take up a default position that they will not get anything back on their investment. This invariably affects the investments the manager can get from external investors.

However, the whole essence of corporate governance is to mitigate and create a sense of safety against the commitment issues. And this was covered in the definition by Shleifer and Vishny (1997) when stressing that corporate governance serves as an assurance for investors getting a return on their investment. In addition, corporate governance does not only try to mitigate against commitment problem but also looks to balance the various rights and interest of stakeholders by having structures that can be used to resolve the issues that could arise with a conflict of interest. Firms try to introduce various mechanisms that appeal to investors in terms of safety.

Issues arise when an individual investor cannot police his investment properly because the incentives are not good enough, he, therefore, leaves enforcement in the hands of the manager or free rides on that of other investors. Another area is when there is an absence of regulatory mechanisms to punish and commit managers to do the right thing which is due to poor enforcement procedures within the organization.

2.8 Politics and the Economy of Banks Corporate Governance in Developing Countries

Developing countries are bedeviled with the issue of political intervention in the operation of their banks. Politics has become so attached to the banking sector that independence has become an issue and therefore has made corporate governance not grow at all. The political economy of the banks in developing country is riddled with corruption e.g., Nigeria banking sector. Areas to be analyzed in regards the political economy of banks in developing countries include ownership/control of banks by government, the barriers to foreign bank entry and finally the distribution cartels.

Governments' ownership/ vested interests in banks in developing countries has become something of a common feature (La Porta et al, 2002). There are several reasons why the government would want to own banks including for these and it includes supporting their interests in the bank and the distributional cartels, assisting in the developmental process and also solving the informational problems within developing countries (Arun and Turner, 2002). The credibility of the government will be called into question here on issues of conflict with the bank's management. However, if the government is credible and the political environment is stable then there would be little conflict as the deposits will be guaranteed and protected by the government. Nonetheless, in economies that have high government ownership, the prevailing corporate governance problem will be the conflict that brews between the government/taxpayers and the bank management/ bureaucrats that manage the bank's affairs. Bureaucrats that are given the opportunity to manage the government-owned banks may have different ideas and incentives that are not in line with that of taxpayers.

Subsequently, these bureaucrats could seek ways of advancing their political careers by addressing and aligning themselves with certain interest groups such as trade unions or any other political structures within the society (Shleifer and Vishny, 1997,). These bureaucrats are risk averse and therefore will not agree with taxpayers who seek to increase their returns. The government can mitigate this by giving the banks less autonomy and sometimes impose certain regulations such as appropriating some proportion of their assets to government securities and sectors that are especially important to the society. These bureaucrats can still engage in activities even with less autonomy through shirking or empire building. This can distort the primary operation of the bank in regards its strategies because they are all not singing from the same hymn sheet. On the one side, the bureaucrats have selfish motives like increasing their empire or even their political interest, on the other hand, the taxpayers are after more revenue and finally, the government wants the protection of taxpayers and there to make sure the bank doesn't collapse by ensuring good corporate governance principles are maintained. And this led to the declaration by the Basel Committee on Banking Supervision that "government ownership of a bank has the potential to alter the strategies and objectives of the bank as well as the internal structure of governance. Consequently, general principles of sound corporate governance are also beneficial to government-owned banks".

There are certain inefficiencies that come with government-owned banks like the lack of managerial incentives to motivate managers. It has resulted in the divesting of government ownership stake to the private sector by developing economies (Arun and Turner, 2002). The divestment of government-owned banks raises quite a lot of corporate governance issues that have to be analyzed carefully. The privatization of banks comes with an assurance from the government into regards deposit insurance schemes and adequate supervisory arrangements to protect depositors and prevent another financial burst. Consequently, when there is not a full divestment that will create opportunities for the expropriation of minority shareholders by the government for the benefit of the public (aiding fiscal problems). How then can minority shareholders be convinced by the government that there would not be any expropriation that would leave private owners out of pocket?

There is a case in India, where there was partial divestment but did little for the quality of corporate governance within the banking sector there (Arun and Turner, 2002). This led to reforms in the Indian banking sector to give the public sector banks more autonomy in deciding areas of business strategy, the opening of branches and introduction of new products (Muniappan, 2002). This did not change much because the government still had a large part to play in appointing members to the bank boards just like the case of Nigeria which also includes the sacking of board members. For the case of Nigeria, it raises the question of witch hunting or even politically motivated appointments which boil that to deep-rooted corruption within the banking sector. This made bank board members lose the autonomy they had because the bank is still following the directives issued by both the government and the central bank (AGCG, 2001). There was a point raised earlier during the literature review that in Nigeria, there has to be a balance between government involvement and the bank having a level of autonomy. But such has not been the case as the government regulatory bodies have almost taken the power from bank managers. Managers are meant to be given greater autonomy to act in the interest of all stakeholders with oversight from supervisory/regulatory bodies to make sure the work according to good principles of corporate governance.

It has been suggested by Stiglitiz (1999) that competition has been observed to be more important than ownership changes and it is argued that competition will afford managers with appropriate disciplinary mechanisms. The importance of competition has been highlighted but this has not altered things in developing countries including Nigeria. According to Barth et al, (2001), banking in developing economies is engulfed with government-imposed barriers to entry and restrictions on foreign banks. And they gave examples of where this has been recorded in Africa and it includes Botswana, Gambia, Lesotho, Rwanda, and Zambia. They also concluded by stating at the time that it is also the same case in developing Asian economies where foreign banks have not made enough inroads.

Claessens et al (2000), went on to stress that an entrance of foreign banks would eventually increase the level of efficiency in the developing economy banking sector. To support this argument is the fact that these foreign banks will bring with them their own management techniques, corporate governance mechanism and information technology that the domestic bank has to learn in order to compete (Peek and Rosengren, 2000). However, it has been argued that developing countries are adopting the corporate governance principles of the western countries. For the case of Nigeria, they got theirs from their colonies and at a time they foreign business were operating in Nigeria but functioning within a foreign law and practice so could not be prosecuted within Nigeria. Peek and Rosengren argue that (2000), developing countries realised that the "One size Fits all" approach was not working in Nigeria because the economic and social as well as the political structures were different and besides foreign banks are going to bring an unfavorable competition due to capital and should abide by the corporate governance principles of the host country.

Furthermore, the presence of a foreign bank could result in a stable banking system, empirical studies conducted by Demirguc-Kunt (1998) and Levine (1999) has shown that sheer presence of foreign banks reduces the likelihood of any financial banking crises and ensure the prudential soundness of banks. However, this is not always the case as it's from the more developed nations that the financial crises emanated from and therefore it affected the smaller developing countries that had an investment in these foreign banks. In essence, the reverse was what occurred. Foreign banks can bring stability into developing economies but then it is much safer to allow host countries banks to grow at the pace which is determined by the societal economic conditions of the country.

It could be right that foreign banks could improve the operation and in general have a positive impact on the developing countries banking system, but the governments in these developing natures are a little reluctant to allow this to happen because they will lose the autonomy, they had on these banks to affect the economy. Foreign banks are not affected as much as their domestic counterparts when there is an indirect government request (Stiglitz, 1994). This invariably leads bank managers in developing country to try to soften the impact of the government request by aligning themselves with political elite to gain business and political failure. Therefore, a presence of foreign banks can lead to an uneven balance of competition which could usher in corruption through lobbying or collude with political elites.

In conclusion, there is a strong argument that the presence of foreign banks in developing countries could undermine the abilities of the host government in using the banking sector to achieve good social, infrastructural, and economic objectives.

The Nigerian political scene determines the kinds of policies that are enacted to govern the economy of any nation. Nigeria as a country that was colonized by the British inadvertently mirrors a lot of its policies on its great colony. This is not only counterproductive because of the difference in economic growth and achievement but also the difference in the institutional sector are vast.

2.9 Governance Systems in Africa

It has been argued that the adoption of corporate governance before the eventual actualisation of the effectiveness and efficiency in Africa is at an early stage (Okeahalam and Akinboade, 2003). Africa is enveloped with corporate governance codes that are influenced by international bodies, developed countries and the OECD that have not been tested yet (Inyang, 2009).

However, there has been a concerted effort by various organisations to incorporate international best corporate governance practice through policy initiatives and international agencies into the African market where they do operate (D.H Scott, 2007). The argument by African countries is that an adoption of international best standards will aid Africa to build its investor confidence, rebuild customer trust, sustain the economic growth and above all rebuild its competitiveness.

It has been pointed out that the lack of proper research in the corporate governance principles that will soothe an African setting rather than an adoption of an international practice has been the reason for the constant failure in the corporate governance experienced across Africa (Inyang, 2009). Lynham et al., (2006), makes a valid point when they stated that Africa could only achieve good corporate governance standards with an establishment of regulatory and financial structures independent of each other and it is viewed that such improvement can only be reached with the concerted involvement of both social and political elements (Rossouw, 2005).

Considering the continuous failures of corporate governance mechanisms in Africa, there has been a continuous call for the development of an alternative corporate governance system that will encompass the socio-political and the economic environment of Africa taking into effect the nature of its legal and political system to ensure an enforcement and compliance.

Furthermore, the corporate governance codes and principles within the African scene has been not amiable to enforcement as the codes are either not robust enough or there is an apparent lack of a sound mechanism to do the enforcement (Okike, 2007; Wanyama et al., 2009).

This is a point that has been stressed by Shleifer and Vishny (1997,) when they concluded that "corporate governance systems in most countries ranging from the poor developing countries to those in transition economies to also the rich countries, lack some essential elements of a good system". Their postulation opined on the emphasis on drawing up a governance mechanism that works best for the country in practice rather than emulates what is obtainable in another country that most likely has a completed different spectrum.

CHAPTER 3: LITERATURE ON NIGERIA CORPORATE GOVERNANCE SCENE

3.1 Corporate Governance in Nigeria

This section will be describing the influence of corporate governance in the Nigerian banking sector, analysing the various corporate governance codes of the regulatory agencies that relate to the financial sector.

The Nigerian banking sector also witnessed its form of corporate governance talk during the 1990s when the Nigerian banking sector was involved in various financial scandals and illicit behaviours which clearly was attributed to the poor corporate governance practice. This led to the liquidation of many banks and a subsequent loss of investors' confidence in the banking operations.

Over the years many corporate governance codes have been introduced in the Nigerian banking sector. These codes the Nigerian code of best practice of 2003, which was enacted by the SEC, the corporate governance code for banks issued by the CBN in Nigeria after the consolidation of the banks in 2006 after raising the capitalization values.

The Nigerian corporate scene is dominated by informal practices and a high level of public-private relationship which poses a great challenge for the practice of corporate governance in the Nigerian banking sector. As a result of these challenges, the Nigerian financial regulators have come up with some codes of corporate governance over the years which will be discussed below.

3.1.1 Legislation

The main legislation in respect to the regulation of the Nigerian banking sector is the Banks and other Financial Institutions Act (BOFIA) and the CBN Act of 2007 that gives the supervisory and regulatory powers for banks and other financial institutions to the CBN. Some other legislation includes the Nigerian Deposit Insurance Corporation Act that is tasked with the responsibility of insuring all deposit liabilities for licenced banks. And also, the Foreign

Exchange (Monitoring and Miscellaneous Provisions) Act, which created the autonomous foreign exchange market and ensures the regulatory framework for foreign exchange transactions across Nigeria.

3.1.2 Regulators

The major regulator of the banking and the financial sector as has been mentioned above is the CBN (Central Bank of Nigeria). Some of its primary objectives include:

- Issuance of legal tender currency
- Ensuring and promoting a good financial system
- Advisory role to the federal government on economic and financial issues
- Ensuring stability in price and monetary policy
- Safeguarding of the value of the currency in the international market by ensuring and maintaining external reserves.

The CBN is saddled with the responsibility of granting licences to banks to operate and acts in a position of supervision and regulation of their operations. The CBN can perform this act by sanction or issue guidelines to operations. They are also in charge of monitoring the foreign exchange market and issuing guideline under that power. Furthermore, they possess the power to relieve banks management of their jobs in a situation of an anticipated bank failure and commandeer the operation of the bank.

3.1.3Corporate Affairs Commission (CAC)

The corporate affairs commission in accordance with the provisions of the Companies and Allied Matter Act possesses the regulatory power over all registered corporations in Nigeria including banks in areas that pattern to their statutory filings.

3.1.4The Financial Reporting Council of Nigeria (FRCN)

The financial reporting council of Nigeria came into force by the FRCN Act that gave it the power to ensure compliance with the laid down principles of the corporate governance, auditing, accounting, and financial standards of the Nigerian banking sector.

Furthermore, they are responsible for the development and publishing of the financial reporting standards for the preparation of financial statements for banks for the public interest.

3.1.5 Financial Services Regulations Co-ordinating Committee.

The financial services regulations co-ordinating committee was created to aid the coordination and supervision of all the financial institution with an aim to formulate the right strategies to promote a good, safe, and effective financial practices.

The membership of the Financial Services Regulations Co-ordinating Committee consists of:

- Governor of the CBN, who is the chair of the committee.
- The Registrar-General of CAC
- The managing director of NDIC
- A commissioner of Issuance
- Director – General of the SEC
- High ranking member of the Federal Ministry of finance

The auditors owe the society the responsibility of vetting the finances, operations, and the evaluation of the system of internal control of the banks to ensure they are in line with the standards set by the CBN.

3.1.6 The Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) was created in accordance with the provisions of the CBN Act to facilitate price stability and to ensure the right support for the economic policy of the feral arm of government. They are essentially tasked with the formulation of the monetary and credit policy of the Nigerian financial sector.

3.1.7 Licencing of Banks

The only body with the power to issue licences for the commencement of any banking operation is the CBN. Individuals are not authorised to carry out banking business unless it is a company with the rights of incorporation in Nigeria and holding a valid licence under the BOFIA Act. The following are the variations of banking licence issued which include merchant banking licence, commercial banking licence, specialised banking licence, Foreign Exchange Authorised Dealership licence etc.

- *Merchant Banking Licence:* The licence afforded the merchant banks gives them the liberty to provide special services like investment and wholesale banking services as enshrined by the guidelines of the CBN Scope. Here are some of the activities that merchant banks are permitted to do:

    - Provision of credit and finance facilities to non-retailing customers.
    - Coordination the issuance of securities in accordance with the provisions of BOFIA.
    - Provision of debt factoring services.
    - Ensuring custodial services
    - Dealing on foreign exchange matters

- Provision of consultancy and financial services in relation to corporate and investment matters
- Taking of deposits as allowed under the rules of the CBN.
- The provision of asset management features.

➢ *Commercial Banking Licence*: Licences here are given for regional, national, and international operations and gives the banks the authority to perform the following operations:

  - The provision of finance and credit facilities
  - In charge of retail banking and mortgage production
  - Help in maintaining current and savings account.
  - Provision of financial advisory role to the federal government
  - Help to deal with foreign exchange operations.

➢ *Specialised Licenced Banks*: These banks include mortgage banks, microfinance banks, development banks, non-interest bank.

➢ *Foreign Exchange Authorised Dealership Licence:* The issue of this licence is done by the CBN and allows the permit holder to operate in foreign currency and to make provision for foreign exchange services.

➢ *Certificate of Registration as Capital Market Operator:* This licence is issued by the Securities and Exchange Commission (SEC) and gives the holder the rights to operate within the Nigerian capital market and to engage in investment and security businesses.

Application Process

The application process for applying for a banking licence is in 2 major phases which are done simultaneously. The phases are in this line.

- *Application for approval in principle:* The application for a banking licence in principle is addressed to the director of the banking supervisory team in the CBN and must be submitted with the following things.
  - N500,000 non-refundable fee for application
  - The composition of the directors, shareholders, and the major principal officers of the banks
  - The Agreement of the shareholders
  - The approved deposit capital to the CBN with an evidence showing every shareholder has contributed.
  - A document that fits as a statement of intent by investors in the bank.
- *Application for approval for a final banking licence:* This is done no later than 6 months after the approval in principle. This is to be done by the management of the bank that should submit the application for granting a licence to the CBN director of banking supervision. Some of the documents needed in the application process include.
  - Certificate of the bank incorporation
  - A certificate of memorandum of association
  - A copy of CO2 Forms

- N5,000,000 non-refundable bank draft payable to CBN
- A necessary Bullion vans with the right security equipment's
- Evidence of a strong room that is equipped with a loading bay and has a banking hall place.
- A head office or branch building needed for oversight behaviours

Capital Requirement

- Regional commercial bank licence: N10 billion
- National commercial bank licence: N25billion
- Merchant bank licence: N15billion
- International bank licence: N50 billion

Every foreign applicant must have a company in Nigeria and must put in an application for a business permit with the Nigerian Investment Promotion Commission and obtain a banking licence.

3.1.8 Securities and Exchange Commission (SEC) Code

The need to promote and ensure good corporate governance practice in Nigerian, led to the SEC initiating a committee in 2003 tasked to produce a framework. This Atedo Peterside Committee produced the first code of best practice for the Nigerian public corporations. This code aimed to restore trust and to help regain some confidence lost in the eyes of the public. This code emphasised the various roles and responsibilities of the management and the board of directors, the audit committee and the right and privileges of the shareholder.

The legislation before the introduction of the SEC Code failed to address the lack of protection of shareholders from the effects of poor corporate governance. This was the Companies and

Allied Matters Act 2004 (CAMA, 2004). The SEC code in identifying and trying to fill the gap, set up a committee in 2008 to review the 2003 code to examine and tackle its weakness and to develop a better system for implementation.

The following were the responsibilities the committees were saddled with:

- Examine the practices in other countries with a holistic view to adopt and international best practice in Nigeria's corporate governance.
- The identification and advising of issues in relation to the promotion of good corporate governance practices for Nigerian public companies.
- The identification of the perceived weakness of the current corporate governance practice in Nigeria

The committee pinpointed the weakness of the current corporate governance code after a careful review and comparison to the best international standard. The committee was tasked with drawing up a revised draft code in 2011 which had the amendments to cover the weakness and mirror an international best practice for public companies. This code became law in the same year 2011 and what 5 major principles binding it which included: effectiveness, relation with shareholders, remuneration, leadership, and accountability.

3.1.9 Central Bank of Nigeria (CBN) Code

The financial disaster experienced by Nigeria, led to a recapitalization of the banks in 2004 to enhance services. This recapitalization was to ensure a stable financial system by increasing the banks capacity value to N25billion, which led to the reduction of the number of banks in Nigeria with some going bust and others merging to be able to raise the sum.

Furthermore, the CBN created the code of corporate governance for banks in 2006 post-consolidation to improve the operations of the banking sector. This code was to act as a guide as well as a support to the already existing policies in the banking sector and to also ensure that bank management is put through the accountability test.

This code emphasises the length of board membership, the composition of board membership, the fines and penalties associated with non-compliance and the role of the internal auditor of the bank.

FRCN Act 2011

The financial reporting council of Nigeria was created in 2011 to deal with the corporate governance reviews. This body is governed by a board that has a presiding control of the council with a chairman, representative of the Accounting Association, representative from CBN, Ministry of Finance, Commerce, Industries, Agriculture, Inland revenue, SEC, Nigerian stock exchange, pension commission, Institute of Estate surveyors, Corporate Affairs Commission amongst others.

This body is tasked with the responsibility of developing principles and practices of corporate governance to aid in the promotion of the best standards of corporate governance. They act as the head of all matters pertaining to corporate governance in Nigeria. Furthermore, the various legislations and regulatory bodies in connection with the Nigerian banking sector will be discussed.

3.2 Corporate Governance Enforcement

The recent spate of global economic crisis ushered in an apparent lack of confidence in the self-regulation of banks and this facilitated the debate on how governments across the world intend to engage with the corporate governance of banks.

In the aftermath of the Enron debacle, the model of corporate governance regulation changed with the introduction of laws and codes of conduct for corporate governance in some countries and there was a revision of existing regulations in many other countries (La Porta et al., 2002; Berger et al., 2005).

According to Wymeersch, (2005) the Enforcement of codes of corporate governance takes place through the market mechanisms such as when shareholders apply their legal rights in the firm. However, the massive investment in corporate governance introductions, as well as reforms, has made a little impact since the 2009 global economic recession. This is made evident by the subsequent turmoil within the banking/financial sector such as the unanswerable and care-free risk-taking by the leaders of these banks. These have therefore led to a debate on how best regulatory bodies across the world propose to repair the damaged corporate integrity without demolition the success of the "free market principle" that is the cornerstone of modern capitalism (Coglianese et al., 2004).

This was built on one of the free-market principles which is called the "Subsidiary Principle"- (Government authority must reside at the lowest feasible level. This, therefore, means that governmental involvement in the enforcement of corporate governance should be minimal because, in its argument, the banking/financial sector can handle such matter with their various disciplinary/ enforcement agencies. Contrastingly, there has not been any change in enforcement hence the push for more governmental involvement in the case of Nigeria.

This debate has two sides to the argument with one end in preference towards soft-law alternatives that is vastly principle-based and allows firms to voluntarily adhere to corporate governance codes. This is likened to the principle which arguably was first introduced by the UK of "Comply or Explain", the downside to this practice is that the cost of not complying is but a little salt in an ocean in the sense that it is way too small to usher real compliance. On the other hand, there is a more perceived need for an increase in regulations and punishment for corporate offenders by some academics (Adegbite et al, 2012). As a matter of urgency, regulation has now been a more effective alternative to the “over- liberated” freedom of neo-capitalism.

In conjunction with regulation comes the issue of the role of government in the enforcement of corporate governance in banks. To ensure adequate corporate governance operations, there has to be proper monitoring of those flouting the law (Proimos, 2005; Adegbite, 2012). Given the spate of global economic meltdown and the lack of confidence in the banking sector due to issues with transparency and corruption, more governmental intervention is thereby highly favoured as a major ingredient in restoring the faith and integrity in the banking sector. However, it has to be said that in as much as the role of government is highly recommend it must come with some caution so as not to completely dissolve the powers of the Banks. This is the motivation behind the research: “What role can the government play in the enforcement of corporate governance in Nigeria”?

The fall out of the bank failures has resulted in more efforts being devoted to the formulation of a more effective rule of corporate governance. This has led to many countries either strengthening their existing corporate laws or implementing new corporate governance codes that have been imported from developed countries like was the case with Nigeria. According to surveys by the OECD, organisations are now adopting national corporate governance codes in their rules/laws (Gregory, 2000 and 2001). On a closer look, you will discover that all these rules/laws/governance codes be it national, international or company specific are extremely similar.

However, there still exists a huge difference in the practice of corporate governance across organisations and countries (OECD, 2003). These are some of the issues that are in relation to the effectiveness of corporate governance practices amongst transition economies, developing economies and developed economies. This means in effect that the written rules are not adhered to which in great part has now been discovered that enforcement is the answer to this problem instead of bringing more regulations that will remain on books.

The problem of enforcement goes beyond having a set of written down (corporate governance codes) rules and regulations. This was buttressed by the statement of the Nobel Laureate Douglass North (1991) that states, "how effectively agreements are enforced are the single most important determinant of economic performance". In relation to corporate governance, his assertion is that without an enforcement of the corporate governance code there will not be a smooth operation. This assertion has quite rightly been supported by new research with the suggesting unanimous that enforcement of corporate governance codes is the main distinguishing difference between developing and developed countries/economies.

3.3 Enforcement of Corporate Governance in Nigerian Banks

The anxiety that has been experienced in the banking sector in Nigeria is quite understandable due to the vital place the banks are placed within the economic development of the country Nigeria. Nigeria as a nation has had unelected military elites as the heads of state and more recently by the political elites that ushered 15years of civilian rule (Adekoya, 2011). However, there are still indications that the civilian rulers still have some close links to their military elites. It is mindful to point out that the civilian regimes have not been all clean but been riddled with practices of institutionalized corruption (Adegbite, 2010a).

The embrace of democracy by the Nigerian nation was expected to bring with it the dividends of democracy in strengthening the political institutions, corporate governance practices within the country and ensure the strengthening of the regulatory institutions. Quite the opposite has been reported in the extant literature on the corporate governance practices in Nigeria by various researchers. Some of the concerns that have been raised concern the quality of the regulatory mechanisms (institutions), economic pillars and institutions and the political institutions (Afigbo, 1989; Bakre, 2007; Ouaro, 2006).

This has led to arguments that the permissive environment that should ensure the smooth running of corporate governance practices is not available due to a lack of durable networks, corruption and some other challenges that will be addressed.

Furthermore, researchers believe that the crisis that the banking sector has been battling is because of poor corporate governance practices witnessed in the financial sector. This is illustrated evidently by Chiejina (2009) when he argued that executives have abandoned the vital elements that make up good corporate governance principles such as integrity, honesty, trust, accountability, performance orientation and substituted it for a hunger for selfish/personal interest.

The result of poor corporate governance practices in the financial sector which was precipitated by the fact that self-regulation was ineffective led the SEC to revise the code to bring it in line with best international practices and to ensure effectiveness. However, the code was lacking in enforceability because it was persuasive in nature and it mirrors the UK/Commonwealth principle-based model of corporate governance which has proved to be ineffective in Nigeria due to compliance issues. The argument by many researchers is that Nigeria is best suited with the rule-based approach (hard law) because self-regulation which is akin to principle based (soft law) has not been successful. This research will examine the difference between the principle-based approach and the rule-based approach.

3.4 Rules-based Approach and Principles-based Approach to Corporate Governance

The principled based model of corporate governance is built on the premise that the corporate governance practices are persuasive in approach which in essence was created to encourage organizations to adopt this practice. In other words, they were not compelled to adhere to this practice. The principles-based approach is like “comply or explain” which has experienced so much success in the United Kingdom, South Africa, and Germany.

In contrast, this approach has not recorded any success in Nigeria due to the poor levels of transparency and disclosure which is a bigger issue in terms of corruption (Corruption Perception Index). This shows the level of compliance in Nigeria to corporate governance practices and disregard for the benefits of regulations. So, having a system that gives the flexibility of choice to a Nigerian is unlikely to serve the best interest of the nation. The role of regulators in this model is to inform investors of the entities of corporate governance before making an investment decision.

On the other hand, the rules-based approach which is also practiced in America requires that it is mandatory to adhere to the rules or face sanctions that are laid down according to the laws of corporate governance. The American dream started because of the corporate failures of Enron and WorldCom and some other that showed real lapses in the corporate governance regulation in America.

Hence the creation of the Sarbanes-Oxley Act of 2002 to strengthen the importance of corporate governance and this in effect made the regulator's watchdogs ensure adequate compliance with the laid down rules. The Nigerian SEC corporate governance code is built to mirror the UK code, but the administration is different. While the first responsibility of compliance is laid firmly at the feet of the Board of directors in Nigeria, the shareholders demand compliance with the code and then the SEC (regulators). The UK code lays firmly the first responsibility of compliance at the feet of shareholders and fosters an environment where shareholders are powerful and can even depress share prices when they dump stocks in reaction to poor corporate governance practices.

The Nigerian market is full of director-shareholders that buy up the power of shareholders and therefore are not compelled to serve the shareholders interest and also the very low levels of disclosure (Adegbite, 2010), has in essence made it difficult for shareholders to hold them to ransom as they are not afforded the information's or worse still are not knowledgeable enough of the running's on banking activities. On the side of enforcement of the corporate governance practices, the SEC that is given the task of enforcement is almost toothless and what it does is to inform them of the breach and show them to how to remedy the situation. Researchers have argued that the cost of not complying is less than nothing to culprits.

Furthermore, there is not any publication of companies that have lapsed or fallen short of some corporate scandals in Nigeria which could create an artificial standard of corporate governance practices in the banking sector. In addition, the Nigerian governance code requires that the companies show their level of compliance with the SEC but there is an issue with technical know-how on the part of the regulators and the secrecy of how the verification of compliance is done.

According to Teingo (2013), there is not a provision that allows the SEC to enforce compliance with the code which invariably leaves the code with a limited impact on the corporate governance regulation. The issue of enforcement needs more clarification or the presence of the government to take up the mantle and be the main voice because of the discrepancies in the codes. For instance, the codes say where there is a conflict then the stricter provision should prevail. This means the SEC code which is wider in scope than even the industry-specific code has been watered down and ineffective and in more pronounced terms lacks the mechanisms to ensure enforcement.

Hence there is a discussion by the Federal Reporting Council of Nigeria has embarked on creating a new code of corporate governance in Nigeria for both public and private firms. This new code will look to harmonise the already existing industry codes to iron out any differences and to become the main code for reference (Egbunike, 2005). This is code is referred to as the new "National Code of Corporate Governance for Nigeria: A New Dawn in Compliance," (Obinagwum, 2015).

Furthermore, the new code is to enhance credible economic activities in Nigeria to foster strong financial system and in essence protect investors (investments) and their assets (Thisday Nigeria December 2015, p.12). According to the Executive Secretary and Chief Executive Officer of FRC (Federal Reporting Council) Jim Obazee, the aim of this new code which will be in effect from June 2016 is to mitigate against corporate failures (Egbunike, 2005). He went on further stress that this new code is transiting from been persuasive to enforcement and regulation and he backs this up with this statement, "For us, in FRC we believe that only enforcement and regulation of the national code of corporate governance will lead to financial stability and sustained wealth creation". "We also can attest that the persuasive nature of existing codes of corporate governance accounted for the obstacles in implementing sustainable good corporate governance," (Obazee, 2015). From his statement, enforcement and regulation have been issues for corporate governance in Nigeria.

According to relevant literature, the lack of enforcement and regulation of corporate governance practices in Nigeria has been attributed to some socio-environmental and institutional challenges. This research will be analysing some the challenges that have made the enforcement of the corporate governance code to be effective.

3.5 Regulatory Framework and Challenges

Corruption was nurtured in the Military regime in Nigeria and now has become a major concern in the corporate governance affairs in Nigerian banks. Corruption within the banking sector was blamed for the collapse of financial institutions in the 1990s and this ushered in an age of transparency issues and loss of investor confidence (ROSC, 2004). The evidence that was got from the incidence was that of corrupt practices and dealings with bank managers and directors that were listed (ROSC, 2004). This subsequently led to another low in the already strained trust between banks and its customers and brought to fore the need to need to maintain good corporate governance principles to foster not only good customer relationship but also the nation (bank) economic viability.

With the need to protect private and government investments in the bank, there is a growing need for both the regulators and the government to step things up and ensure good corporate governance principles and rebuild trust. This is the reason for the various governance reforms in Nigeria (SEC Code of 2003 & 2006) and to attract foreign investors to Nigeria (Adegbite & Nakajima, 2011a). It is vital to note that due to the reforms, two Nigerian banks (Guaranty Trust Bank and Diamond Bank) were listed on the London Stock Exchange (LSE) and another company Oando (an oil company) also became listed on the South African Stock Exchange (Johannesburg Stock Exchange-JSE).

The CBN was established by the CBN Act of 1958, is the one body that is the main regulator of banks and other financial institutions in Nigeria. However, there are other constituting bodies/Acts that assist in the task which includes Banks and other Financial Institutions (BOFIA), Nigeria Deposit Insurance Corporation (NDIC) and they all have Acts. The most recent of Acts is the CBN Act of 2207 which took the place of the 1991 Act is now the one that is used as a framework for the CBN operation. The CBN Act of 2007 stipulates that the CBN should be sovereign in the discharging of its duties. The CBN has been charged with maintaining both the growth and stability of the economy (CBN, 2008). BOFIA as a body conferred on the CBN the power to act on both banking and non-banking in financial institutions, matters relating to licencing, supervision, and management control, managing/setting capital requirements like it did in 2006, revocation of operating licences (CBN, 2008). On the other hand, the NDIC was initiated to ensure deposit liabilities of every licenced bank and financial institutions operating in Nigeria. That means they were the body that not only offered assistance but also gave assurances (guarantees) to depositors in regards their deposits/payment in case of a financial difficulty within the bank. So, in other words taking the heat from the banks (CBN, 2008). Besides all these the NDIC also assists in the formulation and implementation of banking policies with the CBN.

Some of the requirements of the bank are that they should get their audited financial statement approved by the CBN within 4 months of year-end before they can publish in any National newspapers. In addition, the auditors are required by law to report any breaches or irregularities to the CBN.

Irrespective of the power vested in the CBN, it has been ineffective in the regulation of financial institutions due to an apparent lack of sufficient capacity. Nmehielle and Nwauche (2014) pointed to something important. They argued that a major deterrent to the statutory standards of banks is that though this code exists, it does not guarantee that they would be enforced. The ROSC (2004) report showed that the rather usual outdated sanctions and reduced capacity undermine the effectiveness of the CBN in the enforcement of financial reporting requirements. The other thing that has been highlighted and was also highlighted by the report is the occasional conflict of views between the CBN and the Nigerian Stock Exchange (NSE) in approving the financial statement of banks. Furthermore, the SEC also suffered the same fate as it was unable to ensure proper enforcement and compliance monitoring (ROSC, 2004).

To combat for the ineffectiveness of the Central Bank of Nigeria (CBN) and the corporate governance regulation framework, the Security and Exchange Committee (SEC Code) of 2003 was revised and amended in 2011 to bring it in line with International best practices, standards, and current realities. It is wise to point out that the reason the CBN created its own peculiar Industry code to govern the corporate governance affairs within the banking sector is that they wanted to address specific areas that the SEC Code failed to align properly. In this new SEC Code, the various stakeholders had the opportunity to have inputs. According to Adegbite (2012), the stakeholders included private sector organisations, professional organisation, CBN, NDIC, and CAC. The provisions of the 2003 code were to persuade companies to comply since it was the first of such codes, however, the revised one for 2011 was preaching enforcement to show increased standards in accountability, transparency, and good corporate governance in public companies (Adegbite, 2012).

Moving on the corporate governance in the Nigerian banking sector which is rules-based unlike the SEC Code was pointed towards a principles-based approach. Furthermore, some of the challenges to corporate governance will be discussed below.

3.5.1 Poor Ethical Leadership

Poor/unethical leadership has been a major Achilles heel in curbing the tide of corruption and poor corporate governance in Nigeria. The common theme that runs through modern leadership theories is one that views leadership as something that connotes positive and ethical phenomenon. As Bolden (2007) & Clements (1999) tries to point out that leadership should not just be viewed from a positive standpoint. The concentration of leadership on just the positive side is referred to as “leadership myth” by Bolden (2007) and also similar to the expression by Gemmill & Oakley as “an alienating social myth”.

More recently, there have been widespread instances of mistrust, lack of morals, unethical behaviors and in general corporate scandals that have rocked the banking sector. This has in fact been an issue with the leaders/leadership within these banks. This has therefore brought to light the negative side of leadership. Therefore, destructive, and egotistic leaders have crippled positive leadership and now causing damage and harm in organizations (Takala, 2010). A fix on the leadership would stem the tide of poor corporate governance in the banking sector.

The Nigerian banking scene needs thorough cleansing to rebuild some lost confidence, renew trust and the commitment of all stakeholders and establishing corporate governance as an ethical activity. This can be seen in McConvill's (2005) leadership model that he titled "positive corporate governance". He describes his leadership model as "a movement that views the behavior and motives of corporate participants (particular executives) in a positive light to recognize their personal strength and virtues and to promote the tangible implications that this positive perspective has for corporate governance. Positive corporate governance by adopting a positive view of executives and their role in the corporation is a useful umbrella term to unify under the one label emerging literature on real human behavior (behaviorism), trust and altruism".

Ethics in business is an overly sensitive topic because of the interpretations that are given to it to suit individual demands. Business ethics is closely related to positive/good corporate governance practices because they bought view organizational dealings/ leadership from a positive standpoint. Furthermore, the continued survival of any organization is dependent on a shared belief with the shareholders that there is an amount of trust, respect, and sound ethical behavior. An organization that lacks legitimacy or is unethical is viewed to be on a downward spiral.

According to Conger & Kanungo (1998) morality and integrity of corporate governance should be based on the following criteria:

- The subjective motive of the initiator
- The context that depicts the performance of the act
- The objective act itself.

Policies and laws remain as they are said or written unless a leader either enforces them or puts them into practice. Therefore, in relation to the leadership and good corporate governance models these variables below guard the above factors:

- The leader’s motive.
- The leader's character.
- The leader's strategies

It is argued by Kanungo & Mendonca (1996) that ethical leadership in a positive way is pro-people and magnanimous. Whereas when it is in a negative way, it is anti-people and greedy. It is therefore right to say that with a good ethical leadership in the Nigerian banking sector, there would be less pursuit of personal elevation, financial impudence, corruption, and other forms of banking failures. This is because with such a leadership style, the wellbeing of all stakeholders is important, and the leaders are therefore considerate as such.

Through leadership, the attitudes and behaviors of employees can be influenced directly which will could easily set to tone for the culture, norm, and ethical standpoint of the organization. As Grojean et al, (2004) put it that these could easily become the organizational ethics. Without good ethics and corporate governance, the survival of an organization is very slim. While it has been observed over time in the Nigerian banking sector that ethical leadership is a corollary to charismatic leadership, it is important to note that charismatic leadership can fade but ethical leadership sustains and become the pillar of an organization through its history (Goleman, Boyatzis & Mckee, 2002, p.44).

The Nigerian banking sector is, therefore, crying out for a reinvention of its corporate governance culture to eradicate the dark and unethical leadership that has gripped the banking practices. Accordingly, as stated by Inyang (2009, p. 9), “the challenges of corporate governance in Nigeria are quite enormous especially considering the development (that is the financial scandals) in the banking industry. Before the consolidation exercise of 2006, the Nigerian banks were weak with poor corporate governance and this invariably affected customer's confidence in banking operations.

There are two pieces of legislation with strong international implications that can be drawn into the case of Nigeria. This legislation comes from both the United States (1977 US Foreign Corrupt Practices Act (FCPA) and the United Kingdom (2010 UK Bribery Act). It has been observed that this legislation is feared by businesses because of its fearsome extraterritorial jurisdiction and a potential for overly aggressive interpretation.

The Nigerian Banking sector could do with some aggressive but without a witch-hunting agenda to correct and maintain some decency within the banking scene. The 2010 UK Bribery Act covers any organization that has an operation within the UK and can be prosecuted for any bribery related incident as an SFO official states it thus "In practice, a company registered anywhere in the world and having part of its business in the UK could be prosecuted for failing to prevent bribery on its behalf wherever in the world that bribe was paid". When you study such a pronouncement and the detriment of not adhering you realize that it could be used to curb corruption to a good level. And knowing the level of corruption in Nigeria then its indeed needed. This will make it difficult for banks to claim it was their member of staff but with such a law when once it favors you it is scrutinized immensely.

This was further explained by Robert Amaee a former head of the Serious Fraud Office (SFO's) anti-corruption team. He argues that the legislation has changed the rules of the game by his statement below:

"The new Act sweeps away this requirement and introduces a new corporation offence of failing to prevent bribery. This is a novel concept under English law and one which we are likely to see more of in the years to come. This he says makes a commercial organization criminally liable if one of its employees, agents or subsidiaries bribes another person intending to obtain or retain business or an advantage in the conduct of business for the company".

3.5.2 Lack of Capacity for Regulatory/Anti-corruption Agencies

With the sophistication of crimes both bureaucratic and corporate corruption aided by technology, it will be a failure to not arm the regulatory and anti-corruption agencies with the adequate tools the face the modernised corruption. These agencies should and must be regularly trained, properly funded, and backed to go against some of the most corrupt public officials. Such capacity gives them the power to function without fear or intimidation from any public official. Nigeria needs to catch up on the technological advancement and funding afforded such agencies in the western world.

3.5.3 Lack of Comprehensive Database

Nigeria still lags behind the more industrialised world in their quest for a better database to provide the most basic information on the citizens. An effective and efficient database puts pain to those who want to engage in corrupt practices because it is more challenging to conceal such information. A lack of comprehensive database cripples' investigations and makes it challenging to engage in an international collaborative investigation. With a comprehensive database that can trace and make things available with records of past criminal activities it not only serves as an evidence for prosecution but also as a deterrent to others.

3.5.4 Public Sector Reforms

It is on record by the EFCC that the public sector contributes about 70% of the corruption that is evident in Nigeria. In other developed nations, there is a constant reform of the public-sector institutions to achieve a corruption free country. The reform of the judiciary, civil service, and the legislature only helps to equip them with the tools to reduce the challenges of combating corruption in the country.

3.5.5 Loss of Confidence in the Banks

Before the intervention of the CBN in 2006 during the bank capitalization, the smaller banks were not involved in business deals because bigger banks refused to lend or leave funds in the banks and this filtered through to the nation creating a lack of confidence in the operation in the smaller banks. These banks even had more issues because industries refused to deal with them until they get guarantees from the apex bank which is the CBN.

3.5.6 Lack of Transparency

The lack of transparency in financial reporting has led to a complete erosion of accountability by the banks to their stakeholders. The transparency of the bank has been questioned too many times. The CBN attributed the financial crisis in the Nigerian banking sector to a lack of transparency in financial reporting. They accused the banks of concealing the true nature of the financial dealings. This showed the challenge with the soft rule of corporate governance where the banks had to comply or explain their course of action. A lack of transparency deprives the CBN of the right information to effectively supervise and evade any financial issues and ensure the bank remains stable. It also deprives the investors of the necessary information needed to make well-informed investment decisions.

3.5.7 Ineffective Judicial System

The judicial process for prosecuting debtors and high-end corrupt officials are either flawed or quite simply ineffective. The decisions of the judiciary are also delayed because the corrupt official could use unfair powers to delay the process and very often a delayed process almost certainly ends the debate/judicial process. This is a major challenge in prosecuting corrupt bank directors that have illicitly offered bad loans to their cronies and makes it impossible to recover the bad loans. A better understanding of the need for a quicker judicial process will aid the fight against corruption.

3.5.8 Inefficient Regulatory Framework

The apparent lack of coordination between the key regulatory agents within the financial system has been viewed as one of the key causes of the poor oversight in the banking system. There is also a lack of resources from the executive which will arm the regulatory agency with the capacity to discharge their duties effectively. The CBN over the years has done quite a lot to beef up the regulatory agency by strengthening cooperation and collaboration to ensure a better and sound and sustainable regulatory system. There is a consented effort by the CBN to ensure integrated approach which is holistic to help the regulatory agency. The CBN is also moving towards a risk-based approach rather than a self-regulatory compliance approach in addressing the banking system in Nigeria.

3.5.9 Impunity and Lack of Legal Capability

The effectiveness of the law enforcement is essential for governance and the orderliness of the society. The general feelings of the corruption fight are that the rules are usually convenient, and enforcement of such rules only happens to the less privilege and those that have been politically ostracized. Some of the reasons for such levels of impunity is the lopsided protection of the powerful by the armed forces, a non-existent enforcement system, non-existent institutions, ineffective prosecution team and quite simply an absent/biased judicial system. The flaws in the design of the institutions create a culture of political alignment to the federal government to steer clear of any form of prosecution from criminal activities. There is so much power vested in the centre which is the seat of the executive because nearly all reporting lines in law enforcement eventually arrive at the office of the President, State Governor, or the highest public office holder in the sector. It is fair to say here that a number of these office holders have questionable characters with little regard for political/social accountability and the law also provides them with immunity from prosecution while in office (Nigeria, 1999).

The accountability of any public institution begins from the political class and transmits to the other citizens, but the practice is not always the case as illustrated here. The financial institutional systems have most strategic executive members in the chain of command from the CBN Governor, to the Finance minister, Auditor General of the Federation, and the Senate Committee for oversight regulation who all sadly have political accountability issues. It is also pertinent at this point to mention that the Code of Conduct Bureau and Tribunal is also among the chain of command of the presidency likewise the main corruption regulator the EFCC. Furthermore, the prosecution of public financial offenders is headed by the Attorney General who usually doubles as the minister and commissioner of justice at the federal and state level as directly under the influence and control of the president and the state governor. In a country where it has been argued that the documented transactions are irrelevant, it is therefore easy for high volumes of corruption would thrive where there is as an informal and unbanked economy which invariably means money could be moved outside the financial service's intelligence. This is made even more possible in a society that is still being convinced on the dividends of banking technology. The Nigerian society is still deeply rooted in “cash in hand” even though the CBN has tried to enforce a cashless policy. During political campaigns, the norm is usually to move money in cash to illicit for votes which makes it difficult to trace and track who are the beneficiaries of any financial corruption.

The legislature whose primary responsibilities include lawmaking, oversight, and law appropriation as a check on the activities of the executive to ensure institutional accountability is devoid of any trust in the public to be an architect of anything good.

The economic liberalization ushered in by the civilian rule gave a different dimension to the scope of public office holders who stood a better chance of profiting from monopoly, political patronage, and a decent control of the regulatory organs. The EFFC chairman stated at the time that there was a lack of adequate laws to deal with the variety and skillfulness of the ruling corruption class (EFCC,2008).

She further went on the stress that it is for this reason that they have often gone overboard to catch all directors of mismanaged banks and financial institutions because the legislation is not robust enough for investigative capacity.

It is the view that the prosecution agencies make the mockery of the whole process by charging multiple and sometimes reckless charges on various individuals when the agencies do not have enough capacity to prosecute all these cases at the same time. The publication of these many charges on the newspapers makes it more a public announcement rather than a prosecution and, in most cases, the prosecution fails without prosecuting anyone. It is also fair to put out that some of the efforts of the prosecution agency are sometimes fruitful, but the corrupt public officials frustrate the legal process with delays, legal technicalities that are not evident in well-institutionalised countries.

3.6 Institutional Influences on Corporate Governance Practices in Nigeria

Nigeria as a nation is run by institutions and it is widely regarded that institutions are the only static whereas people come and go. This point has been buttressed by Bell (2012), where he argued that institutions will always be relevant and would affect how a country practices corporate governance.

In Nigeria, the institutions have a strong hold on power and can determine a lot of things. Hence why the one major principle of institutions that can put them in check if they do not comply with laid down rules and culture which is a free and fair election has been taken away from the public.

According to Keohane (2005), a free and fair democratic electoral process is a sure way of making a government accountable. In other words, in a country where a government is held accountable for a failure in society and rewarded for a success, the free and fair electoral process is what the society uses to keep governments in check.

The quality of an institution is used to judge the effectiveness of corporate governance regulations within the banking sector. Political stability and the lack of violence is one way to measure institutional quality. According to literature, this process is defined as "the perception of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means e.g., violence and terrorism motivated by politics" (Kaufmann, Mastruzzi & Kraay, 2004). The Nigerian political scene has been shrouded in fear of violence or a political torpedo to take over an interim government. This only goes to show that the institution has remained enveloped in the same path of institutional corruption because of the powers of the past administrations which makes it difficult for corporate governance to thrive. This statement is also backed up by literature according to Amenta & Ramsey (2010), where they argue that for corporate governance to thrive in any nation there must be stable government coupled with stable political institutions.

The government is the one tasked with not only making rules and regulations but also ensuring compliance with such rules and regulations. According to Caddy (2001), a democratically elected government is expected to ensure better corporate governance regulations and practices because of the burden of accountability placed on the shoulders of the various government functionaries and regulars. However, the case of Nigeria is slightly different because the punishment for a lack of accountability is not placed on the public but on the government. And literature has shown that there is an issue with institutionalised corruption and political patronage where regulators and government functionaries (personnel) are used to pursuing the political aim and personal preferences of a political figure (Adegbite, 2012). In essence, there is a direct connection with politics and regulation because some heads of the regulatory bodies are appointed by the politicians ushering in a conflict of interest and corruption.

3.7 Political Influences on Corporate Governance

Social peace is an antidote for nation productivity because an absence of this means less or no external investment. Investors are interested in banks that minimizes the chance of any conflicts that could affect the investment. This social peace has been achieved in various ways by many nations. These ways include corporate ownership structures, business organizations and also corporate governance structures. However, the ways of achieving this social peace vary across the nation and this accounts for the difference in corporate governance structures around the nations.

Politics plays a major part in the way firms are round around the world in terms of the owners, the rate of growth, profitability, capital investment, the relationship between managers and employees and finally the distribution of authority (Roe, 2003). Mark (2003), argues that separation of ownership from control accounts for the way the political environment affects the firm. He also argues that failing to scrutinize the political impact on a firm, will create an incomplete story. This section will focus mainly on the arguments put forward by Mark Roe (2003) in his publication titled "Political Determinants of Corporate Governance".

The economic landscape of the United States shows that diffusely owned firms dominate their firm structure. This is regardless of the ill effects of such structure with the frosty relations between stakeholders and managers which arises from a difference in interest been high on the agenda. In the corporate governance provision of America, trying to merge the interest/goals of the manager with that of the stakeholder has been high on the agenda.

However, this is not the case in other western economies where ownership structures are moving away from diffusion and aligning themselves with centralization. Analyzing the reason for such a difference in ownership structure will lead to the issue of politics or government stance/policy. Mark (2003) argues that the reason for the concentration structure of firms in western countries is because "managers and shareholders in public firms fray easily in common political environment as does their continental European social democracies". Before delving any deeper, the dictionary meaning of social democracy is a political movement that uses principles of democracy to change a capitalist country to a socialist one, a democratic welfare state that incorporates both capitalist and socialist practices.

3.8 Theories of Corporate Governance

The theory of corporate governance showcases different meanings of the terms based on the question/problem the organisation is trying to tackle. There is so much ambiguity in the words that are associated with corporate governance such as control, manage, regulate, governance and govern. The difference between these words/terms is to be resolved to get a unification of definitions in the study of corporate governance.

Corporate Governance has a far-reaching implication on a country in relation to the economic and social well-being by implementing performance measures and incentives to achieve business success. Furthermore, by ensuring that there are accountability and transparency within the organisation in this inverted sentence. Consider changing the verb to the plural is accountability and transparency within the organisation to make sure there is an equitable distribution of wealth created. The importance of the stability and equity of corporate governance in the society is encapsulated in the definition by Adrian Cadbury (2004), that "corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework encourages the efficient use of available resources and equally to require accountability for the stewardship of those resources. The overall aim is to align the interests of individuals, corporations, and society."

According to Tannenbaum (1962), control is "any process in which a person or group of persons or organisation of persons determines i.e., internationally affects what another person or group or organisation will do". These word in the definition indicates a case where there isn't a set standard of performance. Some other authors (Etzioni, 1965:650; Downs, 1967:144) made use of the word “control” in corporate governance to suggest meeting a set standard and the word “regulate” in suggesting a regulator whether the person is the manager or an external bureaucrat. These two words are most commonly used in corporate governance theories but the interpretation of these words are relative to the matter at hand. Governance could be described as a laid down system of regulation and control that inculcates the appointment of these regulators and controllers. For the Nigerian banking sector, these regulators or controllers could be enforcement agencies or even the bank itself which introduces the act of “self-regulation”.

Self-regulation, therefore, connotes a standard of performance that is established by the bank themselves (those been regulated). The bank is therefore in charge of its own governance (self-governance), they create the system or control and regulation that includes the appointment of the regulatory board.

The word “capital” has been utilised extensively in discussions of corporate governance. The “Corporate Governance Survey” by Shleifer and Vishny (1996), the word was used to show means of production, investment, credit or even finance (external). These illustrate that the meanings could vary with respect to the various motives of the various stakeholders. All these ambiguities in the word capital can be deduced by the changes in agency costs, risk & benefits. According to Shleifer and Vishny (1996), corporate governance is the assurance the suppliers of finance to corporations get as a return on their investment.

The evolvement of the corporate governance in the society is connected to the economic development of industrial capitalism. The various corporate governance structures are designed to either pursue new economic opportunities or dissolve new economic issues.

3.8.1 Theory and Practice of Corporate Governance in Nigeria

The history of corporate governance in Nigeria stretches as far as the colonial days because Nigeria only gained her independence in 1960.Prior to independence, the Anglo-Saxon system of corporate law and regulation was in effect as imposed by the British colonial government. This principle was the one binding company's which majority were not indigenous. Therefore, as put quite rightly by Ahunwan (2002), the concept of the corporation was indeed alien to indigenous business practices of pre-colonial Nigeria. This is because the biggest and dominant companies in Nigeria at the time were the British firms that were subject to British law but in Nigerian business environment.

According to Okike (2007), issues that relate to the conduct and governance of Nigerian corporations that are contained within the provisions of the company legislation have their origin in the colonial past. Therefore, Nigeria invariably inherited an Anglo-Saxon corporate governance framework from the British colonies. It is argued that while Nigeria gained independence and replaced the Companies Ordinance of 1992 with the 1968 Companies Act which mirrors the UK Companies Act of 1948, there is still a feeling that Nigeria's legal system of corporate governance is shaped like the Anglo-Saxon model.

The inheritance of the British corporate governance system brings to fore the importance of an effective corporate governance enforcement in Nigeria. There are considerable debates on how the UK corporate laws are reflective, complementary and applicable to the Nigerian business environment. It is however agreed that the legal framework of corporate issues reflects the British, it is improvident to conclude that Nigeria follows in the same manner to the UK in application and enforcement (Okike, 2007).

There is an argument that the Nigerian legal operating framework has not been developed to cater for her own specific business environment. This has led to failure in dealing properly with corporate governance issues that have appeared in the business environment. While the Nigeria business environment is dominated by a stakeholder perspective, it is therefore believed that issues relating to corporate governance and investor protection are of utmost importance (Yakasai,2001), but this is clearly not the case as clearly illustrated by Yahaya (1998) as the unstructured and informal nature of the Nigerian Economy. The agency and stakeholder theory has the underpinnings of the Nigerian corporate governance framework. This has been illustrated properly through evidence by Yakasai (2001).

- The stakeholder perspective which gathered momentum in the 1970s reflected a societal anxiety that big multinational corporations (MNCs) were displaying imperialistic tendencies and tremendous power. This necessitated the move from the stewardship model to the stakeholder and agency theory. It can be seen that Environmentalists & Consumerists are in the Niger Delta Region of Nigeria which only agrees with the concept that they have a suitable ally in the stakeholder model because it sees the bigger picture with everyone in it. This is also been made possible with the government full concentration in the oil sector which has made everyone in Nigeria a stakeholder.

- The Agency theory hinges on a view that man seeks self-interest and therefore cannot be trusted to display a humanitarian goal. This is very prevalent in the Nigerian concept were managers become very self-serving to the detriment of the public. There is an argument on the boundary, relevance, and content of corporate governance in developing countries especially Nigeria (Tricker, 1996).

3.9 The Nigerian Corporate Governance Challenge

The corporate governance sphere in Nigeria has been tainted with corporate failures and it has been said that corruption is considered one of the major challenges and has been very evident within the Nigerian public and private sector (Punch Nigeria, 2010; Yakasai, 2001; Adegbite, 2012). Some of the challenges to corporate governance in the Nigerian banking sector that will be analysed in this section include corruption, poor ethical leadership, lack of capacity of regulators/anti-corruption agencies, lack of transparency, ineffective judicial system/impunity & lack of legal capability and the inefficiency of the regulatory framework.

3.9. 1 Corruption

This section will review the various definitions of corruption showcases how it is viewed along sector lines and geographical location lines. Furthermore, this chapter will look at the nature and scope of corruption, the various concepts of corruption and bribery, the causes of corruption that hinders good corporate governance, previous study on corruption, the governmental effort in curbing corruption, the role of the EFCC in combating corruption in Nigeria, the politicization of corruption, the various challenges in the fight against corrupt practices and finally some examples of high-profile cases of corruption in the banking sector.

In an ever-increasing complex global market, transparency and trust have become vital expectations within the business world. According to Assurance Framework for Corporate Anti-Briber Programmes (2012), there needs to be transparency and accountability in the companies to curtail corruption, embezzlement, exorbitant lavish attitudinal characteristics.

There is no one country in the world that is immune to the effects of corruption, hence the international community introduced the Millennium Development Goals to provide a great platform to avoid the creeping in of corruption into the developing countries (Annual Report 2011).

Corruption is a word that has forever been in the discourse of economic discussions in many nations including Nigeria for many years now. There has been a lot of discussions, conferences, regulations, and workshops to mitigate corruption but with little or no results in the past years. In the Nigerian scene, the word corruption is more like a household item in the daily activities in the socio-political and economic sectors. A president of Nigeria once described corruption as the "greatest single bane of our society today" (President General Olusegun Obasanjo, 2005). In Nigeria currently, corruption has become so common and ingrained in the society that a lot of people hardly care to know the actual meaning or the various faces of corruption.

The United Nations Global Programme against Corruption has defined corruption as an "abuse of power for private gain" whereas Transparency International defines it as "the abuse of entrusted power for private gain". In lay man's terms, it can be best defined as the change of the way things are to be done for selfish reasons.

Corruption is viewed differently in various countries with respect to the factors of the country. However, corruption is clothed by some common behaviours irrespective of location such as selfishness, conflicts of interests (lobbying in business dealings, favouritism, and nepotism), fraud, election rigging, embezzlement, and falsification of financial records.

The Global Corruption Perception Index (GCPI) 2016 has Nigeria occupying the 136th position out of 176 countries in the survey done recently. This shows the difficulties of doing business, the lobbying involved, the backhand passes and the general acceptability of corruption in a country.

Corruption has had a huge impact in the various sectors in the Nigerian scene across industries and public to private organisations. Some of the effects of corruption in Nigeria includes a lack of vital infrastructure, inadequate power and water supply, mismanagement of natural resources, general lack/slow development, laissez fare attitude in both political and leadership positions, falling standards of education, high unemployment rate, poor image in the international scene and an ever-increasing gap between the rich and the poor.

3.9.2 Nature and Scope of Corruption

Corruption has been found at a wide range of societal interaction at almost all levels with diagnosis still in development in certain countries which are still bedevilled with their anti-corruption units tainted by bias and some corrupt practices, it makes it challenges to have a clear view of where the major pitfalls are located.

To have a better grasp of the various pitfalls facing the fight against corruption, there needs to be a better understanding of the various forms and faces of corruption. There are the public and private sector that are involved in the grand corruption which has huge financial rewards and there is the little petty corruption where there is a brazen abuse of power by collecting little bribes for favours. Some of the forms of corruption includes.

- **Private Sector and Public Official:** These are the forms of corruption that take the shape of bribery and fraud that is incorporated within procurement, contracting, construction and the licencing.
- **Public Official and Public Official:** This involves the payments that are paid to seek appointment to juicy positions. The price of the bribe is representative of how lucrative the job/position is.
- **Public officials and citizens:** These practices are viewed as petty corruption or in more professional terms as administrative corruption which allows the citizens/users to get what they want. The corruption in this form goes from bribery at service delivery, to backhand bribery to go ahead of other service users.

It is also worth pointing out that at some point the Nigerian House of Representative issued a motion to the effect of investigating the practices and the transaction of the Central Bank of Nigeria for what was termed "brazen cases" that included money laundering, issuing non-performing loans and careless spending (Exporting corruption 2012).

The Nigerian government inaugurated an anti-corruption body called the EFCC (Economic and Financial Crimes Commission) who was tasked with the responsibility of returning some level of sanity in the financial sector without disrupting the economic activities within the nation. The EFCC has been pre-occupied by so many cases since its inception and it yet to be seen what level of sanity it has brought into the financial sector.

3.9.3 Empirical Study on Corruption

The empirical studies have shown that there is huge public-sector corruption that has crippled over 180 countries that were involved in the annual report survey (Corruption Perception Index, 2011). This essentially has caused the discussion to shift towards a more collective demand for transparency and accountability within the corporate world.

Recent research has shown the distortion that corruption does to the market by offering an unfair competition. The Dow Jones Survey (2011) found that the cases involving corrupt and unethical practices against companies increased within the period of a year. The survey highlighted the practice by companies of paying bribes to win procurement contracts, outright rigging of bids to influence decisions.

Furthermore, the survey argues that most of the partnerships and subsidiary companies are borne out of corrupt practices through illicit political manoeuvring. The companies are involved in abusing the judicial system and this is perpetrated by both the public and the private sector who are involved in large-scale adventures such as energy and healthcare capitalisation. The Transparency International Global Corruption Barometer (2007), that seeks to explain the ways in which corruption can be understood and the ways in which it affects the daily lifestyle of people have come up with some damning facts. The barometer showed that a large proportion of men and women from 15years and above in a group of developing countries, where actively involved in petty corruption in their interactions with other service users and providers. It also showed that this age group perceived that the government approach towards fighting corruption exposed and to a large extent legalise the corrupt practices in the countries.

The survey also quizzed low and income earners whether they have been mandated to pay a bribe in exchange for a benefit, the result showed that low-income earners were involved in the daily soliciting and collection of bribes. This has been the story in Africa where the 2007 Corruption Perception Index states that half of the worst performing nation in the fight against corruption. Nigeria in that Index done in 2006 is placed firmly in the 136th position out of 176 other countries which speak volumes of not only the effort of regulatory bodies but also the political will to ensure a corruption free nation.

3.9.4 African Corruption Context

The establishment of democratic government is an anti-corruption strategy. The distribution of power within the institutions and processes of democratic government should constrain possibilities for venality. The dispersal of power, driving the institutions of accountable government and competitive electoral politics for periodic renewal of government's mandate, are occurrences which are essential elements of democratic government as an anti-corruption strategy.

In Africa, democracy, for the most part, has been reduced to the conduct of elections. The institutions of the state become personalised, corrupted and instrumentalised to the end of keeping the single party and often, a single person in power.

Good government is found on three values: legitimacy, accountability, and capability. The legitimacy or credibility of the government is essential both for its revenue generation and service delivery. It is a function of both the nature of its electoral legitimacy or mandate and its fidelity to the norms of political behaviour. Accountability connects to legitimacy as it has both political and institutional elements. Politically, it speaks to the ability of people to participate in their government and to change it through transparent electoral processes.

Institutionally, it refers to how far the institution and arms of government are able to play their role in enduring government operates properly within the law. Institutional capacity is found in the independence and abilities of the judiciary, civil service and bureaucracies of government to police the rules without which government becomes arbitrary and personalised.

In many African countries, these 3 elements essential for good government have been destroyed, and as result those who control government enable themselves to deliberately conflate public and personal resources, get away with this and prevent the chance of ever being held accountable. Ndivi Kofile Kale called this the crime of exterminating patrimony – Patrimonicide. Democratic government is increasingly desperate and has suffered many drawbacks, for example, electoral competition has been increasingly being replaced by competitive authoritarianism, instrumentalisation of the processes and institutions of government to the simultaneous ends of eliminating effective opposition, which creates the appearance of minimal electoral legitimacy, voter apathy, and neutering accountability. The electoral process has become a tool for affording a veneer of public legitimacy to plunder. It was rightly concluded in the African Governance Report in 2009 that "elections have yet to be free and fair in most African countries". This is the context that defines corruption's challenge for governance in Africa generally.

3.9.5 The Corruption of Politics

The multiple predicaments of constitutional instability, bad governance and political exclusion that have plagued Nigeria have shaped the reality that in Nigeria, governance does not have to be grounded in popular legitimacy. Over the period of colonial domination and post-colonial exclusion, institutional habits that define much of the way the country works were solidified. The time period encouraged irresponsible government and an irrelevant citizenry, neither equipped to develop a culture of expectations nor capacitated to make demands in fulfilment of such expectations.

The jurisprudence from Nigerian courts makes this situation wholesome. The courts have been at best cavalier and self-serving in their attitude to issues of electoral legitimacy. The Electoral Act creates electoral crimes such as electoral corruption, provides for elections to be invalidated for corrupt practices, and authorizes the courts to set aside electoral outcomes that have been procured through processes that are not in substantial compliance with the principles of elections. Nigeria's Courts and legal processes have, however, subverted these provisions in three ways. First, contrary to the clear provisions of the Evidence Act, they claim that any allegation of corruption in an election petition must be proved to the standard of criminal law, i.e., beyond a reasonable doubt. Second, even where they have set aside elections on grounds of corrupt practices, Nigerian courts do not order any criminal investigations or prosecutions for the crimes established. Thirdly, they have created insurmountable burdens of proof that cannot be discharged by even the supernatural.

In Muhammadu Buhari v. Independent National Electoral Commission (INEC) & 4 others, the Supreme Court took this tolerance of electoral corruption to another level. In this case, where even the INEC admitted that ballot papers were not serially numbered and the Court of Appeal found as a fact that this was indeed the case, a four-judge majority of a seven-person Supreme Court panel spectacularly concluded that they did not see 'that the non-serialization favoured the respondents and disfavoured the appellant.'

To accord judicial stamp of approval to alleged elections with no serially numbered ballot papers is, therefore, to fundamentally misunderstand the nature of elections or willfully disregard or destroy the people's will in constituting their government. Either way, these dooms support for credible elections in Nigeria and renders the idea of popular legitimacy as the basis of government moot. This line of jurisprudence is the legal basis for corruption and the accompanying impunity in Nigeria. It has corrupted our politics, politicised corruption and rendered most of our institutions of governance biased at best in the experience of the participants as well as the perception of the average Nigerian.

The Nigerian Bar Association described the state of electoral politics as follows: This has created a political culture in which the acquisition, control, and retention of power and the levers of government have become ends in themselves rather than means to an end of ensuring enhanced development and welfare for the population of the country. [Politicians] Finding themselves exercising power despite the citizens, rather than because of them, those in power increasingly feel no obligation to deliver (good) government or enhance the capability of the government to do so [...]

Overall, the corruption of Nigerian politics is complete, and the corruption of governance is only a short step from that.

3.9.6 Politicization of Corruption

In the effort to enhance governance in Nigeria and combat corruption, public agencies suffer a crisis of credibility – they can no longer be taken seriously. The belief is widely held that they have been politicized and that rules, where they exist, are not applied except against people who are not in the good books of government.

The legitimacy of governance within Nigeria is not strong due to the many constitutional instabilities, political upheaval, and the regular misgovernance. Nigeria experienced colonial rule until 1960 when it gained its independence in started stabilizing things to rule its own citizens.

Since independence, there has been more than 14 presidents and heads of government during the military regime. There have been some successful coups to usher in the military leaders and there have also been some unsuccessful coups too. This period ended when there was a change of power to a civilian President in 1999 which has ushered in the gains of corporate governance.

The military rule also brought a careless attitude that has crystallized the ways of the country until date. Politics was less issue driven and the people mattered little. The erosion of issue-driven politics created a public space that had a high level of irresponsibility, careless abandon for the dividends of politics and an outright forgetting of the citizen that should matter.

3.9.6.1 Institutionalised Corruption/ Political Influence/ Production of Corruption

Without a proper understanding of the complexity, logic, and context of the main actors in both the supply and demand side of corruption in modern society, the fight to eliminate corruption is half achieved. In most developing countries such as Nigeria, economic policies and enforcement are always left in the hands of the political and social elites. Neoliberalism plays a vital role here because it is used as a convenient tool to gain the legitimate power to turn public institutions to the private asset to their benefit and making laws that lead to deregulation to empower their business and legislative cronies to defend their decisions and help to pass favorable laws.

One of the main areas of contention of the relationship that exists between the politicians and their business counterparts is well articulated by two academicians that the excessive use of power to influence and change things to a point where it corrupts the political and economic principles of governance (Sikka 2008; Bakre, 2008). Hawley (2000), even goes to give a damning verdict that supply of corruption is deeply rooted in the corporate governance of developing nations which includes Nigeria that companies resort to employing detectives to recover bribes they are owed if the recipients do not deliver on promised benefits. The adoption of the neoliberalist ideologies was not all done forcefully, some of the acceptance was because of the financial benefits the political elites would get from their counterparts in the business world by colluding with them to remain successful in a highly competitive market. This collusion between the political elites and the business elites has made the state the guise for acts such as personalized political ambitions, cronyism, and nepotism in the business world, institutionalized political corruption and an erosion/ ineffectiveness of enforcement agencies (Hope & Chikulo, 2000; Chabal and Daloz, 1999). It can be argued that neoliberalism has in it the foundations to corruption in Africa which includes Nigeria and it weakened the separation of public and private companies because there is a hand of the political elites in manipulating economic policies to favor their business elites to continue their selfish interests which unfortunately encapsulates the politics of Africa.

The institutionalized political corruption that has been ushered in by the adoption of neoliberalism has had a negative effect on the democratic nature of countries like Nigeria. It is also worth pointing out that the more developed nations have strong institutions that are well equipped to police the affairs of government in the way of checks and balances, the same cannot be said of developing nations. The neoliberalist leaders in developed and democratic countries are subject to public scrutiny and made to be both accountable and to a large extent honest and fair with their dealings. Whereas, those in developing and mostly also not well established democratically countries like Nigeria are not put under such perusal and are seen to usually make use of mechanisms such as a personalization of power to cripple the voice of critics and opponents. This is made even more possibly because they have created a weakened or ineffective infrastructural supremacy (judiciary, ineffective law enforcement agencies).

There is also economic corruption where the Political elites use their legislative powers to influence economic policies and procedures to suit their Business counterparts. This is supported by academicians that argues that another negative effect that an adoption of neoliberalism brought to developing nations is in “crony capitalism”. They state that in such situations a large part of the profitable economy is controlled by the state (political elites) who abuse their powers by using the state vested legislative power on them to make decisions that are in favor of their business cronies at the expense of what is beneficial to the whole country (Chang, 1998; Haber, 2002; Wade, 1998).

In the words of Harvey (2005), crony capitalism is a corrupt relationship between the state and business organization. Crony capitalism is corruption and has in it the foundations of nepotism because business contracts and public appointments are made to family, friends, and colleagues without them meriting it or without a transparent bidding process. This invariably results in creating plutocracy a situation where the small minority of the wealthiest citizens of a nation rule the country and this is evident in the Nigerian political sphere.

Furthermore, you get a situation that in political terms is referred to as kleptocracy which is because of wanting to hold on to power (power hungry) (Phillips, 2004). In this situation, the political elites exploit national resources for personal purposes, and they achieve this while pretending to render honest service through what they display on their manifestos (Bush, 2006). All of these are as a result of neoliberalism and it has had devastating effects on Nigeria and one of the ways of combating this situation which has been supported by many kinds of literature is to create codes that are a reflection of both the socio-political and economic conditions of Nigeria and also to get the government more actively involved in the enforcement of regulations.

In curbing corruption there needs to be proper scrutiny of both the democratic and political ambitions of the political elites. Slater, 2003 argues that leaving developing countries to be run in the hands of an authoritarian personality without a check on his dictatorial powers, allows him/her to destroy the institutional infrastructures that are to enforce checks and balances in a bid to increase his powers. Furthermore, it can immediately be seen that Nigeria has issues with failed institutions and like too many academicians have argued that institutionalized corruption, weak judiciary system amongst many components are the real reasons behind a lack of enforcement of corporate governance in Nigerian banks. In can be gotten from Slater', 2003 comments that institutions in charge of checks and balances are destroyed to further political aims are prevalent in the Nigerian context.

According to Wilson, 2006, Liu and Lin 2009 that corporations cannot be divorced from the corruption that exists in the society in which they are operating in especially in a weakened corporate governance environment like Nigeria. As the case of Nigeria has shown that since gaining independence from the British in 1960, it has been ruled for about 30years by an unelected military government and since then till that it has been a case of civilian corrupt government. The similarity of both governments was a culture of political patronage that was fostered by the ruling class in the society. This led to a culture of impunity from arrest and legal prosecution and those offenders were shielded from investigation.

3.9.7 Concepts of Corruption and Bribery

Corruption arms the mighty with the ability to work against the backdrop of set rules to their selfish needs. This could be in forms of bribery, fraud, exploitation, and dishonesty which is displayed in the daily activities within the Nigerian scene. It has been stated that corruption could create a situation where the rules are designed to favour the mighty which invariably cripples any form of reform or enforcement.

According to Mez (2010), he states that corruption is the "attitudinal phenomenon that perceives the government as an enemy". This definition expands on the view that is taken towards the concept of rules set by the law/government where corruption discards the rule and gets a way around it.

The Assurance Framework (2012), states that bribery is the promising, soliciting or accepting and the offering of anything to gain an unfair advantage which is termed as a breach of contract and illegal.

The Annual Report (2011) on corruption puts the attributes of corruption as the following:

- Corruption does not win elections fairly.
- Corruption dislikes the truth.
- Corruption is a friend of excuses.
- Corruption does not make other plans.
- Corruption is selfish.
- Corruption has no future.
- Corruption preys on the weak
- Corruption does not regard justice.
- Corruption does not recognise hierarchy
- Corruption does not win/earn respect.

3.9.8 Causes of Corruption that depletes good Corporate Governance.

It is vital at this juncture to point out the uniqueness of the Nigerian banking scene that there is no monopoly in the cause of corruption as it is all interwoven to breed corruption.

However, this chapter will just look at some of the general causes of corruption within the Nigerian banking framework which are.

- In a lack of judicial independence and a weak or non-existing institution, funds that are earmarked for public expenditure for things such as education, and other basic imports end up in the hands of corruption public and private sector workers.
- The slow pace of the judiciary to try cases brought to them with the inscription of corruption makes it hardly unlikely to record success in the fight against corruption.
- Negligence and ignorance of the rights accrued towards citizens have almost kept some of the bondage as to what they expect of the banks.
- The corruption within the defense makes it weak to enforce good corporate governance practices and to ensure the punishment of offenders.

3.9.9 Government Efforts in Curbing Corruption

In this section of the research, the focus will be on the role of the government in curbing corruption. In the words of Rt. Hon Hilary Benn who was a British Secretary of State for International Development, "Only developing countries led by their own people and their own government can ultimately make the decisive changes that are needed to fight poverty. Corruption is both a cause and a consequence of poor and outright bad governance".

He stresses the importance of using mechanisms within the confines of the host country to fight corruption rather than imposing something on another country which has a completely different spectrum and features to their country.

He supports his argument when he stated that "State building cannot be imposed nor can there be simply a transfer of models from rich to poor countries". Below are some of the efforts by the various Nigerian government towards the fight against corruption:

- Murtala/Obasanjo's regime introduction of the "Corrupt Practices Decree" in 1975
- The Buhari/Idiagbon regimes "War against Indiscipline"
- 1990 Code of Conduct Bureau
- Abacha regime "Advance Free Fraud and other Related Offences Decree" of 1995
- The "Corrupt Practices the Money Laundering Act" 2004.
- The Inauguration of the Economic & Financial Crimes Commission Act, 2004 (EFCC), alongside this, the ICPC (Independent Corrupt Practices and Other Related Offences Commission).
- 2007 Procurement Act

3.9.9.1 EFCC Role in Combating Corruption in Nigeria

The EFCC as a regulatory agency established in 2004 was tasked with stemming the trend of financial crimes within the country. The bad international press the high rate of reckless financial and economic crimes was too damning to not establish a regulatory agency tasked with such responsibilities.

The EFCC was given executive powers to push through the trial of anyone indicted for corrupt practices and their powers go far and wide. The success of the commission has been evident in less political involved cases where a higher level of corruption cripples the process.

There have been more calls for more enlightenment to the public, so they are not only aware of the practices of the commission but also have an idea of how to help the commission in their endeavours. The introduction of ANCOR (Anti-Corruption Revolution) in 2008, with a slogan "See Something, Say Something, Do Something" was not viewed as enough in sensitizing the public in a society that showcased corruption as part of the fabric of the nation. A much-detailed public enlightenment amongst the public was needed to ensure the public understands the intricacies of corruption.

The idea of the EFCC is to sensitize the citizen to become beneficiaries and facilitators of a corruption-free Nigeria by rising above their indifference and their ethnic factions to reporting and doing something to ensure that corrupt acts are exposed and punished appropriately.

This initiative although has not achieved much success but recently with the new regime of President Buhari, there has been a lot of improvement which could only be put down by an active involvement of the government in the corruption cases/trials. The mandate of the EFCC is to penetrate the youths who are the future of the country and if reached, then the fabric of the nation is healed. Very much as the German Philosopher Friedrich Nietzsche (19^{th} Century), stated that "the best way to corrupt a youth is to instruct him to hold in high esteem those who think alike than those who think differently".

The commission has also been tasked to work hand in hand with the new technology in making public their operations which is not only geared towards public enlightenment but also legitimization of their operations. There needs to be evidence to show the success story of the commission to make sure they are doing the right thing because with any high-profile political case the fear tends to dissuade other people involved in criminal activities.

3.9.9.1.1 EFCC Corruption Cases in the Banking Sector

Table 1

NAME	COURT	FIGURE INVOLVED
Dr. Cecilia Ibru (Former CEO, Oceanic Bank, Plc)	Federal High Court, Ikoyi, Lagos	N160.2 Billion
Dr. Bartholomew (Former CEO, Union Bank, PLC) and Co.	Federal High Court, Ikoyi Lagos	N187.1 Billion
Francis Atuche (Former CEO, BANK PHB)	Federal High Court, Lagos	N80 Billion
Chief Osa Osunde (Chairman, Afribank) and 4 other Directors	Federal High Court, Lagos	N55 Billion

(EFCC, 2011).

Conclusion

There is no one country that is corruption free but the predominance of it in society as viewed in some quarters of other countries at the way things are done is the difficulty. Quite frankly in summary evidence has shown that the Nigerian state is corrupted in politics, Legislature, Executive, Judiciary and the citizens no longer take seriously any talk of fighting corruption seriously. Every facet of the nation is corrupted, and it is not seen anything more of significance that is yet to be influenced by this cankerworm. As Chinua Achebe quite right puts it that corruption will not thrive when it is made both “difficult and inconvenient” to engage in such illicit activities.

Currently, Nigeria is a framework of how not to fight corruption as evidenced in the global perception ranking of corrupt nations. To alter this perception, there needs to be an emphasis on nation-building, independence of the corruption agencies and national values. There also needs to be a proper effort to rebuild the legitimacy of every arm of government to ensure that the fight against corruption is not only devoid of selfish tendencies but is credible enough to receive the support of the citizens who often are blindsided as beneficiaries of these corrupt practices.

Furthermore, there need to be continuous reforms and training of the regulatory agencies to ensure institutional skill, modernization, independence, and a level of autonomy that bequest a prosecution agency. The issue of independence should also spread to the various intelligence agencies in the armed forces from the Police, Army, Navy, and the Airforce to allow them to carry out their responsibilities independent of any agency. Along the same lines, there needs to be more transparency in the activities of the various arm forces to enlighten the public on procurement, defense contracting.

Also, there needs to be an adequate documented political economy that enables information technology to thrive in the country. This makes intelligence collaboration effective. There is an argument that there is more undocumented economy than the documented and this is bad for any country that is surging forward.

It is also worth pointing out that the federal government needs to put its weight behind the freedom of Information Act which mandates every public and private institution make every operation available which not only ensures transparency but also rebuilds the lost confidence in the financial sector.

Putting an end to corruption needs much more than tools and reforms but actual role models that citizens and the rest of the institutions could follow and emulate and use as a blueprint for reform. The whistleblowing policy has become more a political witch hunt and a propaganda parade for the political class whereas there is little protection for an honest individual that is interested in reporting cases of financial impunity. There also needs to be consultations with civil society and the public on all levels on national issues so they are aware of the benefits of the service delivery. Participation in these forums must be informed and very institutionalised to ensure accountability and competence.

There needs to be proper government mobilisation of resources to the fight against corruption both internal and external. This could be helped by a more detailed agreement and mechanism for a cross-border anti-corruption fight. There needs to be a match between practice and reality in the government scene. An independent body needs to be tasked with the responsibility of appointing public officials on merit rather than on political clout without a proven track record of public or private sector excellence.

CHAPTER 4: THEORETICAL FRAMEWORK

4.1 Introduction

This chapter is concerned with developing a theoretical framework that shows the aim of the study which is the enforcement of corporate governance practices in Nigerian banks. This theoretical framework will create a platform to allow the research to be understood from a theoretical standpoint. This theory will evaluate how government can be involved in the regulation of corporate governance in Nigeria. A suitable theory will be used to analyse and expand on a measure how the government can promote good corporate governance in a weak institutional and legal setting.

In trying to provide some insight into this, the research will investigate how to improve good corporate governance in a weak institutional setting by using the government to ensure enforcement. According to Yakasi (2001) and Ahunwan (2002), the weak nature of the Nigerian institutional setting makes corporate law enforcement or regulation unrealistic and far-fetched.

Contemporary literature on corporate governance has relied solely on theories such as stakeholder, legitimacy, institutional, agency and stewardship to shed light on the effects of corporate governance on organizations decisions in terms of compliance with regulations including enforcement of the code of conduct (Jensen and Meckling 1976; La Porta et al. 1997; Shleifer and Vishny 1997; Freeman 1984).

This research will look at some theories to analyse how suitable they are to convey the aim of this research such theories include the political theory, Legitimacy theory and also the Institutional theory. Furthermore, the research will choose the most appropriate theoretical approach with a justification as to why that was chosen as a reference to the theoretical underpinning.

4.2 Political Economy Theory

The political economy is the social, political, and economic framework within the society. The political economy theory could be used to investigate, interpret, and explain the role of government in Corporate Governance.

The political economy theory has two major variables from inception that forms the root of this theory. Firstly, there is the "Classical" view, which is most associated with Karl Marx and secondly, there is the "Bourgeois" which is attributed to John Stuart Mill and other successive economists. The difference in the two views lies solely on their level of resolution of analysis and the importance of societal structural conflict.

The Classical arm of the political economy theory views structural analysis, the role of the state and inequality at the heart of its analysis. This brings to light the role of government in Corporate Governance within the society (Banking Sector). Also, it will explore the interaction between the political elites and the banks and the corruption that is fostered by political patronage within the banking sector.

Whereas the Bourgeois political economy theory excludes the permutation of the classical political economy theory by accepting things as they are. The bourgeois political economy theory concentrates on the interaction between groups within a pluralistic world which could be the interaction between the state and the local authority. The argument has been postulated by the Classical political economy theory is that while the interactions been analysed by the Bourgeois political economy theory is important, the most important aspect cannot be ignored because it aids in understanding how the differences in power and wealth are generated and preserved by the system.

The Bourgeois political economy theory can be used to explain the Corporate Governance practices within the various sectors of the society. It can be a blueprint for explaining the absence of good Corporate Governance in the banking sector e.g., the Nigerian Banking Crisis that rocked the financial sector which was down to poor Corporate Governance/ failure of the regulative agencies to ensure Code enforcement on the banks. Whilst Classical Political economy theory does not dispute the relevance of studying the practices of Corporate Governance, it questions the authenticity of organisations corporate governance practices as it argues that the reason for disclosures by the organisation is to seek legitimation and nothing more (Puxty, 1986, 1991). It, therefore, concludes that voluntary adherence by organisations is irrelevant but are mechanisms by which capitalists protect their interests.

However, the Classical political economy theory does offer some insight into issues relating to mandatory disclosure rules (mandatory adherence to corporate governance codes). The state (government/authority) is responsible for putting such restrictions (e.g., the Nigerian Corporate Governance Code of 2006) and the Classical Political economy theory sees the state here as acting in the interest of the disadvantaged groups (wider stakeholders) to maintain legitimacy (Arnold, 1990). The growth of disclosures and respect for codes by banks and organization in the 1980s and 1990s was merely a way to take the initiative and control of the environmental agenda from the interest groups to allow capitals to continue what they were doing (make more money for owners) rather than acting in response to pressure from stakeholders or environmental groups.

These theories do not dispute the fact that organizations could disclose for ethical reasons, however, they help us realize that organizations/banks want to be free from stakeholder's pressure, governmental pressure or even that from environmental groups hence the major reasons why these banks disclose information is to ward off pressures. This theory is a good one to ensure adherence, however, it does not show the role of government or the mechanisms for enforcement and punishment for non-compliance.

4.2.1 Political Model

The political model shows the inherent allocation of corporate power, profits and advantages shared amongst management, owners and various stakeholders been determined by government intervention or favours. This means that stakeholders influence on micro issues is subject to a greater macro environment which is subjected to the corporate power. Hawley & Williams (1996) argues that the political model of corporate governance has had a huge influence on the development of corporate power in the last five to seven years. In the previous statement, it is seen that the political influence on corporate governance is becoming more prevalent in today's world. This could be because it has become a difficult task separating a public company from a private company, in essence, the privatisation of public firms in developing countries made the political influence more visible as the politicians gave some of the public organisations to their business cronies.

Roe (1994) gives a historical evolution of the political determinants of corporate governance and this could be tailored to what is happening today. The political theories of corporate governance would not be fully understood without an insight into the work of Roe (1994) on the Political determinants of corporate governance. He starts (Roe, 1994) by showcasing the correlation of social peace and production. He argues that if a firm does not have social peace it will be hard for production and therefore will not be very attractive for external investors and vice versa for one that has social peace. Social peace is now been achieved by too many organisations by various means which they embed within the firms, ownership patterns, and their corporate governance structures. According to Roe (1994), social conflict is the prerogative of those in power to diffuse the situation to ensure nation building. However, the way to maintain social peace varies extensively between nation and that accounts for the difference in corporate governance structures worldwide. The political environment can affect firms in three ways. Firstly, it could play a part in determining or empowering an owner, secondly in the growth progression and lastly, the distribution of organisational authority. Roe (1994), in his argument, supports this point when he stated that the degree of ownership of the control which is synonymous with Modern Corporation can help shape an understanding of the political theory of corporate governance.

It is fair to say that with such ownership model, the structure of the firm is therefore under the influence of the political environment in which it operates. In line with the business needs of investors, they are a clamor for a convergence of corporate governance due to globalisation because of the variation in corporate governance structures around the world. Investors want some form of uniformity to be able to protect their investments. There is a sharp variation from country to country due to political structures/influence. In the United States, for instance, ownership of large firms is diffuse with labour barely participating in core institutions of the firm's governance whereas in the European continent, ownership is concentrated. In France due to its more concentrated ownership structure, a family and entrepreneurial sector were able to challenge and win against a government –dominated sector because public policy favours employees with jobs. In Germany, you see a more explicit display of the political influence on corporate governance where labour makes up half the seats of a supervisory board contrary to what is obtainable in the US. Whereas in Japan, the firm is run by a group of board insiders that are assured of lifetime employment. The varying nature of takeovers, incentive compensation schemes, and insider fight/ abuse has become more central to corporate governance.

From the country analysis, you can surmise that socialized democracies/government favours employees with jobs in place. They also pressure management into taking fewer risks, ensuring job safety, and even encouraging them to create more jobs and expand their business operations. Roe (1994) argues that in America that managers are not subjected to the political influence on corporate governance.

Recently, policy makers and international agencies are taking a closer look at the corporate governance systems in both developing and transition economies with a view to amending it. Firstly, corporate governance as Roe (1994), has put it is far more beyond rules, policies, good corporate law, good courts, loyalty etc. Corporate governance has a close relationship with the national politics of its host nation and until the corporate governance structures match that of the national politics, the reformers will not get their desired results. This is one of the problems that arise within the parameters of corporate governance in terms of enforcement because there is a mismatch between the national politics and the corporate governance systems. This could also explain why the term "one size fits all" has not yielded the desired results because they all have varying political structures.

It is far much easier for reformers to change certain business practices, rules, and regulations but it is a far trickier task to change the political and social landscape. It is fair to say that analysing the corporate governance systems from a legal point of view in terms of enforcement is achievable as has been done previously. However, the political nature of a nation is constant and therefore is much harder to transform. In the light of all these statements, it is best for reformers to focus on things that could be changed in the short term and not waste too much time in the things that cannot be changed in the long term. This explains in the case of Nigeria why there have been more than 3 brands of corporate governance reforms but then there has not been much improvement.

When analysing the firms that have failed in the wealthy West according to Roe (1994), you cannot separate their failure from the political environment that was in. According to Gray et al. (1996), the political economy is defined as the "political, social and economic framework within human existence. In the same vein, the society, economics, and politics are interwoven, and economic upheavals cannot be analysed fully in the absence of social, political, and institutional parameters within which the economy operates.

Political economy theory includes both the legitimacy theory and the stakeholder theory in its operation (Gray et al. 1996). Also, the institutional theory has strong links and similarities with the political economy theory. The political economy theory can give a better understanding of the role of government in corporate governance. It will give the researcher a broader view of societal challenges and how they can impact on the organisational operations.

According to Guthrie and Parker (1990) "Political economy views accounting reports as social, political and economic documents. They serve as a tool for constructing, sustaining and legitimizing economic and political arrangements, institutions, and ideological themes which contribute to the corporation's private interests. He also adds that disclosures have the capacity to transmit social, political, and economic meanings for a pluralistic set of report recipients". Corporate reports are not considered neutral/unbiased because they are a product of the intersection between the organization and its immediate environment and accommodates a variety of sectional interests (Guthrie and Parker, 1990). Burchell et al. also buttressed the point in their argument that accounting is not just an assembly of calculative tasks but an influential mechanism for social and economic management.

The political economy theory is divided into two broad areas namely, the classical and bourgeois (Gray et al. (1996). The classical political economy theory is in line with the works of Karl Marx the great philosopher, it places structural conflict, sectional interests, and the role of the state at the center of the analysis. Whereas, the bourgeois political economy theory which according to Gray et al. (1995) has a pluralistic view of the world.

Classical political theory amplifies the positions of the elites in the society (wealth) and consequently undermines the position of the less fortunate in the society. In the words of the Cooper and Sherer (1984), conflict and power tussle in a society must be recognized and considered because it has a huge effect on the accounting reports in the distribution of income, wealth, and power within a society. In other words, the accounting reports viewed the society in a pluralistic mindset by thinking that no one individual is dominant and cannot exert authority on society. (Lowe & Tinker, 1977). In their argument, the pluralistic ignores a lot of evidence from the modern society that has shown that most people are controlled by wealthy small elites of the society. A conclusion can be made here that the bourgeois as a political economy theory does not bother with class struggles but more concerned with the interaction between groups in a pluralistic society. An example of what this theory is concerned with will be the interaction between a company and its shareholders (environmental pressures), local authority and the nation. On the backdrop of this political theory came about the legitimacy and stakeholder theories.

4.3 Legitimacy Theory

This theory affirms that organization always ensure that they are perceived by society to be operating within the set-out principles of their respective society and therefore seen to be legitimate by the outside parties (stakeholders). It has to be said that these set of norms or principles are not fixed but varies over time, therefore organizations are required to be aligning and make sure they are responsive to these changes to remain legitimate. Legitimacy touches also on the view that the wider public has on ethical or moral issues in the organisations operation.

There is a difference between legitimacy and legitimation, legitimacy is the status or condition while legitimation is the process that leads to an organization to be perceived as legitimate. As illustrated by Lindblom (1993) in this statement, legitimacy is "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy".

Suchman (1999), argues that Legitimacy as a concept is relative to both time and place and therefore assumes that the organizations actions are desirable and appropriate within some socially constructed norms, principles, or beliefs. The legitimacy theory has economic advantages because it is a resource that ensures the survival of an organization (Dowling and Pfeffer, 1975; O'Donovan, 2002). Been legitimate is sort of a perceptional award giving by society and it is highly sought for by organizations for their survivals hence some irregularities in perception. This resource (legitimacy) has a huge impact on organizational existence and profitability hence some companies could manipulate this through their disclosure strategies (Woodward et al. 1996).

In considering the very nature of the resource-dependent theory, legitimacy theory could imply a falsification of disclosures by pursuing strategies that will give an impression of their legitimacy to remain in operation. These are called legitimation strategies and includes targeted disclosures, collaboration with organizations that are perceived to be legitimate which is referred to as legitimacy by association (Deegan and Blomquist, 2006; Oliver, 1991). Disclosure of information is what informs the idea of the society to ascertain an organizations legitimacy. This was buttressed by Suchman (1995, p. 574) when he argued that organizations may decide to hide certain information from the society thereby deviating from the prescribed societal order but could still retain legitimacy because the divergence has gone unnoticed because the society is fed a new information disclosure that they reflect one.

Furthermore, legitimacy is based so much on perceptions (Nasi et al. 1997) and this is supported by Dowling and Pfeffer's (1975) statement that the legitimacy of a corporation is judged on whether it is just and worthy of support or not. This is a measure of the attitude of society towards the corporation and its operation and it is a matter of degree of acceptance (highly legitimate/highly illegitimate). The main reason for the regular changes in principles or norms is because of the various cultural differences and understanding of what is ethically sound and what is not. The argument of legitimacy theory is that organisations existence is dependent on the perception the society has of an organisation that they deem of operating to a value system which is measurable to the value system of the society.

Lindblom (1994) argues that organisations can use four legitimation strategies when confronted with various threats to their legitimacy. Therefore, in the face of a financial scandal in the bank, the Nigerian banking institutions could employ the following strategies:

- Explore to change the perception of the bank by the stakeholders without changing the banks performance.

- Engaging and educate the stakeholders on the banks

- intentions to improve their performance.

- Try to explain why some of the expectations of the stakeholders are not permissible.

- Deviate from the failure and make the stakeholders see the positives that are not exactly related to the proposed failure.

Corporate governance can be employed here to extend the positive aspects of the organisation rather than the negative, this will be used to explain a legitimation action on the part of the organisation. Legitimation here has two variables, and they are: the legitimacy of individual organisations (e.g. bank faced with financial irregularities) and the other one concentrates on the issue of concern (legitimacy of the system).

In the first variable, Corporate Governance could be employed to close the legitimacy gap by e.g., Engaging with the public and explaining certain things and inviting suggestions, engaging in disclosures and transparency. One of the objectives of the bank is not making sure that there is a sense of security and calmness from their stakeholders.

4.4 Institutional Theory

The institutional theory argues that organisations and nations are much more than a means of production of goods and services because they are also social and cultural systems. Therefore, in essence, this theory stipulates that organisations/individuals not only compete for resources, but their goal is to seek legitimacy (Suchman, 1995). In other to understand this theory, it is important to study the forces within the institutional environment that emits the legitimacy seeking.

Scott (1995) provides the various relationships and the levels within an institutional theory framework. Institutional theory has 3 levels of operations where the first level identifies both the societal and global institutions that have well set out models that are accepted and deemed legitimate. These institutions are responsible for shaping, facilitating, and constraining structure at all levels of the institutional framework.

The second level consists of the various governance structures that include both the organisational fields and then the organisations too. The organisational fields are those organisations that function within the same domain and the organisations that can influence their performance (financiers, partners, and suppliers). Organizations vary in functions, structure, culture, size, and capacity for change, (influence/influenced by) the various organisational field or institutional environment that they find themselves. The final level is where you find the "Actors" that could be individuals or groups that are influenced by diffusion or the imposition of the institutional norms while trying to find a new way of operating and establishing the supposed institutional norms. An evaluation of the institutional theory brings the notion that all social actors are only trying to seek legitimacy or trying to reinvent the norms of legitimacy within the institutional environment (North, 1990). It is this institutional forces and constraints that converge to create the isomorphism or structure or thought within the institutional environment.

4.4.1 Isomorphism

According to DiMaggio and Powell (1983), isomorphism is a "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions". In other words, an organisation that is at variance with other competitors faced with the same conditions will attract criticism and in the case of corporate governance will be in breach of the code. Isomorphism, in essence, causes organisation to be homogenous within a specific domain and force the conformity with the institutional environment's stipulations.

Isomorphism looks at the way organisations adapt to the institutional practices within their sector. In accounting, voluntary corporate reporting is an institutional practice that organisations have to abide by and the process that makes organisations adapt to these changes are referred to as isomorphic processes. In the banking sector, they have to abide by the corporate governance code. They have to adjust the bank to conform to the corporate governance practices within the banking sector and report their findings.

There are three types of isomorphic processes whereby institutional practices are adapted to by the relevant organisation. These include coercive isomorphism, mimetic isomorphism, and normative isomorphism.

4.4.1.1 Coercive Isomorphism

This arises when organisations change their institutional practices because of pressures from the relevant stakeholders that they are dependent on for approval. This sort of isomorphism comes from the inherent "power" of the stakeholder (institution). In the case of corporate governance of banks in Nigeria, this will typically be attributed to a case where the banks are coerced to change a certain way by the major stakeholder (CBN & SEC) Central bank of Nigeria and Securities and Exchange Commission.

Coercive isomorphism could come from the pressures that organisation face by the relevant body that they depend on and by cultural and societal expectations impressed on them. These pressures could be forceful, persuasive or an enticement (invitation to join in a collision).

The coercive isomorphism has two hypotheses used to define it according to DiMaggio and Powell, they are:

> Hypothesis 1: The greater the dependence of an organisation on another organisation, the more similar it will become to that organisation in structure, climate, and behavioural focus".
>
> Hypothesis 2: The greater the centralisation of organisations A's resource supply, the greater the extent to which organisation A will change isomorphically to resemble the organisations on which it depends on resources.

Coercive isomorphism is very much in line with the managerial branch of stakeholder theory, this is because the companies use voluntary disclosures to address the social, environmental, economic, and ethical concerns of their powerful stakeholders. The coercion, in this case, is usually informal by the very influential and powerful stakeholders.

The uniformity or conformity in organisations here is down to the organisations been coerced into adapting its practices to fall in line with the expectations of the powerful stakeholders while ignoring the expectations of the less powerful stakeholders. Furthermore, these powerful stakeholders could have the same expectations from other organisations and this will lead to some level of conformity in the practices of the various organisations. Institutional practices are more often uniform in their operations. In this regard, looking at the Nigerian Banking scene that has a code of practice. Because the powerful stakeholders (Central Bank) have a code of practice they are to adhere to as banks cause uniformity because they are all scared of the ramifications of non-adherence.

According to Tuttle and Dillard (2007), "change is imposed by an external source such as a powerful constituent (e.g., customer, supplier, competitor), government regulation, certification body, politically powerful referent groups or a powerful stakeholder. The primary motivator is conformance to the demands of powerful constituents and stems from a desire for legitimacy as reflected in the political influences exerted by other members of the organisational field. These influences may be formal or informal and may include persuasion as well as invitations to collude. If the influencing group has sufficient power, change may be mandated".

Likewise, in the Nigerian scene, the powerful stakeholders are both the government agencies (CBN, SEC) and the powerful politicians. And with the sufficient power that these stakeholders have in the Nigerian banking sector, change is now mandatory however there have been too many loopholes.

An example of this kind of coercive force in operation will be likened to what the World Bank can do. The World Bank as a major funding body to developing countries for projects can coerce its borrowers to adopt an accounting or reporting rule to comply with their requirements or face not getting the loan.

This was stated by Neu and Ocampo (2007) when he said "These organisations (such as the World Bank) operate in a variety of different institutional fields thereby "spanning" fields. They also possess the economic capital necessary both to enter distant fields and to facilitate the diffusion of specific practices. The economic capital of the World Bank and International Monetary Fund, as evidenced by their lending activities, provides them with the ability to encourage coercive isomorphism (DiMaggio and Powell, 1983 thereby changing the day-to-day practices of previously autonomous fields… Contained within the loan agreements are requirements that borrower countries adopt and utilize specific accounting practices such as budgeting, auditing, and financial reporting practices. In this way, the lending agreements facilitate the diffusion of accounting/financial practices across heterogeneous fields".

4.4.1.2 Mimetic Isomorphism

This is the second isomorphic process as specified by DiMaggio and Powell (1983) and this involves organisations that are seeking to copy/ improve on the institutional practices of other competing organisations to gain a competitive advantage in relation to legitimacy.

In explaining this type of isomorphism, DiMaggio, and Powell (1983) state that "Uncertainty is a powerful force that encourages imitation. When organisational technologies are poorly understood, when the goals are ambiguous or when the environment creates symbolic uncertainty, organisations may model themselves on other organisations".

There is an argument that when organisations face any form of uncertainty, there is a tendency for them to model themselves against another organisation success. According to DiMaggio and Powell (1983), they argued that "one of the most dramatic instances of modelling was the effort of Japan's modernizers in the late nineteenth century to model new governmental initiatives on apparently successful western prototypes. Thus, the imperial government sent its officers to study the courts, Army, and police in France, the Navy and postal system in Great Britain and banking and art education in the United States. American corporations are now returning the compliment by implementing (their perceptions of) Japanese models to cope with thorny productivity and personnel problems in their own firms. The rapid proliferation of quality circles and quality of work life issues in American firms is at least in part an attempt to model Japanese and European successes. These developments also have a ritual aspect; companies adopt these innovations to enhance their legitimacy to demonstrate that they are at least trying to improve working conditions".

DiMaggio and Powell (1983) went ahead to provide two hypothesis that they related to the mimetic isomorphism. These are:

> Hypothesis 3: "The more uncertain the relationship between means and ends the greater the extent to which an organisation will model itself after organisations it perceives to be successful".
>
> Hypothesis 4: "The more ambiguous the goals of an organisation, the greater the extent to which the organisation will model itself after organisations that it perceives to be successful".

This hypothesis can be put to test about modern day affairs and it can be observed that when organisations cannot equate their production output to their revenue they immediately sense uneasiness and tend to remodel their organisation to those they see as the market leaders. Also, in the same light, they will also copy the structure of a perceived successful organisation when they realise that their goals are too broad or unclear.

Unerman and Bennet (2004) in trying to explain the mimetic isomorphism says that "some institutional theory studies have demonstrated a tendency for a number of organisations within a particular sector to adopt similar new policies and procedures as those adopted by other leading organisations in their sector. This process, referred to as mimetic isomorphism is explained as being the result of attempts by managers of each organization to maintain or enhance external stakeholders' perceptions of the legitimacy of their organization, because an organization which failed (at a minimum) to follow innovative practices and procedures adopted by other organizations in the same sector would risk losing legitimacy in relation to the rest of the sector (Broadbent et al., 2001, Scott, 1995).

The distinct difference between coercive isomorphism and mimetic isomorphism is that while the earlier comes with pressure from stakeholder/institutions, the later does not come with that much pressure but the lure of legitimacy and been identified with a successful organisation.

4.4.1.3 Normative Isomorphism

The last form of isomorphism as stated by DiMaggio and Powell (1983) relates to the sort of pressure that arises from the norms of the groups that are associated with and the quest to adopt particular institutional practices. The act of accountants sticking to producing accounting reports (institutional practice) that are shaped by the accounting standards is a form of normative isomorphism.

Been a part of a group as a manager can shape his/her mind to favour or disregard a certain type of reporting practice. This could be a collective managerial view or provide stakeholders with information through the corporate reports. DiMaggio and Powell also went ahead to postulate two hypotheses to help understand this normative isomorphism. They are:

> <u>Hypothesis 5</u>: "The greater the reliance on academic credentials in choosing managerial and staff personnel, the greater the extent to which an organisation will become like other organisations in its field".
>
> <u>Hypothesis 6</u>: "The greater the participation of organisational managers in trade and professional associations, the more likely the organisation will be or will become like other organisations in its field".

The above hypothesis stresses that association with a particular group that has specific group training leads to an adoption of the training by an organisation if it does not want to appear out of line with their groups or in defiance of the expected or accepted group behaviour.

4.4.1.4 Criticism of Isomorphism

It is important to know the various criticisms that have been brought against the concept of Isomorphism that has been set out by DiMaggio and Powell. Most of these critics are from an academic background so therefore, their work is backed up by certain assumptions. Central to their bone of contention is that there is a dominant influence on the efficiency of market homogenisation.

Firstly, Webber (1968) argues that bureaucratization is based on the completion of homogenization on the level of the capitalist firm, bourgeois, and the state. He intimates that the force of competition is what drives increased homogeneity. This concept has been referred to here is “competitive isomorphism”. However, previous and more recent research has shown that yes, this concept is important, but the mechanisms of isomorphism (coercive, mimetic and normative) provide additional sagacity and a good framework for a better understanding of homogeneity. This argument holds water both for a clear understanding of the organizational fields as a research field and in specifically for the banking sector (Ang en Cummings 1997) (Venard 2008).

The second bone of contention for theorists is on the overall concept neoliberal institutionalism on which isomorphism is built. The arguments ben put forward by critics is that they think that neo-institutionalism is identical to constructivism and the only difference is in the time frame. They think that these theories should be independent but rather a collective theory. While this assumption has been acknowledged by the theorist, the current state of academic research has shown the basic concept of isomorphism is seen as a separate paradigm by too many scholars (Sterling- Folker 2000 & Haggard 1991). In summation from all this, neo-institutionalism and the idea of isomorphism have become a household concept for theoretical underpinnings.

Thirdly, academics are debating the time frame and the portioning and the process of isomorphism in deciding what mechanism goes first. For instance, Beckert (2010) and Sterling-Folker (2000) see the mechanism of isomorphism as existing next to each other but this view is not shared by Tuttle and Dillard (2007) that sees them in a sequence. There has not been any clear indication as to what stage of isomorphism an organization is without knowing the level of homogeneity and the reasons behind it. However, it is worth noting that within an established organizational field, institutional forces in the form of mechanisms of isomorphism (coercive) will automatically pressure organization towards homogeneity.

Fourthly, another criticism as brought by Beckert (2010) in his paper is that competitive isomorphism should be connected to institutional isomorphism. In terms of competitive isomorphism, it focuses on the rationality of system, market completion and finally fitness measures by both the organisation and the field in which they operate. Here homogeneity could be achieved through rational choices in striving to increase fitness which could result in efficiency within the organisational field.

Lastly, the other point of criticism is that put forward by Beckert (2010). Here he argues that the mechanisms of isomorphism can only explain the movement in terms of institutional change in one direction. He argues that it is extinct to assume that an organizational field can only move towards more homogeneity and that thought must be given towards a duality of outcomes. He stresses that research should include cases when the conditions of homogeneity are not met and then this would lead to diversion. He surmises by saying that mechanism of isomorphism could either lead to homogeneity or heterogeneity and therefore, the driving force behind both in an organizational field should be analyzed (Beckert 2010).

Conditional Setting for Isomorphism as against Divergence

Coercive Isomorphism

Mechanism of Coercion	

Isomorphism	There are powerful external actors that see themselves as been legitimate and morally adequate and they exercise an influence upon the organizational systems. The crisis within the organization increases the influence an external actor can exert on the system.
Divergence	This is when resources within the organizational field are distributed among few institutions based on the power of monopoly/oligopoly

DiMaggio (1983).

This model shows a process of increasing homogeneity based on the concept of DiMaggio and Powell (1983). The Institutional pressures are generated when certain conditions are met. When these conditions are meant then the framework of the institutions edges institutions towards actions that enhance homogeneity.

4.5 Selection of the Theory in relation to the Study

Corporate legitimacy is described as those practices and structures within a nation that are acknowledged as a good corporate behaviour to meet society's need. However, it is yet unknown why corporate legitimacy perceptions vary within the respective nations. Business organisations are viewed as public organisations that are affected by political, social, cultural, and economic factors. Quite often these factors (Sociocultural & Political) are far more influential than the economic factors in building corporate/organisational futures (Warren, 2003). This has been the case in too many corporate failures because the governance was either weak or non-existent and this resulted in a collapse. For instance, the legitimacy of a corporation is often eroded by failures in corporate governance practices (Enron, Parmalat, "Leaders: The Pause after Parmalat," 2004).

According to Monks (2007), corporations have failed in providing employment and efficiently produce wealth within the societies. This has led to murmurings about the overall legitimacy of a corporation beyond some remote corporate failures (Jackson & Moerke, 2005), this came about because of regular corporate malpractices and economic inequalities.

Furthermore, the main issues of consideration in a global economy are to understand the corporate power and the extent to which corporations are been legitimate within a society. According to Stanfield and Carrol (2004), corporate governance systems concentrate on making sure that the power which they get is wielded about effectively for the good of the society which is their host.

Corporate legitimacy is a term that is questioned all over the world because of its uneven nature. Audit committees/ Enforcement agencies are governance mechanisms charged with the power to ensure banks operate in a good way and to prevent any financial meltdown/ fraud. However, research has shown that in many countries, their audit committees perform ceremonial duties rather than an absolute set of checks and balances against corporate financial delinquencies as recorded in both the United Kingdom and Nigeria (Spira, 1999). The same case has been reported in Japan, that insider abuse, crossholding of stocks are features of its governance system and has led to institutional investors challenging these and demanding that the government policies and strategies become more transparent and for the executive to show more accountability (Jacoby, 2007). Research has shown that China isn't devoid of the same complaints as it has been observed that indirect foreign investments are minimal because of the objection over the structure of the Chinese financial sector and the corporate governance practices (S. Li & Filter, 2007).

Corporate Managers salaries and corporate performance are usually in variance in America. In fact, in most cases, their salaries/compensation is higher or never really reduces even in the face of a corporate governance performance lags. All these have contributed to the argument of corporate governance legitimacy as presented by Monks (2001).

In the case of the Nigerian State, research has shown that the regular revising of the corporate governance codes for the banks is because of corporate malpractices. It, therefore, shows that the Corporate legitimacy of the Nigerian banks is either false or been manipulated to appear more genuine.

According to Coglianese (2007), the structuring of corporate governance to assume public governance will have a positive impact on the credibility of the financial sector and overall enhance confidence within the capital market which is tied to the legitimacy of the corporation. The reason he gives for the assumption of the corporate governance roles into public governance is due to the continuing concerns about un-tamed corporate power and the realization that corporations have a part to play within the society.

There is a case of corporations losing their identity because they have adopted government norms and structures and could make them loose economic focus while struggling to either retain or gain legitimacy. Furthermore, the quest for legitimacy by corporations has led to them indulging in voluntary codes of conduct and various audit committees. However, it has been observed that these governance actions by corporations are because of the pressures from institutions and do not amount to anything more than ceremony and myth instead of appropriate action and an improvement in social welfare (Spira, 1999; Wright & Rwabizambuga, 2006).

In conclusion, the legitimacy of banks/organizations is derived from the supposed legitimacy of the nation's corporate governance practices. The main objective of corporate governance is to ensure public trust and not just for a single corporation or the top executives and to make sure that corporate power is beneficial to the society at large (Wilson, 2004). All the above assertions are because corporate power is seen as legitimate when is used properly and when used improperly the reverse is the case. This is because the Institutional theory has a frugal set of ideas on how to obtain or lose legitimacy.

4.6 Analysis

As outlined by DiMaggio and Powell 1983; isomorphism is seen as a constraining process that forces a unit (organization) to bear resemblance to other units that are faced with the same set of environmental and socio-economic conditions. Conceptualizing the theory of isomorphism presents a suitable framework that can help the study of the similarities within organizations. The neo-institutional theory is where isomorphism has its roots and there shows its ideas of the existence of rational, actors and organizations. One of its key targets is to look at the development and the influence that is exerted by both organizations and the systems they are working with. This focus is that of the structuring and the influence that the systems have on the various actors within the system. (DiMaggio 1983).

In line with the tradition that surrounds the neo-institutional theory, isomorphism furnishes the socialist views of organizations by bringing insights on organizational similarities, their interactions, and the influence they have on the society. To grasp the behavior of firms, it is imperative that there is an understanding of both institutional forces and the drivers of both individual and firm behavior.

The Banking sector is seen as an organizational field because it has the features of an institution which includes organizational interaction, regulatory systems, hierarchical structures, distinct knowledge, and experience of the participants are all present within the bank.

4.7 Justification of Coercive Isomorphism

According to DiMaggio and Powell (1983), coercive isomorphism emanates from "political influence and the problem of legitimacy" which means he force which has been applied here could be as persuasive, as an invitation to join in a collision or even outright disbanding of the organization or a heavy fine**.** Coercive isomorphism refers to "how powerful actors and also legitimate (e.g., national government) can coerce the adoption of reforms by dependent actors (e.g. banks, state government, public organizations) that have their activities governed by the federal government (Henisz & Zelner, 2005).

Coercion is seen as a strategy that is at the disposal of the government to bring into line (Almond & Powell, 1984). An organisation's internal policy-making process that is not subject to the external coercive influences (government, politics), usually ends up producing institutions that are isomorphic in procedures and structural type to established organizations deemed legitimate (Henisz & Zelner, 2005). This strategy could be implemented by using the legal proceeding to coerce institutions into compliance. However, the strength of the legal coercion is down to the judicial independence and the strength of the national legal structure.

According to Oliver (1991) indicates how this works when he stated that "when the force of law or government mandate buttresses cultural expectations, organizations are made more aware of public interests and will be less likely to respond defiantly because the consequences of non-compliance are more tangible and often more severe. Acquiescence best serves the organization's interest when legal coercion is high, that is when the consequences of non-conformity are highly punitive and strictly enforced.

Furthermore, certain things are pointed out to the use of legal coercion within Nigerian banks and these include weak regulatory structures and corruption which handicaps enforcement/legal coercion within Nigerian banks. As Scott (1995) stresses that experience, fear, and force are essential parts of the regulative pillar, but he posits that they are tempered by the presence of rules (formal/informal).

The mechanisms of coercive isomorphism within the banking sector comes from a disproportionate relationship that exists between the banks and some external forces that can put them(banks) under pressure that results in a change. These pressures come from organizations and institutions that could include political powers whether formal or informal. The changes are focused on the sole attainment of legitimation. This pressure for homogenization could be either forceful or inviting and this is exerted in view of the societal-cultural expectations of the organization in the locality.

This mechanism is seen in the legal regulations, government actions and the overall management control or even the standard of reporting within the organization (Banking Sector) field (DiMaggio 1983).

Salancik en Pfeffer (1978) raised an especially important point that the political structuring of a particular organizational field is characterized by the collective organization rather than an individual organization. The also went ahead to state that the rules were laid down are not very flexible or adaptive and quite often the decision makers are alien to the consequences of the structuration achieved from their decisions.

In view of the structuration of a particular class of organizations, legitimation of an individual organization is now based solely on its conformity and adherence to the institutionalized rules and regulations outlined by the policymakers. This invariably leads to homogeneity between organizations and means that an individual organization shifts both its activities and output to conform to the structuration, gives way to a legitimation based on focus and structure. This organizational shifts to institutionalized conformity result in group alliance and ritualized control of accreditation.

In conclusion, the coercive isomorphism is based on both the formal and informal forces of organization on the structures in an organizational field that leads to homogeneity and legitimation (DiMaggio 1983).

In explaining Coercive Isomorphism within the banking sector, the Hypothesis of DiMaggio and Powell (1983) has to be analyzed.

Table 2 Coercive Isomorphism

Organizational level Predictors	**Variability in the rate at which organizations in a filed change to become more like their counterparts**
Hypothesis 1	The greater the dependence of an organization on another, the more similar it will become to the organization in climate, behavioral focus, and structure.
Hypothesis 2	The greater the centralisation of a particular organizations resource supply, the greater the extent to which that organisation will change isomorphically to look like the organisation to which it depends on for resources.

Field level Predictors	**The effect of various characteristics of organisational fields on the extent of isomorphism in a particular field.**
Hypothesis 3	The greater a particular organisation within an organisational field is dependent upon a single (or several similar) source of support for important resources, the higher the level of isomorphism.
Hypothesis 4	The greater the level of interaction between organisations in a particular field with agencies of the state, the greater the extent of isomorphism in the field collectively.

Source: Research Finding

4.8 Theoretical Underpinnings

To achieve the research objectives, set out in this research, a research model has been developed and shown below. This provides a theoretical framework of the research by using the coercive isomorphism which is a type of Institutional theory in relation to legitimacy. This extends the work of DiMaggio and Powell (1993) in modelling how government can wield a political power and the ultimate legitimate trust through the various regulators of corporate governance. This section highlights the ineffectiveness of the current regulatory framework and infrastructure of corporate in the Nigerian Banks. This framework highlights the legitimate role and responsibility given to the government in the regulation of banks corporate governance. The aforementioned challenges in this research that is facing corporate governance practices and regulation within Nigerian banks. This framework is also in line with the corruption index of Nigeria (Transparency International, 2011; Adegbite and Nakajima, 2011b), therefore it is imperative to explore the extent to which government can effectively engage with the governance in ways they can be rewarded in forms of legitimacy trust in their performance, flexibility, adherence to regulations and minimization of corporate fraud and corruption. In addition, the Chinese commercial banks were faced with some challenges such as the lack of transparency in their reporting procedures which resulted in a push for more governmental involvement in the corporate governance process to aid their domestic and international competitiveness (AFDC, 2007).

Literature has focused on institutional theory in their theoretical framework in reviewing the corporate governance practice in Nigeria. This is used to highlight the interaction between institutions and the character of the individuals (Scot, 2014). Furthermore, the ROSC (2004) highlighting the weakness of the institution as the major challenge of corporate governance regulation in Nigeria. Therefore, the weakness of the institution calls for government to get involved and engage in administering legitimate authority through coercive methods in the corporate governance regulation in Nigerian banks.

Literature within Nigerian banking sector showcases a multi stakeholder co-regulation strategy which is a system were the government and the firms share responsibility in the form of a hybrid approach in enforcing the regulatory standards (Hirsh 2011). This form of co-regulation is not determined by market forces(self-regulation) or state-based (statutory) regulation but by a process of collaboration. This is further strengthened by Albareda (2008) in expressing the importance of developing a co-regulation framework between business and its stakeholders(government). This multi-stakeholder co-regulation strategy while it has its advantages, the practicality is a challenge due to issues that are consistent with the ineffective nature of institutions. Furthermore, this framework is seen as not sufficient in such an environment like Nigerian where there are social and political actors that are able to influence institutions, create new institutions and transform the functionality of already existing institutions but leverage it against their resources (Maguire et al. 2004). This research has highlighted the ineffectiveness of both principles based or the soft law regulation and the challenges with self-regulation and government agency (regulatory bodies) in charge of regulation in enforcing corporate governance practices within the Nigerian banking sector. This led the researcher to promulgate a theoretical framework that introduces governmental involvement through coercive measures, legitimacy rule and legitimate authority in the enforcement of corporate governance practices in Nigerian banks.

It is imperative to point out here that the corporate corruption within the banking sector calls for a transformation of the corporate governance regulatory framework which clearly highlights the weakness of the self-regulation of the banks. Within the Nigerian regulatory framework, governments role has been to oversee the regulation of the banks. However, the weakness and ineffective of the process, has led the researcher to illicit for government to be involved properly in the regulatory framework and no longer serve an oversight role to ensure a restoration of corporate integrity and market confidence of the Nigerian banking sector (Coglianese et al., 2004). The aim of this theoretical framework is to promulgate ways that the government can strengthen the corporate governance regulatory framework in ensuring better enforcement mechanism, the capacity of the regulatory institution, the public awareness, and the training requirements of the regulatory personnel.

Previous research has shown us clearly that the Nigerian corporate governance environment is enveloped by weak institutions. Therefore, this analysis will look to investigate and proffer a solution as to "how can banks surrounded/with weak institutions become legitimate?"

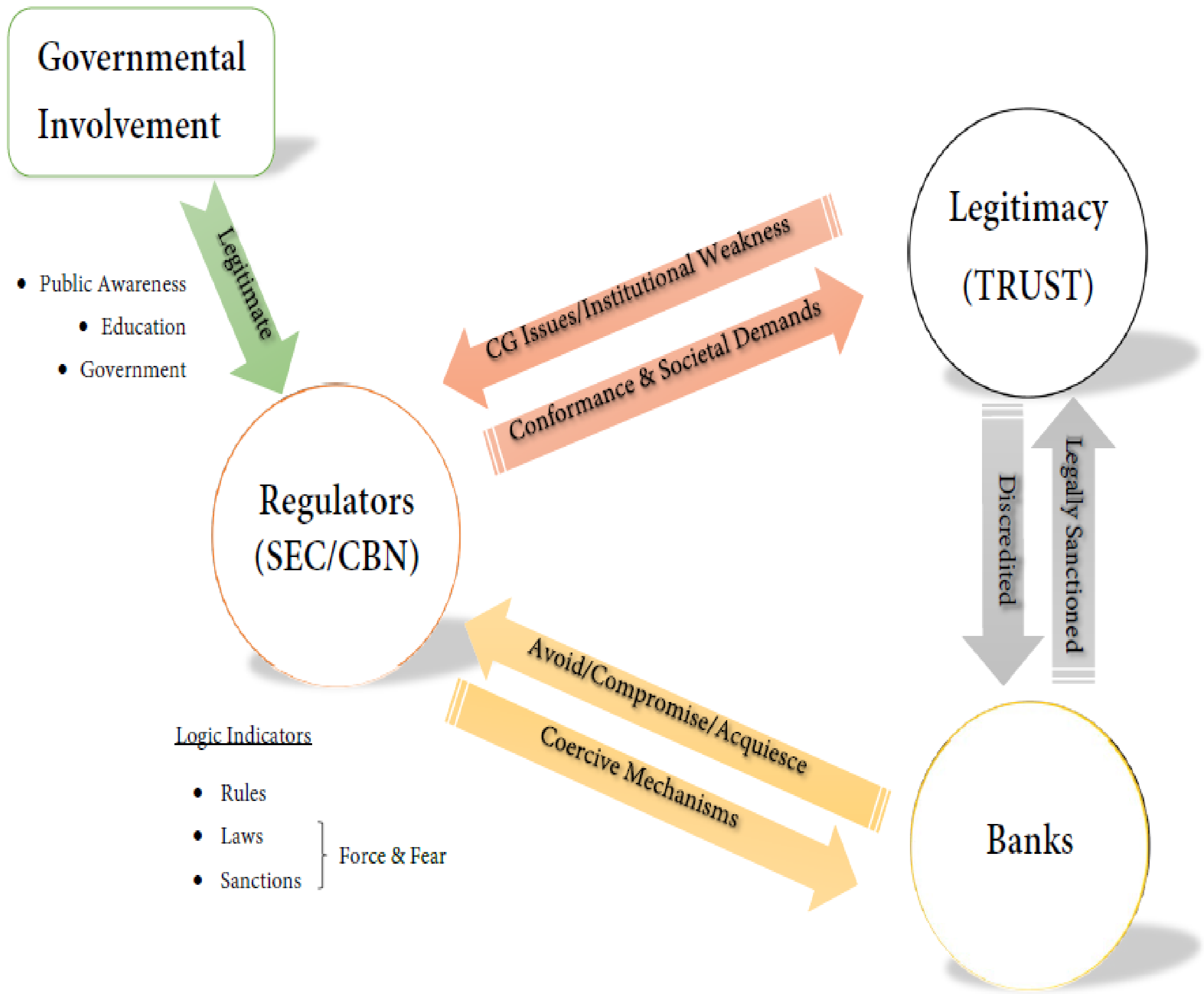


Figure 1: Theoretical Framework Diagram (Researcher's Theoretical Findings).

In been legitimate, regulations are put in place to ensure that things are done in the right way and then also act as a yardstick for checks and balances. From the above diagram, you would see that regulations, chain of command and overall governmental influence is needed in this fight to gain legitimacy. This legitimacy is seen as an oversight trust or approval coming from the government and used to show that a body is working within the confines of the corporate governance regulations as constructed. The role of government here is very important because they are needed in ensuring that there exists an efficient, effective and trustworthy framework through which banks can operate sound corporate governance practices.

Firstly, the fight for legitimacy starts with the regulators themselves and this is were the attention/involvement of government is paramount in this cycle. The Nigerian corporate governance practices have highlighted significant weakness in regulation, enforcement, and compliance (ROSC, 2004). Therefore, a call for the involvement of the Nigerian government in the enforcement of corporate governance in the banking sector is at its loudest. The countless number of corporate governance scandals in the past coupled with the limited amount of successful prosecution of offenders gives credence to the call for governmental involvement (Adegbite et al., 2012, Okike, 2007).

The regulators here include the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN). Because of the weakness in regulation, compliance, and enforcement, the researcher is calling for the involvement of government mainly in the regulating system with specific guidelines on achieving legitimacy. These guidelines would be made public (Society) after a thorough education of the society on banking regulations. This gives the society an idea of what they expect from the regulators of the banks and the banks themselves. So here, the government becomes the body with the authority to reprimand regulators who fail to comply with set guidelines. Recent research has suggested that there is widespread of institutional corruption in Nigeria. The government getting involved and holding the ultimate legitimation key here will enable regulators to become accountable and seek legitimacy from the Government. This is the first case of legitimacy seeking and seeks to eradicate the tag of institutionalised corruption (political patronage) and gives the regulators the necessary tools to run the banking sector.

The regulators could use rules, laws, and sanctions to whip the banks into compliance. The banks become obliged to adhere because they do not want to lose their survival strategy. The bank's survival strategy includes avoiding sanction, compromising on certain rules or even to acquiesce to the demands. When the banks do not confirm they are discredited and seen as not legitimate and this would lead to sanctions and a loss of revenue.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

This chapter would describe and make a justification for the research method adopted to assist in the investigation of the research questions addressed. This chapter focuses on current literature on the regulatory compliance with the laid down regulation of corporate governance in the Nigerian banking sector. Literature has shown that leaders of various Nigerian banks have failed to fully comply with the laid down regulations of corporate governance in the Nigerian banks (Adewale et al., 2014; Ikpefan & Ojeka, 2013; Umanholen, 2015).

In this chapter, the researcher will explain the choice of a mixed method data collection method, the methodology will include the participant selection logic, the data collection instrumentation, the procedures for recruitment, participation, data collection and data analysis.

The chapter looks at the methodology and the gathering of data in the form of storage and analysis. Also included in this chapter is the accessibility of the data and the challenges the researcher experienced while collecting data. The chapter will be using the methods and the analysis to explain the theory used in the research.

Finally, the research will address the issues with reliability and validity of data, confidentiality, and the ethical considerations.

5.2 Research Design & Rationale

The focus of the research question is to understand the role of government in the enforcement of corporate governance regulation and practices in the Nigerian banks.

This research adopts a triangulation research method so as to provide very comprehensive and well-informed account of the corporate governance practices within the Nigerian banking sector. Due to the vast nature of corporate governance in Nigeria and the dearth of literature in addressing the role of government, this research will be examined using mixed method qualitative study approach that includes interviews, focus groups and documentary analysis.

According to Flick (1992), combining the mixed methods in a qualitative study approach indicates that the researcher looks to add depth, rigor, and breadth into the research which in responsible for also adding richness, reliability, validity and acceptability of findings. Making use of a mixed method approach allows the research to showcase the key insights into the exploratory nature of the corporate governance in Nigeria without any form of confinement to ratings and box-ticking. The interviews focus group and documentary analysis were the mixed method of qualitative approach used by the research in conducting the research. This data collection process involved a 3months field work done in Nigeria between May and July 2017 amongst the professionals in academia, regulators, banking officials, government agencies. Some of the respondents represented more than a category in the process of data collection as some represented two offices as regulators that have become professionals in academia, so they were well versed with enforcement challenges of corporate governance regulations.

In as much as research is both central to business and academic work, there is still no consensus in the literature in regard to a definition of research. The fact that research means different things to different people could well be a good reason why there is no Universal definition.

However, research entails the process of investigation and inquiry that is, of course, systematic, methodical and enhances knowledge (Collis & Hussey, 2009). It is essential from the nature of research that a researcher use the most appropriate methods for getting and analysing data and to make sure that the methods chosen are applied efficiently. The essence of a research is to generate knowledge from investigating and answering research questions that have been outlined from the onset. This research question connects to a problem that would usually arise from studying a specific subject area or topic and the researcher finds that there is a gap in literature.

Research project/thesis allows an academic to identify a problem, analyse and investigate it under the guidance of a supervisor while using academic theory to explore and bring meaning to the research. The theory is used to shed more light on the research problem by bringing solutions that illuminate the problems. Every research has objectives for which they explain how they would go about answering the research question/problem. Research objectives usually help to investigate existing solutions, review and analysing existing ideas/concepts, explore more issues or even explain a phenomenon. The nature of research is that it is purposeful because it is conducted to get an outcome.

5.3 Research Paradigm

Research is conducted under two main paradigms that become the lens of the research based on philosophies which are “positivism and interpretivism”. However, it is important to give an academic definition of the term “research paradigm” and according to Collis &Hussey (2009), “a research paradigm is a framework that guides how research should be conducted, based on people’s philosophies and their assumptions about the world and the nature of knowledge”. A Philosophy in this regard according to The Dictionary LLC (2015) is a critical study of the basic principles and concepts of a particular branch of knowledge, especially with a view to improving or reconstituting the phenomenon.

Due to the changes in peoples view on the nature of knowledge, new research paradigms had to be birth in response to the insufficiency of the former paradigms. Kuhn (1962) encapsulates this in defining the term as “universally recognised scientific achievements that for a time provide model problems and solutions to a community of practitioners”. An explanation of the two main paradigms (Positivists and Interpretivist) for research will be given below.

5.3.1 Positivism

This is a paradigm that dates back from its origin in the natural sciences and borders on the assumption that social reality is not affected by the act of investigation because it's singular and objective (Creswell, 1994). Also, it is a paradigm that is deductive in its process and uses this in terms of theories to explain the social phenomenon. This paradigm has the framework of how research is carried out in the sciences and these methods are adopted in social sciences presently. This paradigm is underpinned by the belief that the outcome is independent of the researcher and the aim is to establish theories based on the observations and experiment. The independence of outcome means that it can be justified and verified because knowledge of the research comes from positive information that can be scientifically proven (Walliman, 2001). These theories that are established are used to interpret/explain a social phenomenon. Precision and objectivity are the fulcrum of positivism rather than an intuitive and subjective explanation.

The theories that are used under positivism to provide the basis of explanation allows for the anticipation of phenomena by predicting the occurrence and allows for it to be controlled. Explanation consists of the basis of the established relationship between variables by putting laws relating them to deductive or integrated theory.

Positivism is associated with the quantitative method of analysis because it has a scientific setting, and the variables can change and take different values that could be measured. However, the positivism paradigm has its flaws (criticisms) in dealing with research in the social sciences and this led to the introduction of the interpretivist paradigm.

5.3.1.1 Criticism of Positivism

Some of the limitations of the positivist paradigm were that the researcher could not be objective and was part of what they were examining by bringing their interests and various values to the work. Also, it is challenging and rather misleading in terms of the quantitative method of analysis to try to judge certain things (e.g., intelligence) by quantifying it in numerical value.it will be challenging to measure the level of governmental involvement in the enforcement of corporate governance in Nigerian banks using a quantitative format. In addition to the following, the highly structured nature of the research design places huge constraints on the outcome and could ignore the other useful findings. These following limitations and the ability to allow researchers to bring an interpretive understanding of social reality led to the interpretivist paradigm.

5.3.1.2 Interpretivist

The inadequacies of positivism to cater to the needs of the social science researcher gave birth to this paradigm and is captured in its definition. Interpretivist is bounded by the belief that the social reality is highly subjective because the interpretations are shaped by perceptions rather than objective as suggested by the positivism. Here the researcher is in constant interaction with what is been researched which makes it impossible to differentiate the social world from the researcher's mind (Creswell, 1994; Smith, 1983). The study is based on the interpretive approach which is suitable to explore the corporate governance practices of the Nigerian banks to put forward an avenue for governmental involvement in the enforcement of practices.

Furthermore, the interpretivist paradigm rests on the assumption that a researcher has social reality in his mind, and this is subjective to multiples interpretations. The social reality here is influenced by the act of investigating the subject within an inductive process to bring in the researcher’s view to explain social phenomena.

In the case of corporate governance practices and enforcement in the Nigerian banking sector, the interpretivist would be most appropriate as the researcher can see what is going on and conduct interviews, focus groups and use documentary analysis to understand certain elements and then make a well-informed decision and conclusion.

Since the positivism focuses on the measuring of social phenomenon by using quantitative methods, interpretivist makes use of a range of methods that "seek to describe, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world" (Van Maanen, 1983). In conclusion, a research that is set within the underpinnings of interpretivist is one where the findings are not from a statistical or quantitative data (Strauss and Corbin, 1990).

5.3.1.2 Philosophical Assumption of the Interpretivist

Creswell (1994 and 1998) refers to the paradigms that underpin both the interpretivism and positivism as qualitative and quantitative paradigms, respectively. However, for the sake of this research, the focus will be on the qualitative paradigm and the philosophical assumption that underpins it. There are 5 philosophical assumptions that underpin the qualitative paradigm, and some will be analysed.

- ***5.3.1.2.1 Ontological Assumption*** -This assumption is concerned with the overall nature of reality and it is of the opinion that social reality is subjective because its construction is social. It argues that each researcher has their own opinion or even a sense of reality and this could be multiple realities.

- ***5.3.1.2.2 Epistemological Assumption*** –This is more concerned with what is put out there as valid knowledge and it essentially examines the relationship between the researcher and that been researched. The Positivists in this regard tries to remain independent and objective, however, the Interpretivists sees the need to minimise the distance between the researcher and the subject. This discord between the positivists and the interpretivist has been captured brilliantly by Smith (1983) in his argument that "in quantitative research, facts act to constrain the researcher's belief whereas in an interpretive research the beliefs essentially determine what is seen as fact".

- ***5.3.1.2.3 Axiological Assumption***- This is concerned with the role of value in research and says that the researcher has valuable input in their work. Furthermore, these values help to determine what is viewed as facts from the interpretations.

5.4 Relationship between Paradigm and Methodology

The researcher is very aware of the importance of choosing the right methodology and methods that fit into the philosophical assumption of paradigm in the research. There are several ways/ methods of collecting data so also there is a range of methodologies. Research data are either primary or secondary, where the primary research data is described as one obtained from an original source which could be interviews, focus groups, questionnaire surveys and experiment whereas secondary data are described as one that has been obtained from an already existing source which could be a database, internal records, internet source, hard copy, or a publication.

Unlike the positivist paradigm where there is not much scrutiny in justification of the researcher's methodologies, you will, however, have to justify in an interpretivist paradigm to explain why your choice of methodology and methods in order to show the research will be methodical and meticulous. The researcher's methodology and methods represent the philosophical assumptions that have been used in the research. The research approach comes from the knowledge statement, methodology, methods, and strategy (Creswell, 2003).

A positivist paradigm has some of the following methodologies attach to it and they include the experimental studies, surveys, cross-sectional studies, longitudinal studies. However, since this research is adopting the interpretivist paradigm the methodologies attached to this paradigm which includes Hermeneutics, Case Studies, and Grounded theory, Action Research, Participative Enquiry, Feminist, Gender and Ethnicity Studies, Ethnography. For this research, Case Study is best-suited one for to obtain the required data.

5.5 Qualitative Data

This is data that is usually used in the interpretivist paradigm which is not designed to quantify or analyze the data in statistical format. This data is usually in a nominal form of words, images, expression etc. Within an interpretive paradigm, the emphasis lies on the extent and quality of data that has been collected about a subject/ phenomenon (Collis and Hussey, 2009). The quality of data collected within the interpretivist paradigm is rich in nuance and detail and this data collection methods include interviews, focus groups and documentary analysis.

According to Bonoma (1985), every research requires high levels of what he refers to as result currency and data integrity. He states that data integrity refers to features of research that affect bias and error in the outcome whereas results currency looks at the generalization of the outcome/results. Bonoma argues that the positivist method is of a higher degree in data integrity compared to the interpretivists' method. This, therefore, means that results currency (generalization) in an interpretivist method is high due to the contextual relevance of measures, methods, paradigms, settings, and time. There is always a trade-off between results currency and data integrity so to achieve one the other has to be sacrificed.

5.6 Research Methodology

According to Collis J & Hussey R (2009), a methodology is an approach to the process of the research that encompasses a body of various methods. This, therefore, encompasses the whole research process from the underpinning theory to the collection and finally the analysis of the data (Collis and Hussey, 2003).

The methodology is different from the term research methods, while methodology encompasses theoretical underpinning, collection, and analysis, the research methods refer to various procedures and approach to the gathering and analysis of data.

The methodology used to explain a positivist paradigm are developed to support a deductive approach to research where the conclusion comes from the measurement(experiment) and generalization here leads to prediction, understanding, and explanation. According to Cresswell (1998), the interpretive paradigm supports an inductive process that uses patterns and theories to explain phenomena.

5.6.1 Case Study

This is a methodology that is used to explore a single phenomenon which is the case in a natural setting applying a variety of methods to obtain an in-depth knowledge of what is going on (Collis & Hussey, 2009). In this research, the phenomenon been analysed is the practice of corporate governance which is in a natural setting and the context is the area of investigation which is within the Nigerian Banks. Yin (2013) gives a twofold definition of case study to show the features/scope of a case study when he states that a case study “is an empirical inquiry that investigates a contemporary phenomenon (the case) in depth and within its real word context”. He also went on to say that this usually occurs when the boundaries connecting phenomenon and context are not clear. In other words, the case study will be used as a research methodology in this research because the phenomenon (Corporate Governance) and the context (Nigerian Banks) are not in sync in terms of practice (Yin & Davis, 2007).

The case study, therefore, will be used to understand the practice of what is going on within the context and what the phenomenon is meant to be. Great importance is placed on the context of this research. Eisenhardt (1989), shows that the focus is on understanding the dynamics that are present within a single setting. According to Bonoma (1985), the construction must indicate the sensitivity to the context of the management behavior. The case for this research is the practice of corporate governance within the Nigerian banks and this requires detailed information to be obtained over a period of months to get a full understanding of the context.

Yin (2003) pinpoints some of the features of a case study within an interpretivist paradigm which includes an exploration of the phenomenon with a clearer understanding of the context, the research does not have limits to study, and multiple methods of data collection could be employed. There are various types of case study however they could be combined into one because they are closely related. Some of the types include exploratory case study, descriptive case study, illustrative case study, experimental case study, explanatory case study and opportunist case study.

5.6.1.1 Limitations of Case Study Research

Even though Case Study gives opportunities to study the corporate governance practices of Nigerian banks, it does have some flaws in its analysis. It was worth pointing out in addition to the literature that it is difficult to draw a boundary around the scope of research of a particular subject matter (Collis and Hussey, 2009; Ryan et al.). Relating the case to the wider society at large is important but it is not feasible in terms of case study research. Therefore, a limit on the scope of the research area is advocated due to the large volume of research to be done (Scapens, 1990). A limit would allow a detailed study of the subject area extensively and give room for further research in the given area. The case of an involvement of government in the enforcement of corporate governance regulation in Nigerian banks is limited and therefore gives room for further research in areas such as the unification of corporate practices.

The Case Study report is very time-consuming because it involves acquiring interviews with various respondents. The logistics involved and scheduling of interview meetings can also be a challenge.

It is also vital to mention that the Case Study research suffers from the problem of generalizability in conclusion as supported by Burns (1996). The case study cannot provide statistical generalization evidence but can be used as a hypothesis that can be used to test future work (Ryan et al., 1992).

5.6.2 Exploratory Research

An exploratory research is incredibly good in asking open questions and helps to gain greater insight into a particular topic of interest. The search for better understanding of a subject area necessitates the use of exploratory research to get a precise understanding of the nature of the problem and to assist in offering an alternative solution while the researcher has the willingness to amend to change the direction of research from the findings (Robson, 2002).

An exploratory method provides the research with tentative answers to the research question but gives room for further research to be carried out. The research in this regard starts out quite broad and narrows down as the research progresses with a greater understanding of the problem.

As Saunders et al. (2007) state that the exploratory research can be carried out by searching the extant literature to have a better understanding of what might have gone. Also, through unstructured interviews from experts in the field and in the case of this research those will be bank managers, regulatory bodies, and the heads of some governmental agencies. In addition, the use of focus groups is also incredibly good to gain an understanding of what the feelings of some key elements are.

This method of data collection in an exploratory research helps to provide a good background to understand the context with a view to drawing up a framework to tackle the problem. As the definition goes that exploratory research is carried out when a particular subject has not had significant research carried out on it.

This research has employed the exploratory research due to the lack of in-depth knowledge on the effectiveness of enforcement of corporate governance regulations in Nigerian banking system. The researcher, therefore, goes ahead to explore to come up with an alternative to the problem of enforcement by promulgating a governmental involvement in the enforcement of corporate governance in the Nigerian Banking sector.

The exploratory research study gives the researcher interesting features in ways of its flexibility and adaptability to changes and it effectively lays the foundation for further studies. However, the qualitative data could be subject to biases hence its reliability could be diminished.

5.7 Ethical Considerations

Ethical consideration in research is important as there are always ethical arguments the researcher will run into during the work (Coolican, 1992). Furthermore, it is vital that the research is relevant, and that the researcher is sure that there is no harm caused by the research to anyone, himself or any group (Berry and Otley, 2004).

This research is based on the information from interviews that are conducted in the offices of the participants and therefore the issue of personal safety is not in existence. Furthermore, the interview questions are to gain insight into the regulations and practice of corporate governance and not to find out any personal feelings or an interrogation to know about interviewees personal lives. Therefore, an ethical issue such as dignity would not be a problem at all as they are not coerced to answer questions and besides the participants are respected.

This section of the research will be addressing ethical issues that concern the research such as security of data, the approval of consent and selection of respondents and finally the anonymity and confidentiality.

5.7.1 Security of Data

The researcher has taken steps to ensure a proper storage and security of the data that have been collected from participants. The data collected will be stored safely in the researcher's personally password secure laptop, a personal storage device and finally on the University's very secure hard drive. At the end of this research, every data that has been collected will be safely destroyed to ensure the security of the participant's information.

5.7.2 Anonymity and confidentiality

The ability for participants to remain anonymous in the research which in effect protecting their identity from any opinion they have expressed was ensured by the researcher. The researcher will be obtaining an ethical approval from the University research ethics committee and the researcher followed strictly the procedures by the university.

5.8 Data Sampling

This research focus is on the banking sector in Nigeria which is at the heart of the financial and economic plans or programmes. The banks were identified as the main sites to understand the phenomena of corporate governance to understand the underlying principles behind their corporate governance principles.

Under the Nigerian banking regulations, the Central Bank of Nigeria (CBN) is tasked with the responsibility of ensuring banking operations are monitored as the sole regulatory body. The number of banks registered under the CBN is 22 from 89 after the consolidation and the N25bn recapitalization in 2005.

Therefore, the first step in this research was to approach the 22 listed banks under the CBN, the regulatory bodies such as the CBN and SEC and finally a legislative regulatory body as the sole oversight body of the regulatory financial institutions. According to Strauss and Corbin (1998), it is important to visit places and meet people that will help maximize the opportunities in knowing the variations in the concepts which will aid better understanding.

The second step is to base the research process on the choice of theory chosen to steer this research. The data sampling made use of the exploratory research technique in choosing the sampling method, data collection method, and the research design to give room for more in-depth research.

5.9 Data Accessibility and Challenges

With the sensitivity of the subject of this research centred on understanding practice and the challenges to enforcement of corporate governance practices, the researcher had to evaluate ways to overcome the reluctance of major stakeholders to participate in the data collection process. This is because the responsibility of regulation and enforcement of banking practices rests on firstly the Banks (top management) and also the government regulatory bodies (CBN, SEC), so it is easy to understand why some identified interview participants will be reluctant to engage in the data collection process.

In working to alleviate this challenge, the researchers began by formally contacting the various interviewees with an introductory letter from the university informing them of the origin of the research and letting them know that the student has gone through the university's ethics approval process.

Furthermore, the researcher is looking to gain the trust and confidence of the interviewees, sent the interview questions to acquaint them with the angles the question will be looking to address. This method served its purposes of giving the researcher a good number of responses from the pool of interviewees already pencilled in for this research.

The issue now bothered around finding the time that was suitable for these participants as their schedules were extremely busy. The researcher adopted a more flexible time arrangement to fit into the busy schedule of some of the participants which paid off. The bureaucratic nature of the Nigerian social setting made access to certain buildings a challenge. This made the researcher to adopt direct contact with the interviewees rather than seeking to gain admission through the more common ground. This elongated the data collection process time frame but gave the researcher the access to the interviewees to conduct the interviews.

Some of the fears and reluctance of certain interviewees were allayed by a direct phone call from some stakeholders that the researcher had already interviewed who they were directed to another interviewee to gain more insight into an issue that emerges from the previous discussion.

Most of the interviews were conducted in the capital city of Abuja because of the better composition of regulators in the city at the time of this research process. The depth of the data collected helped to form the basis of the theoretical framework of the research in postulating a governmental involvement in the corporate governance enforcement within the Nigerian banking sector.

5.9.1 Participants Selection Logic

The participants were carefully selected to showcase the various aspects of the research and cover both the banking sector, the regulatory body and the government agencies. Subsequently, the participants were informed of the title and purpose of the research by email for their consent before conducting any interviews. The population for this research consisted of 22 banks which included 15 top bank employees ranging from bank managers to compliance heads, 20 top employees of the regulatory body that includes the Central Bank of Nigeria, 5 professional academicians, 2 members of Corporate Affairs Commission, 2 members of the legislative arm of government, 3 focus groups made up of 15 people with a combination of bank employees, academicians, and regulatory agents. This research therefore got responses from 67 members of the carefully chosen sample group to show the vast nature of the research. This population was important, because these employees are involved in making policies and the enforcement of such policies on the Nigerian baking sector.

The snowball sampling strategy was used here in addition to the predetermined samples to find the respondents due to the nature of the research and the issues with availability and confidentiality. Here, the respondents without coercion were able to refer some others they believed will be able to give strong and well-informed information of the subject area (Cohen N; Arieli T, 2011). This assisted greatly because the responses from top bank managers and regulatory agencies came from a place of knowledge, experience and over all exposure to the subject matter.

5.9.2 Instrumentation

According to Ho (2012), the primary data collection instrument is seen as the researcher who makes use of qualitative data collection method such as interviews, focus group and documentary analysis.

This research made use of unstructured interview to gain greater insight and to give room for the interviewees to explore more and speak much more about things around the subject matter without feeling constrained.

An email was used to book interview appointment and before the commencement of the interview, the participants were given an information sheet that had basic information about the research with their rights as part of the research, confidentiality of the information and made to know they still could pull out of the research at any point.

Interviewees were contacted via emails outlining the research agenda and what is expected of them for the interview and how the data will be analysed. The interview questions were clearly pre-tested to ensure their level of appropriateness and to help in ascertaining the respondents understanding and interpretation. Issues such as confidentiality and anonymity were addressed to ascertain validity and reliability. The interview process on average was slated for about 60minutes which gives enough time to analyse and conceptualise the effective corporate governance regulation in Nigeria with reference to the institutional settings.

This interview strategy made use of open-ended questions which took away the monosyllabic responses of yes or no (Yin, 2014) and I used probing questions to gain more insight into the subject matter. The responses of the interviewees were captured on an audio-recorder with the consent of the interviewee and this was played back for the interviewees to listen and review their responses and give the approval before been used for data analysis. The interview questions were reviewed by the researcher’s supervisor and the Anglia Ruskin Research Committee to gain approval to use it for the data collection method. The interview was eventually transcribed and analysed afterwards. The interviews which were done by bank managers, professional academicians were used to answer the RQ1 and RQ2 to ascertain if the codes of corporate governance within the Nigerian banking sector are enforceable or amiable to enforcement and to understand to what extent banks are responsible for the failure of corporate governance practices. The RQ3 and RQ4 was directed at the regulators within the government agencies and the legislative arm of government that have oversight authority into the dealings of the regulatory bodies in charge of enforcing corporate governance practices in Nigerian baking sector.

Furthermore, focus groups of 3 comprises 15 people who have similar background and experience was brought together to discuss certain issues within the subject area (Coule, 2013). The size of the focus group was kept small to allow members of the focus group to feel free to express themselves without fear of intimidation. The focus group was made up of 15 members with 3 separate groups with each focus group spending about 60minutes during their discussions. This discussion were subsequently tape recorded and transcribed to arrive at the themes of the research and to answer certain research questions. The main purpose of the questions for discussion posed at the focus group was to gain more in-depth information from the participants and to reflect the identified themes and research issues raised in literature. This focus group helped in furthering discussion in the corporate governance regulation in Nigeria and to provide more insights using an unstructured approach to allow for free expression of views (Filatotchev et al., 2007). Focus group discussion was used to address the RQ2 to understand to what extent banks are responsible for corporate governance failure within their organisation.

This research has had incredibly good response rate with the time spent preparing relevant interview questions and to give the interviewees a copy of the interviews in advance and the overall time invested into field study to get the information to be analysed. The overall number of respondents in this research is 67 which cut across regulators (CBN, SEC,) academia, bank management team (Bank managers, compliance heads and bank floor members). This research had more regulators as respondents than the professional academicians which helped in observing practice a lot closer than theory.

Finally, documentary analysis was used to allow further investigation into key areas of the study that have been raised from the interviews and focus group discussions. The documents reviewed her include those publications from the CBN, NDIC publications, Newspaper reports, EFFC reports and publications and some audit report by supervisory boards.

5.9.3 Procedures for Recruitment, Data Collection And Participation

According to Maxwell (2015), it is imperative for every research to show respect to their respondents and to ensure they are not exposed to any form of risk. The Anglia Ruskin University Ethics Research Committee provides very adequate procedures for ensuring protection to respondents to avoid any human violations. The University's ethics committee assessed the risk appropriately by looking at the emotional, sensitive, financial, and indirect assault on the human participants as part of the research.

In line with the process of identification, screening, recruitment of potential respondents and initial contact as stated by Patton (2015), the researcher adhered to this. The premises of the research were the following offices: CBN, Banks, Academicians, and also legislative offices where the researcher had to visit in order to conduct the interviews and focus group discussions.

On arrival at the premises of the CBN in Abuja, the researcher introduced himself formally to the security team and showed them by Identity Card and the letter of approval of the research from Anglia Ruskin University to undertake this research and conduct field work. The researcher informed them that of an appointment with a compliance officer within the Corporate governance regulatory team and they investigated their guest list for appointments, and they could not find the researcher's name, he was subsequently not allowed into the building. Thereafter, the researcher was told to rebook the appointment, luckily the researcher was able to reschedule with the compliance officer for the next day and he subsequently sent me a copy of the appointment letter and forward the same to the security team which enabled me to gain access into the building the next day.

The researcher delivered a letter of research approval from Anglia Ruskin University Ethics team to the compliance officer and subsequently re-introduced me to him to set a scene and create a rapport. Thereafter, he acknowledge the receipt of my letter and prior email to him and ushered me into his office where the interview would be done. The researcher was not allowed to tape record the interview due to the sensitive nature of the subject matter but could write and there after shown some documents to support the interview responses.

On a visit to a professional academician who has worked within the banks, the CAC and now with the Lagos Business School, there was need for the researcher to navigate the traffic of the busy metropolis of the business city in Lagos Nigeria. This involved arriving the city a day before the interview appointment and checked into a hotel opposite the Business school to combat the treacherous traffic in Lagos. On the day of the interview appointment, a letter of consent and the researcher's university identity card had to be shown to the security team before been allowed to get into the building. Navigating the bottlenecks within the Nigerian organisational setting was another hurdle to contend with because it was not clear as to who to report to whilst in the building that will inform the respondent that the researcher is around. This necessitated the researcher to call the respondent due to the closeness in relationship and this allowed him to come down to meet the researcher in the lobby where the researcher was waiting. The interviewee allowed the researcher to tape record the interview and take notes and the interview was instrumental in directing me to other potential contacts that have the right knowledge of the subject matter to offer a strong response.

The focus group discussion and the interview with top bank managers and heads was much more straight forward as gaining access into the buildings of banks is relatively straight forward and everyone is treated with a decent amount of respect as a prospective customer. This made the interview process stress free and gave the research and interviewee enough time to engage in the interview and to go through certain documents. Some of the top bank managers were averse to the idea of tape recording but allowed notes to be taken and in other instances documents were offered to buttress the interview responses.

The interview process with the two members of the legislative arm task with oversight responsibility on the government regulatory agencies was probably the most challenging. This is due to the sensitive nature of the subject, the busy schedule they have, the security within the National Assembly complex and of course the informal nature of the Nigerian social setting where appointments are not always respected. After about 4 visits to the National Assembly building with interview appointment, the researcher was eventually able to have the interview on the 5th attempt because one of my respondents found me in the reception area on his way back into his office from an official meeting.

5.9.4 Letter Of Cooperation

A letter of cooperation was done and sent to the CBN, CAC, regulatory agencies of the banks and the government, professional academician and every other interviewee indicating that he is a student at Anglia Ruskin University and have the research consent and approval to carry out this research with ethical approval granted the researcher. This letter introduced me as the researcher and stated the main purpose of the study. The letter was directed to the heads of the organisations to inform them that I am conducting a research and that some of their employees are part of the research. This did not take the place of personal letters of cooperation sent to the individual interviewees.

Subsequently, the researcher paid a visit to the banks and had to reintroduce themselves and cleared any question or grey areas of concern because of the unease evidenced in the Nigerian banking scene in divulging information. This visit thereafter settled their mind s and thereafter offered me potential people for the focus group discussion which was helpful.

5.9.5 Expression Of Interest

This letter of expression is alongside the letter of cooperation that serves as an invitation to prospective interviewees displaying the title of the research and providing a brief synopsis of the main purpose of the study (Maxwell, 2013).

This expression of interest letter contained reasons why the interviewees are needed to be a part of the research study, the document also stated that their anonymity and confidentiality were assured. It was also offered the prospective interviewees the contact details of the interviewee to get in touch if they decide to either accept or decline their participation in the interview process.

5.9.6 Consent Form

Following on from the expression of interest letter that allows the interviewees to signify their acceptance to be part of the research, a consent form was given to every member of the interview process to sign before the commencement of the data collection process (Patton, 2015). This form contained details of the researcher including full name, University, address, purpose of the research, benefits and the risk and guarantee of anonymity and confidentiality of the interviewees. The interviewees that were not satisfied with my information, were provided with the Anglia Ruskin University Research Team email for which they could reach and confirm anything they needed clarification with. It is imperative to mention here that the interviewees were also given the opportunity to discontinue their participation in the interview process at any time they wished.

5.9.7 Data Collection Plan

In this research, the data collection process was done through one-to-one interviews, focus group discussions and document reviews. The data collection process included the conceptualization of the interview process, gaining access, contacting interviewees, engaging in the data collection process, transcribing the interview responses, and presenting the data in order to analyse it properly (Seidman, 2013).

The interview time, date and the location were done to accommodate the convenience of the interviewees and this was agreed in advance of the interview and focus group discussion. The responses from the interview were recorded and transcribed and stored on a Microsoft word document and saved on the university approved storage unit. The order of the responses was important so as not to mix up anything and to ensure ease of analysis (Yin, 2014).

On the emergence of themes from the interview and focus group discussion responses, the research was mindful of ensuring that these themes are organised properly to harness the themes properly (Edwards, 2017).

Certain steps were taken to ensure data reliability and validity by requesting if the researcher were happy to be contacted for any inquiry or follow up interviews if there were any parts of the research that would do with a second clarification to shed more light and the interviewees were given the opportunity to express their views on the interview process and they can monitor any effect from the interview process.

5.9 Data Collection Methods

According to Creswell (2007, p. 130), in a qualitative research study, there are no set guidelines as to what data collection method is the most preferred but is down to the availability and the nature of the research. He argues that interviews, observations, documents, focus groups and audio-visual materials are quite common in qualitative research. This research made use of interviews, focus group and some documentary analysis to gain the primary data to analyse and understand the variations in the corporate governance practices in the banking sector in Nigeria. As supported by Creswell's (2009) argument, that the strength of qualitative research is the expansive collection of data from various sources to ensure a stronger and richer analysis and interpretations.

The focus group data collection method is utilised effectively by generating data through interactions among a group of participants. Other data from the extant literature, organisational publications, and records all add to the primary data collected through interviews and focus groups.

These methods of data collection were used collectively to offer a richer data unlike the single method of data collection which has its weaknesses. These methods brought with it remarkably high levels of both objectivity and reliability in identifying precursor of very effective corporate governance regulation in Nigeria. These methods offered the research different views and an enriched data that represented various aspects of the corporate governance conversation. Furthermore, the choice of a mixed method approach allowed for all the stakeholders to be represented in the research all puts all the concerns of the stakeholders to bare in the analysis. This allowed the identification of issues that are confronting the Nigerian corporate governance scene and some key regulatory mechanisms to deal with some of the issues addressed. Finally, the mixed method of data collection has helped identify key themes to explore in the research and acts aa a basis for useful conclusion to offer alternative proposition rather than generalized inferences as illustrated by Child (2002).

Interviews (1): The first set of interviews engaged the participants from 13 of the listed 23 commercial banks which included the bank managers, heads of various departments and also line managers. ***Interviews (2):*** The second interviews mainly focused on the CBN as the major regulatory body and the other regulatory institutions. The interview led to more insightful revelations. ***Interviews (3):*** This set of interviews were done to validate and ensure that the already collected data could be verified to an extent. This was done amongst key members of the legislative arm of government who have oversight authority over the affairs of the main regulators of the banking sector. ***Focus Group Discussion Sessions:*** A particularly distinct discussion focusing on the understanding of the participants in corporate governance. Also, the effectiveness of the corporate governance regulation within the Banking sector was discussed with a view to highlight the possible reasons for the failure of the banking industry and to allow a promulgation of ideas to get out. ***Secondary Sources:*** This information consisted of documentary evidence obtained during research from the banks and the regulatory bodies in relation to their corporate governance practices.

Table 3 Data Collection Outline

5.9.1 Interviews

According to Collis and Hussey (2009), interviews are a form of data collection method which involves the collection of data by getting responses from selected interviewees through either visual or verbal approach to gauge their reactions and feelings on the subject matter, which in this research, is corporate governance. It is one of the most common and useful forms of data in a qualitative research approach. This is because interviews give an insight into experiences and practices creating a deeper understanding of the practices of corporate governance in the Nigerian banking sector. Similarly, Easterby-Smith et al. (1991) support this view by stating that in-depth interviews are the most fundamental part of any qualitative research study. Furthermore, interviews are effective in discovering variations in understanding of a research area because of the flexibility and interactive nature they accommodate.

The research focuses on trying to match the written theory of corporate governance with the reality which is also the practice within the banking system and how it is regulated. Therefore, interviews would be ideal as its interactive nature aids in the exploration to understand the phenomenon from the views of an insider which would be different to that of an outsider (Schein, 1984). In the case of corporate governance practices, this is ideal as the researcher, which in this regard is an outsider, can compare his understanding of theory to that of an insider's. In this way, the researcher gains a better understanding of the phenomenon.

According to J. Macey and O'Hara (2003), a subjective approach is welcomed in qualitative research to give the researcher the chance to understand the reasons behind certain occurrences and to help answer the research questions. This buttresses the aim of this research to understand the practices of corporate governance and the face-to-face interviews affords the researcher the opportunity to put certain meanings into occurrences and actions. This point has also been supported by the extant literature by scholars arguing that the spoken word in an interview is seen as a powerful source of data because of the explanation, description and the variety of information it brings in understanding a phenomenon (Hammersley and Atkinson, 1995).

In this research, the form of interview used is the unstructured interview as illustrated by Collis and Hussey (2009) to explore the varying views and issues discussed during the research.

The unstructured interview was used for data collection in this research to ascertain richer responses from the interviewees. The quest for better understanding of the practice of corporate governance in the banking sector led to this choice because it encourages open discussion, confidentiality, and a better environment for a more detailed discussion.

The choice of this interview method is further strengthened by the argument of Corbin and Morse (2003) stating that it is not dictated by any form of predetermined questions and it gives room for further probe. This certainly gives the researcher the avenue to ask questions in the same manner in every interview but proceeds to probe for any emerging angles (Arthur and Nazroo, 2003).

The interviews in this research were based on the corporate governance practices and issues within the context of Nigerian banking sector as clearly stated by the research objective. Furthermore, the interviewees comprised of important stakeholders within the banking sector to showcase a broader set of respondents and to gain rich data from the unstructured interview process.

5.9.1.2 Unstructured Interview

This is a type of interview where the questions to be asked are not prepared prior to the interview but evolve while the interview. These questions would probably go in an open-ended form to create a deeper understanding and explore the interviewee's response. Interviews are usually done on a one-on-one basis but to ensure that all the issues are fully explored, body language and gestures are in sync and the responses are similar the researcher could opt for a second interview.

Due to the nature of unstructured interview that involves probing questions and questions being asked as a response to an answer given, it is important that there is a recorder to record every moment. For this research, the unstructured interview will be employed to gain a deeper insight into the way various banks practice corporate governance, how they comply with corporate governance codes, their understanding of corporate governance and also the regulatory challenges they face as a bank. This will also be the case with the interviews that will be carried out with the regulators to understand the challenges to enforcing the corporate governance codes in the banks, corruption within the banking system and things like that.

For this research, it is important to know that unstructured interviews could be time-consuming, the recorder maybe faulty and the challenge of not veering off course and asking a range of unrelated question. To combat such issue, the researcher would endeavour to stick with the line of research inquiry while maintaining an unbiased composition to responses. The researcher has also made sure to steer clear of the "why" questions that could get respondents defensive but instead engage them with a "how" question which not only gets them, relaxed but also gives the researcher an in-depth understanding of what is going on (Becker, 1998, pp. 58-60). This, therefore, shows the requirements placed on the interviewer, which include asking questions in line with the research inquiry and ensuring that those questions appear friendly and unprovocative during an open-ended interview. The researcher also respects the wishes of any interviewee who does not appreciate been recorded and wants his identity to remain anonymous.

The researcher also gives the right to the interviewees if they do not want what their responses to be written down or tape recorded, and they can opt out whenever they want to. However, the researcher will give them some reasons to feel comfortable and feel at ease at having their response documented. The researcher will explain to them the ethical issues regarding the research, let them know that there is a confidentiality agreement and promise to keep it stored safely. The researcher would also let the interviewees know that their responses would be stored someone safe on the researcher laptop for research work only and the laptop is password protected. Also, the interviewees would be made to know that the University stores their work privately and would not be given any information away. The researcher will work to convince the interviewees that the work will be stored for not more than two years after the research is done.

One of the advantages of an unstructured interview is that the researcher can explore various aspects of the subject matter and it leads to an open discovery which is dependent on the reception of the respondents and the way they are interviewed.

Esterby-Smith, Thorpe, and Lowe (1991) outline some of the reasons why the unstructured interviews are appropriate. This interview style helps the researcher to understand the world of the respondent in relation to corporate governance enforcement in Nigerian banks, it would also give the interviewee room to feel comfortable and confident with the assurance of confidentiality to speak the truth on certain issues and finally it would assist the researcher to know what analogy is behind the reasoning of the interviewees on his/her opinions.

The interviews will take the shape of probing question to gain the maximum information and to get interviewees to elaborate on certain issues that have been mentioned earlier. As it is part of interpretive paradigm to ask probing questions to understand certain principles and it to help in the data analysis chapter, this research would employ probing questions.

In accounting for bias and making sure that bias is eliminated from the responses the interviewees would give, the researcher will aim to arrive in ample time to acclimatise with the interview environment and take in the atmosphere which will only help to put the interviewee at ease. Along the same lines, the researcher will engage the interviewee in some informal discussion to establish some rapport before starting a recorded interview. The researcher will ask the interviewee if we want the recorder to be switched off for a more confidential discussion and this has been observed to make the interviewee feel more relaxed and more interested to talk more.

The researcher has taken note of the suggestion of Lee (1993), on how to ask more sensitive questions. He states that it is more useful to ask a non-threatening and familiar question to ensure he receives a more fruitful response. He also advises that any question that leads to a sensitive topic should be approached slowly to appear as a probing rather than a provocative question. Furthermore, he advises that questions should be asked of what used to happen and should be used as a yardstick to what is obtainable presently in the organization.

5.9.1.3 Limitations of Unstructured Interview

There are certain limitations to the responses a researcher gets from the interviewee and this could be for various reasons. Firstly, a researcher's interview could be attended by two people who are usually executives. This could be that they want to be able to answer all the question and take records, but this could change the dynamics of their responses as they are almost held back from expressing more because of the other individual.

Secondly, the interviewee could be representing two offices and in essence would not be separate from the answer to give a good account. For this research, the researcher has already taken note of some interviewees that would be managers within the bank and part of the regulatory body to enforce corporate governance codes on the banks. Therefore, the researcher is very attentive to separate an opinion from a policy statement by such individuals.

Another limitation is the fact that some interviewees already have certain expectations from the bank and the regulators and what should be done so they tend to give what they feel are the correct or acceptable answers to the questions. However, a remedy to this limitation is to increase the depth of the interview to get them to delve deeper and it could make them identify with one party (bank managers/regulators) and answer appropriately (Lee, 1993).

The researcher is also aware of the varying responses that are influenced by race, sex, and also inadvertent class. According to Rosenthal (1996), the responses male and female researchers were significantly different on similar subjects and this was a summary of a sex bias experiment that occurred over 40 years ago. He also highlighted some of the reasons for the differences in responses. Female researchers are seen to be treated more attentively than their male counterparts, this could be because the female researchers smiled more often than the male researchers. Another highlighted reason was that male researchers tend to get closer to male interviewees and vice versa. The body activities that the female researcher expressed was also pointed out as a reason for the difference and finally, the friendliness of female researchers made interviewees more relaxed. However, the researcher has made sure that acting warmly towards interviewees is very paramount to limit the bias and get appropriate responses.

5.9.2 Focus Group

Focus group discussion as a data collection technique has become an increasingly popular way to collect data from participants. This method was first developed for political and market research by Robert Merton and his colleagues in the early 1940s (Merton, 1987; Merton & Kendall, 1946). However, the rapid growth (Morgan, 2002: 141) of this technique of data collection has made it a foremost part of data collection with it been used to explore social science issues in an interdisciplinary manner.

This technique is particularly good for an exploratory research as is the format of this study with an aim to understand and bring light to the corporate governance practices within the Nigerian banking sector (Frey and Fontana, 1993). A focus group is a method of collecting data from multiple participants at the same time. This implores an unstructured format that is geared towards a certain topic to alienate any unwanted responses. According to Krueger (1994), focus groups are described as a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment to allow for comments, ideas, and perceptions to be shared".

This research used focus group discussion to bring together knowledgeable individuals that are stakeholders within the corporate governance scene in Nigeria to gain insight into their understanding of the corporate governance practice in the banking sector. This is supported by Blummer (1969), where he recommended the composition of knowledgeable people within the same familiar social setting to engage in the discussion which he argues is far richer and more valuable than the representative sampling. In addition, the composition and familiarity of the social setting encourage interaction and evokes better and richer responses because of the influences or responses of the participants which are symptomatic of their natural working environment (Casey and Krueger, 2000).

The data acquired from a focus group discussion relates to the perception and opinions of a set group of people who are involved in the same phenomenon which in this research is the corporate governance practice within the Nigerian banking sector (Collis and Hussey, 2009). These responses help to solidify the researcher's idea of what the real situation might be in the social setting. The focus group technique of data collection is an effective means of data collection for an exploratory research as is the case in this research because of the complex and diverse views of the various respondents (Shartzman and Strauss, 1973).

The importance of the Focus group method of data collection has also been supported by the postulation of Litoselliti (2003, p.18) where he states that its important in:

"discovering new information; obtaining a number of different perspectives on the same topic, in participants own words; gaining information on participants view, attitudes, beliefs, responses, motivations and perceptions on a topic; "why" people think or feel the way they do; examining participants shared understanding of everyday life; brainstorming and generating ideas, with participants discussing different angles of a problem and possibly

helping to identify solutions; gaining insights into the ways in which individuals are influenced by others in the group; exploring controversial issues and their possible solutions".

According to Finch and Lewis (2003), there are four common types of focus group discussion used in qualitative research and this include:

- ➢ The workshop setting of a focus group which involves a large group of participants.
- ➢ Focus group made up of 2-12 respondents who are deliberating on a particular subject been explored within the space of 1-2 hours.
- ➢ The virtual form of focus group discussion which is done online with the use of electronic devices in the form of video conferencing.
- ➢ A consultative form of focus group discussion which is done in a form of series of discussions with a group of people involved in stages of decision-making.

This research included the focus group discussion with a group 6 participants to create a wider understanding of the social context or phenomenon ben discussed (Morgan, 1997). The focus group discussion used in this research comprised of 6 participants with 2 regulators (CBN & CAC), 1 Regional bank manager, 2 regulatory personnel from with the banking sector and a depositor who will serve to represent the wider stakeholder within the public domain.

Some of the question raised at the focus group discussion was evaluations from issues raised dusting the unstructured interview process. Therefore, the focus group discussion was beneficial to firm up and clarify certain responses gotten from the unstructured interviews which helped in the developing the themes emerged from the data collection process.

5.9.4 Documentary Analysis

This research adopted the interview and the focus group discussion as the primary source of data collection; however, documentary data was used to identify themes within the literature and other sources to enrich the research. The initial stage of research involved the creation of themes from consistent literature in the subject of corporate governance practices within the world of banking before sticking more pertinently on literature on the corporate governance practices within the Nigerian banking sector to create what has been described as "literature sensitivity" (Strauss and Corbin, 1998). The documentary materials analysed include the following:

- The CBN reports (2008)
- Documentary Press release on the corporate governance practices from CBN.
- The Code of Corporate Governance practices for Banks in Nigeria
- The Code of Corporate Governance Report for Financial Institutions (SEC, 2003)
- Reports from international agencies on bank practices and standards (Basel, ROSC, Corruption Index)
- Report on the Failure of the Banking sector by the former CBN Governor (CBN, 2010).

As illustrated by various authors that documentary analysis serves to stimulate the theoretical sensitivity of the researcher to discover what is known and unknown (Strauss, 1987; Strauss and Corbin 1998). The information from these documents helped to understand the practice of corporate governance and to analyse certain themes within the literature which helps to justify, validate and come to a comprehensive conclusion on the research.

The exploratory nature of this research encourages wide consultation from every possible angle to gain a better understanding. This research has employed both the interview and the focus group but has been complemented by the documentary analysis which has been argued to speak in the absence of speakers and helps maintain uniformity across the board (Atkinson and Coffey, 2011). It is also important to point out that the choice of documents to use was guided by the theoretical underpinnings of this research.

Conclusion

This chapter has gone through to describe the research design while making arguments to justify the method of data collection. The mixed method approach was used here to gain more insight into the knowledge and the practice of the corporate governance practices in Nigerian banking sector. This chapter the data collection methods and the various challenges associated with this research during the process and how it was avoided. Also, this chapter has shown how the participants were chosen and what their roles are within their organisations.

CHAPTER 6: DATA ANALYSIS CHAPTER

While analysing the interview responses from both the interviews and focus group discussions, there were some themes that arose which will be included in this chapter. This chapter is helpful to analyse if the data collected can support the emerging themes that emanated from the data collection process which include Enforcement, Uniformity of Regulation, Capacity of Lawmakers, political will, self-interest, Transparency issues, Competence (Training), Corruption.

The research questions were put into expansive interview questions and undertaken using focus group discussions to explore what exactly the practice in the Nigerian corporate governance practices in the banking sector is. The responses from the data collection method shed more light on the research.

This research made use of unstructured interviews, focus groups and documentary analysis in the collection of data and the responses from the interviews and focus groups were transcribed from my notes and the tape recorder into categories for analysis. After the transcription, I was able to go through recordings again to check against what has been transcribed to ensure reliability of data.

This data was placed in different folders against the respondents to ensure effective analysis and the steps as recommended by Yin (2014) that includes the data compilation, data disassembly, data reassembly, data interpretation and data conclusion and the derivation of meaning was used in the analysis.

The data compilation stage helped me to familiarise myself with the transcribed work and to start understanding certain patterns. The second and third step of data disassembly and data reassembly helped to start understanding certain themes and how they are developed. The data interpretation stage involved the identification of the themes and to group the more common ones. The final step which is the data conclusion and the derivation of meaning helped in the prioritizing of the themes with the levels of frequency.

It is important to state that during the data gathering session, the respondents were quite coy with challenges and were more willing to express and expand on their successes with how banks have been able to maintain good corporate governance practices. With such, some of the responses are in line with those of the regulators that were tasked with providing solutions to the issues of enforcement.

The research aim is to analyse the role of government in enforcement of corporate governance practices in the Nigerian banking sector with the various challenges with enforcement. The interviews and focus group discussion identified 14 emerging themes which was in line with literature. These themes were enforcement, compliance, monitoring issues, national values, corruption, transparency issues, self-interest, loss of confidence in banks, ineffective judiciary, political will, poor leadership, uniformity of regulations, poor regulatory review, and competence.

6.1 Research Question One

Are the laws/corporate governance codes enforceable or amiable to compliance?

After a careful analysis of the responses from participants on the enforceability and the feasibility of amiableness of the code, the responses were summarized into the following themes: Enforcement, Compliance, Monitoring Issues, National Values, and Corruption.

6.1.1 Enforcement

Various themes emerged from the analysis of the responses to the different questions asked to the interviewees. The theme of enforcement emanated from interview responses with members of the government regulatory agencies and focus group discussion were views were offered in relation to what they perceive as enforcement coming from the regulatory bodies. One question that came up very often was that of enforcement whether It was a lack of it or an abundance of it. Enforcement is the ability to ensure conformance or compliance with a laid down rules/rule or regulations. This could take the shape of coercing compliance, detecting non-compliance and also developing avenues to ensure compliance. Also, in this regard, tools and strategies could be created as is the case in this research where the CBN created the Code of Corporate Governance to ensure enforcement.

The general observation from the responses is that enforcement is vital to ensure a clean and best corporate governance practice in the Nigerian banking sector. The task given to the regulatory bodies in regard to enforcement has been ridiculed with a response from an interview participant stating that.

"*The enforcement strategy of the regulatory bodies is laughable, with enforcement coming after the demise of a bank. There needs to be better collaboration in enforcement among the regulatory bodies".*

This response came from an interview from a top banking official when asked "Are there any challenges within the your bank in regards to Corporate Governance"? In trying to deflect and pass the bulk, the official decided to castigate the enforcement strategy of the regulatory body without talking about their internal issue.

This statement is evidenced by the cases of bank demise which have occurred in the Nigerian banking system in the last 10years when the enforcement strategies have been in place.

Furthermore, there are 3 major institutions (Corporate Affairs Commission, Central Bank of Nigeria and Securities and Exchange Commission) established through legislation to ensure and address any problems associated with the corporate governance practice in the Nigerian banking sector. These institutions are to ensure that the standards, practice, and obligations to all stakeholders are meant. There have been cases of excess regulation and in some cases, negligent regulation where all 3 bodies have overlooked their primary responsibilities of regulation and gives the bank a compliance report pass mark in acknowledgment of a what sister regulatory body has doing without doing their own due diligence. In order words, the regulatory agencies are not collaborative in nature. Regulators are seen as ineffective in anticipating issues or shortcomings in the enforcement of regulations. This is further stressed with the assertion that the CBN supervisory team is not structured adequately to ensure effective enforcement practices (Jakada & Inusa, 2014).

Due to the interwoven public regulators and private sector relationship, there could be a business/personal relationship. This is because the ruling elites in politics are untouchables, therefore, an oversight by any of the regulatory agencies could easily lead to banking crises where certain irregularities are not recorded.

However, the response from a representative of the Central Bank of Nigeria was different from what a member of a focus group had to say when he stated that.

"Enforcement issues are now behind us and there is now a mechanism which the banks are told to follow and to report progress on a monthly basis which serves to restore confidence and transparency".

Furthermore, a CBN personnel interviewed stated that.

"*Things have thoroughly changed with departments set up to inspect the banks properly and this has reduced cases were banks can offer fictitious figures that shows they are sound".*

The response indicates that the regulatory body have the access as well as the technical ability to see when banks are not transparent, and this brings an assurance to prepare very well for any impediments.

There is a tendency to tick off boxes by the regulatory bodies by stating the mechanisms that they have in place to ensure corporate governance compliance, but the enforcement of such principles have bedevilled the Nigerian banking sector. The absence of preconceived measurements to the level of enforcement both self-regulatory and external enforcement means its challenging to ascertain the perceived level of enforcement that banks are under. However, the CBN argue that they are now involved in both onsite and offsite supervision of various banks to understand how they are progressing (Ojeme, Robson & Coates, 2018).

6.1.2 Compliance

Compliance here means conforming to regulations, laws, Code of Corporate Governance to ensure best practice. According to Hurley and Becca (2007), compliance refers to taking necessary action to ensure conformance with rules, regulations, and policies. The participants were all in agreement as to the perceived importance of adhering to the corporate governance provisions to ensure best practice. Regarding the level of compliance required within the banking sector, according to the CBN Code of Corporate Governance for banks, compliance is mandatory for every bank.

It is the notion by the regulatory bodies that compliance has been beefed up with their set out strategies of disclosure for the banks, but this wasn't the view of some of the other participants in the focus group with one stating that;

"If compliance is really not an issue, why would the government take control of the management of banks after some distress and how do you explain the lack of transparency within the banking sector?"

In line with the response, a major stakeholder in the regulatory arm of the Nigerian banking sector disclosed that there is not enough discipline amongst regulators to ensure compliance and the consequence on noncompliance are not sufficient for the banks to change their behavior. These responses show that there is still some weakness in the ability of the regulatory bodies to ensure compliance.

Furthermore, to the mandatory requirement of the banks to ensure compliance with their operations regarding disclosure the banks are still lagging.

A member of the focus group discussion is quoted as saying that.

"To ensure proper compliance with laid down regulations, the financial transactions as well as other important documents should be made public so both the regulatory agencies and the public can ascertain the level of compliance".

This is made clear in the ROSC report (2011), where it is stated that disclosure of financial transactions and appropriate accounting has not become a documentary necessity in their financial statements. This information clearly indicates the gap in the compliance to the requirements of the CBN in financial reporting.

6.1.3 Monitoring Issues

This reflects the concern of the participants regarding the failure of various participants in the corporate governance process in the banking sector. Following on from compliance issues, the lack of monitoring comes also closely because it is an antidote to a lack of compliance.

The code of corporate governance practices in Nigerian banks requires a frequent management reporting, detailed monitoring procedure and a code of conduct for the banking management and staff. The argument is that with this in place there will be a better forecast of any poor corporate governance practices and to foresee any bank distress before it is too late. The participants in the focus group agreed that a lack of monitoring is the cause of many of the abuses in the banking sector. This is the statement of one of the participants in the focus group.

"The monitoring system in my bank is either not well thought out or was in place to fulfill all righteousness to show we have something when asked by the CBN".

This showed clearly that the self-regulation of banks is not something that is ready to be implemented because of the structural inadequacies. Furthermore, there was an agreement that the regulatory agencies/bodies have a lot of blame attached here as they are perceived as lacking the sense of responsibility to ensure the monitoring of the banking procedure/practices. According to a participant who stated the following:

"The Regulatory bodies and the bank need to work on better consultative collaborating to better combat the ineffectiveness of the monitoring process".

The response of the participants and the extant literature shows that irrespective of the banking reforms by CBN in 2006, the monitoring of the banks has not been effective.

6.1.4 National Values

The responses derived from the interviews as well as the focus group discussion highlighted the need for national values as pointed out by a response from a member of the group discussion who stated.

"It appears on face value that the corporate governance policies are efficient, however, the outcome raises questions on the need for national values not only in policy development but also in the execution of such policies".

Here the response focuses on the need for national values to ascertain what exactly the nation is looking to achieve with key measurement framework to calculate the success rate. There was a further analysis of the contents of the corporate governance codes when an interviewee responded to a question by stating.

"I believe that the corporate governance codes were done with good intentions, however, this doesn't represent the yearnings and the structural position of the Nigerian banking sector. Therefore, I think the codes are not well thought out and should be looked at thoroughly".

The responses indicated a need to look closely at the needs of the banking sector and the institutional structures around it while putting in focus the values the nation is upholding before drawing up any codes. This will help in building a country that every employee that is tasked with enforcement has in focus the values of that organization and respects it to ensure everyone is working to a set target.

Furthermore, a recourse to the foundational settings of the nation when the founding fathers of nationalism built a country on values, norms, and ethics that meant people worked with purpose is vital in moving forward. In employment to regulatory agencies, there needs to be a thorough check on the values they have as individuals and their employment track record to ensure the right people with the right mindset are appointed to head key institutions.

There is also a need to evaluate some elements of emotional value before an appointment because certain individuals may not have the joy to do that job or in some instances are coming from a different background. Such initiative will aid in removing the instances of personal interest, political patronage and even any tendencies to compromise.

It is the norm that the Nigerian corporate governance regulation is to be viewed as effective and efficient in the face value, which is evident with the various mechanisms, whereas the practice is far from reality. In corporate terms in Nigeria, this is referred to as a form of the corporate ticking of the boxes to create acceptance in the corporate scene.

The lack of national values could create a certain level of laxity on the part of the regulators as they would not be going about their jobs with any vigor because there isn't any strong institutional value that they abide by. The dressing of reports by financial institutions that are submitted to regulatory bodies has led to so many corporate collapses such as Intercontinental Bank Nigeria. With national values that are focused on diligence and a high level of responsibility towards the citizens, regulators will be thoroughly going through to detect such financial malpractice rather than looking to give the financial pass mark when once a financial report is submitted.

6.1.5 Corruption

The theme of corruption came up quite a lot all through the course of this research for many obvious reasons as banking activities are often shrouded in a lot of secrecy and questionable dealings. Corruption as a theme has been covered extensively in this thesis. However, in answering the research question 1, the theme arose again in answering question amiability and enforcement of the codes of corporate governance.

In answering the question posed by the researcher, a member of the focus group responded saying.

"The question should be one of whether the codes have prevented Corporate Governance abuses in the banking sector? And the answer to that is no because it doesn't appear to be a perfect fit with the banking environment in Nigeria".

He argues here that the self-regulation of the banks means that stakeholders are on able to see what is really going on and are only fed what will appear good in the bank's favour. It doubtful that the CBN's mandate to ensure good Corporate Governance practices in the banking sector by the creation of the codes have been effective because of the institutional and regulatory framework of the Nigerian Corporate Governance seen as weak, ineffective and inadequate to ensure enforcement of the code. Events in the banking sector helped to buttress these points. The year 2009, the CBN bailed out some banks with the sum of about $4 Billion of public finance to keep the bank afloat.

These banks were accused of insider abuses, handing out loans to companies they had vested interests, fraud etc. The case of Oceanic Bank is a major one that bordered on insider abuse as accused by an arm of the government that is tasked with going after some of the financial crimes in the banking sector.

Oceanic Bank was among the banks bailed out in 2009 by the federal government. The management of Oceanic bank headed by Cecilia Ibru was jailed for a period of 6months on 3 charges that bothered on money laundering charges of well over 110 million dollars and a financial crime. The bank essentially used a front to siphon money which made it difficult for the supervisory committee to detect. She was ordered to return £786m in cash and assets. The severity of her jail term was spent in a plush hospital where she was being treated for ill health.

The cost of not complying with the Code of Corporate governance is viewed as too lenient and can be served. In recent times, deals are being struck by offenders to return their ill-gotten wealth and get a reprimand for not serving any time in jail. This completely flaws the chance of any enforcement of the law.

Very recently, the Director General of the Securities and Exchange Commission (SEC) which is a major regulatory body in the financial sector was suspended pending an investigation into corruption cases levelled against him. He has been accused of paying himself a severance package while still in office. It brings to light that honesty, effectiveness, and efficiency of the regulatory body that is responsible for not only making and enforcing the codes that it has been found wanting. The amiability and compliance with the code are now very highly questionable.

RESEARCH QUESTION 1 THEMES

1. Enforcement
2. Compliance
3. Monitoring
4. National Values
5. Corruption

Table 4: Research Question 1

6.2 Research Question 2

To what extent are banks accountable for the failure of Corporate Governance Practices?

In the course of collating the data in regard to the responses from the interviews and focus groups, the following themes were developed which includes Loss of Confidence in the Banks, Transparency Issues, and Self-Interest. The following themes will be looked at thoroughly below.

6.2.1Transparency Issues

Transparency issues emerged as a theme from the analysis of responses on the research question 2 which looks at the extent to which banks are accountable for the failure of Corporate Governance Practices. It is important to state here that a lot of the interviewees responses here are not stated in quotes due to the sensitivity of the topic and issues with anonymity.

Transparency in the banking sector refers to the availability of the relevant information, financial statements, and the governance to those outside the bank. It also involves the free flow of information irrespective of the outcome and a proper disclosure of meanings behind the decisions.

Disclosure and transparency are key attributes of a good Corporate Governance practices within the banking system. The evidence of the responses points to a system that is bereft of an adequate mechanism to ensure disclosure and transparency.

One of the responses by a member of the focus group indicated issues surrounding transparency when he stated.

"Banks have not held up their responsibility in being transparent in recent times, they are aided in part by the lapses within the regulatory body which is not effective".

In essence, he argues that the banks have not been very transparent in their dealings, which means it is too late for the CBN to come to their rescue because they are given falsified information. The CBN is also blamed by the members of the focus group of not doing enough to checkmate transparency issues in areas that included a proper vetting process of auditing to iron out and fish out any anomalies in financial statements. Another member of the Focus group stated.

"It is impossible for transparency to be achieved when there are a political patronage and friendship involved".

Here the respondent is pointing out that the level of accountability in the banking sector is poor and very often the real reforms are not achieved due to the political players involved in such matters.

The falsifying of information, lack of adequate mechanisms for accountability and the financial manipulation has crippled the credulity of the banking sector. The system of checks and balances in the banking system needs to be looked at extensively to ensure better transparency.

The participants of this study emphasized the importance of top-quality financial information which is important for both internal and external credibility of the banks.

However, a respondent from the CBN puts the blame squarely on the board of the various banks to ensure accountability and transparency since the CBN code made the banks responsible under the provisions of the code.

A bank manager of one of the interviewed banks pointed out that it is not possible to achieve a total transparency in the banking sector because of the interwoven nature of the bank with the economy and other socio-political factors.

This shows that the regulatory body and the banks are absolving themselves of any blame which is an issue. The regulatory body is mandated to ensure transparency in the workings of the banking sector because the success of self-regulation of the banks has proved abortive.

In May 2008, Nigeria signed into law the "Freedom of Information Act" (FOIA) which was originally created to ensure availability of information by shareholders and also stakeholders in general. All of these is to ensure transparency in the banking sector and to make readily available documents and financial information to the public. The interventions of the CBN on banks has shown the slow progress of the Act, the bureaucracy involved in getting a hold of such information is cumbersome and the Nigerian banking system is only embracing Information technology and therefore there are still a lot of information that will not have been recorded which are very vital.

6.2.2 Self Interest

Self Interest is also a theme in the accountability of the banks in the failure of Corporate Governance practices. Self-interests here represents the motivation of an individual being fueled by the disregard of the rights and interest of others to maximize profit and the detriment of others.

A participant of the interview process expressed the following opinion in answering a question:

"The challenge facing the bank is the behaviours of the political leaders and their co-conspirators in the banking systems who are aiding their ambitions towards self-enrichment. This attitude has a huge influence on the level of bank compliance to any code".

This shows the level banks could go to appease a leader who has strong political power to ensure their safety in faced with any legal penalty. The self-enrichment within the banking system erodes any form of internal mechanism as the bank has cut through various back channels to achieve those things.

The cases of money laundering, inappropriate lending and very often the appointment of board members in the banking sector are all evidence of a greater level of collusion which is solely geared towards self-aggrandizement. In the same vein, ethics plays a key role here because the practices are against the corporate governance standards and procedures. This could be initiated from the early stages of employment when key individuals are employed not on merit but on the evidence that they are children or relatives of influential business/political leaders who in turn will either give them personal favours or will invest heavily in the bank.

These attitudes impact heavily on the banking operation as the leaders of such banks may be unwilling to act in a way that will achieve best practice by not doing the right thing as set out by the provisions of the corporate governance code.

Furthermore, the leaders of banks could also refuse to comply with certain rules as it does not favour them or it does not satisfy their primary objective as individuals. A bank seen not complying with the provisions of the code could have adverse effects on its positions in the perception of investors and the stakeholders.

In general, the belief of the participants was that these issues could have a huge impact on the banking operation as promotions and other benefits are only achieved by playing to the expectation of superiors irrespective of merit or hierarchy. In essence, the banking operations in some circumstances will be run according to the interest of those at the top against that the lain down practices of the provisions of the code.

It therefore important to ascertain the individual values of the members of the board to know where they stand for from the onset to know if it aligns with best corporate practice. With an issue with the enforcement of that corporate governance practices, participants believe that banking official will continue getting away with misconduct as they are heavily shielded by their political conspirators who are all aligned on same objectives. In summary, the drive for wealth which is a reason for a pursuit of selfish ambitions is a major reason for corporate secrecy being experienced in the banking system.

6.2.3 Loss of Confidence in the Banks

This is also a theme that was derived from the responses provided by the participants of a focus group discussion. One participant stated the following.

"I do not believe there is any public confidence in the banking system or the financial sector as a whole".

People are in the dark of the operations of the banking system because they see something of a fake reality until its doom day when the bank collapses. The freedom of Information Act has not been as effective for too many reasons and this has added to the frustration of stakeholders.

A member of the focus group stated that many stakeholders find it hard to believe anything that stems from the banking system which they describe as full of secrecy and only interested in selfish profit maximization.

The political interference in the banking system has caused a lot of concern and is seen as a reason for the loss of confidence in the banks, private ownership has ushered in some good, however, some of the banks have been seen to operate in very unsound and unethical manners. In some cases, the banks were seen to be granting unsecured credit facility to owners to cronies which in most cases were above the statutory lending limits of the bank in breach of the law. This level of insider abuse could easily crush any form of confidence in the banking sector. The magnitude of some of the insider abuse over the years which has not completely been eroded is seen below:

Period	Bank	Ratio of Insider Loans to Total Loans
1	ABC Merchant Bank Ltd	50.66
2	Alpha Merchant Bank Plc	55.00

3	Commerce Bank Plc	52.00
4	Commercial Trust Bank Ltd	55.90
5	Credite Bank Nig Ltd	76 - 00
6	Financial Merchant Bank Ltd	66.89
7	Group Merchant Bank Ltd	77.60
8	Kapital Merchant Bank Ltd	50.00
9	Nigeria Merchant Bank Ltd	99.90
10	Prime Merchant Bank Ltd	80.70
11	Republic Bank Ltd	64,90
12	Royal Merchant Bank Ltd	69.00
13	United Commercial Bank Ltd	81.00

Table 5: Source: Closing Report, Receivership and Liquidation Department, NDIC.

The regulatory agencies regular oversight on the banks shows that their self-regulation is not effective and only adds to the opinion that the banks are not completely stable and does not command the respect of the public.

More recently, the CBN took over the management of a major bank and had to change the management thing stressing that the management team has failed to turn around the fortunes of the bank despite several warnings from the apex bank. This sent shockwaves across the banking sector and the stakeholders as more depositors were in haste to get their monies out.

Such take over does not know exactly create any form of confidence in the banking sector, it invariably appears that most banks are possibly in the same situation until they are found out. The perception of any bank is linked to the confidence level the populace has towards it and would determine if it could attract investors.

However, a response from a CBN compliance officer stated that there exists a classification to monitor banks and understand what sort of f help they may require. This classification now allows them to focus more on banks that are high risk to reinstate their operation and improve their public confidence.

RESEARCH QUESTION 2
THEMES

1. Transparency
2. Self Interest
3. Loss of Confidence in the Banks

Table 6: Research Question 2

6.3 Research Question 3

What is the Role of Government in Conflict Resolution in the Banking Sector?

This section will analyze the responses from the interview question addressing the role of government in conflict resolution in the banking sector. The following theme was derived, Ineffective Judiciary and Political Will. These responses were derived from interviews from members of the legislative arm that have an oversight duty over the executive arm and the data from professional academicians.

6.3.1 Ineffective Judiciary

The role of the judiciary in governance is not important but vital in the interpretation of the laws of the country. For any real economic growth, development and any form of human development can only be achieved by an environment that is seasoned with a good legal system. The Nigerian constitution vests a lot of power on the judiciary in governance regarding judicial reviews on both the executive and the judiciary.

The judiciary in the Nigerian legal system has been handicapped in too many ways in administering justice in cases that involve financial/banking offences. Judicial independence is very vital to ensure fairness and cases devoid of judicial impunity. A professional academician put simply.

"Without an effective judicial system, the enforcement of corporate Governance becomes an uphill battle, and this has been the challenge since".

The participant looks at the importance of the judiciary in prosecuting cases of financial recklessness and the integrity of such bodies. The integrity of the Judiciary is called to question when the Nigerian Judicial Council (NJC) can nominate A Chief Judge which can only be authenticated after an approval from the Executive and acceptance from the Legislature. This calls into question the independence of the Judiciary when the other arms of government which it has oversight duties over, become responsibility in appointing its head. It could easily hamper any case involving a high-ranking member of the Executive or Legislature.

After the collapse of the parliamentary system of the Nigerian government in 1966, the laws and institutions became complete tools for both political and economic actors which resulted in deep-rooted in corruption and misinterpretation of the laws. Over the years, there has been a steady decay of the judicial system beyond any form of reform. This has led to the incapacity of the judicial system to ensure fair judgment in financial crimes.

Furthermore, the delay in the prosecution of convicted banking official involved in financial crimes not only cripples the enforcement mechanism but also affords other offenders the liberty to continue their crimes. The court is some cases have become obstacles in the fight for accountability. This is put expressively by a member of the regulatory agency in answering the interview question.

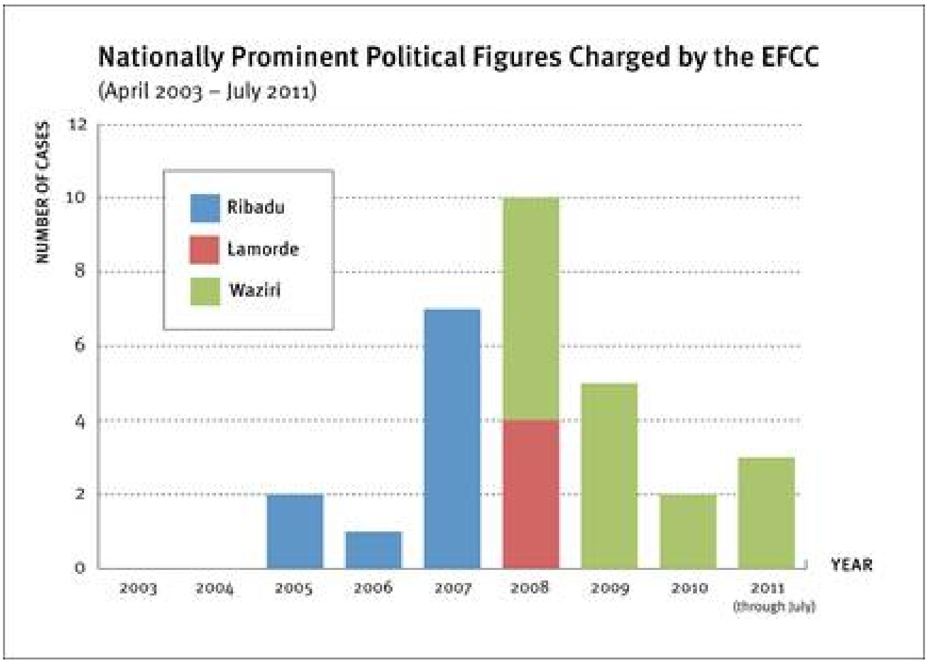
"*The conviction and prosecution process lacks transparency with the delays and the overall number of people that are prosecuted*".

Supporting arguments was derived from documentary analysis of informations on some of the high end conviction processes from the EFCC (Economic and Financial Crimes Commission).

This is evident in the number of EFCC (Economic and Financial Crimes Commission) cases that have been levelled against political figures that have been stalled due to court processes without trials commencing. The nature of the Nigerian legal system which is overburdened gives more skilled lawyers the means to secure unfavorable decisions and frivolous delays.

Here are some of the charges that the EFFC have brought and the number of convictions under its 3 chairmen between the years 2005- 2011.

Figure 2 (Research Findings)



Ten Nationally Prominent Political Figures Charged under Ribadu

(April 2003 – December 2007)

Defendant	**Position**
Tafa Balogun	Inspector General of Police (2002- 2005)
Diepreye Alamieyeseigha	Governor, Bayelsa State (1999 – 2005)
Abubakar Audu	Governor, Kogi State (1999 – 2003)
Joshua Dariye	Governor, Plateau State (1999 – 2007)
Orji Kalu	Governor, Abia State (1999 – 2007)
Saminu Turaki	Governor, Jigawa State (1999 – 2007)
Jolly Nyame	Governor, Taraba State (1999 – 2007)
Chimaroke Nnamani	Governor, Enugu State (1999 – 2007)
James Ibori	Governor, Delta State (1999 – 2007)
Ayo Fayose	Governor, Ekiti State (2003 – 2006)

Table 7 (EFCC,2011)

Four Nationally Prominent Political Figures Charged under Interim Chairman Ibrahim Lamorde (January - June 2008)

Defendant	**Position**
Lucky Igbinedion	Governor, Edo State (1999 – 2007)
Iyabo Obasanjo – Bello	Senator, Ogun State (2007 – 2011)
Adenike Grange	Minister of Health (2007 – 2008)
Gabriel Aduku	Minister of State for Health (2007 – 2008)

Table 8 (EFCC, 2011)

Sixteen Nationally Prominent Political Figures Charged under Waziri (June 2008 – July 2011)

Defendant	**Position**
Babalola Borishade	Minister of Aviation (2005 – 2006)
Femi Fani-Kayode	Minister of Aviation (2006 – 2007)
Michael Botmang	Governor, Plateau State (2006 – 2007)
Boni Haruna	Governor, Adamawa State (1999 – 2007)
Rashidi Ladoja	Governor, Oyo State (2003 – 2007)
Olabode George	Chairman, Nigerian Ports Authority
Nicholas Ugbane	Chairman, Senate Committee on Power
Ndudi Elumelu	Chairman, House of Representatives Committee on Power
Igwe Paulinius	Chairman, House of Representatives Committee on Rural Development
Jibo Mohammed	Deputy Chairman, House of Representatives Committee on Power
Attahiru Bafarawa	Governor, Sokoto State (1999 – 2007)
Abdullahi Adamu	Governor, Nasarawa State (1999 – 2007)
Nasir El-Rufai	Minister of Federal Capital Territory (2003-2007)
Dimeji Bankole	Speaker of the House of Representatives (2007 – 2011)

Usman Nafada	Deputy Speaker of the House of Representatives (2007 – 2011)

Table 9 (EFCC, 2011)

Four Convicted Prominent Political Figures

Name	**Plea**	**Charged**	**Convicted**	**Position**
Tafa Balogun	Guilty	Ribadu	Ribadu	Inspector General of Police
Diepreye Alamieyeseigha	Guilty	Ribadu	Ribadu	Governor, Bayelsa State
Lucky Igbinedion	Guilty	Ibrahim Lamorde	Waziri	Governor, Edo State
Olabode George	Convicted at Trial	Waziri	Waziri	PDP Chieftain & Former Nigerian Ports Authority Chairman

Table 10 (EFCC, 2011)

In over 27 charges brought against prominent political figures between 2003 and 2011, it has been only 4 that have been successfully convicted. This really shows the incapacity of the judicial system in Nigeria.

6.3.2 Political Will

This is a theme that came up while collating the interview responses from the focus group discussions. The consensus was that the different arms of government and the regulatory agency are aware of what to do but lack the political will to get it done. This was stated by a member of the focus group thus.

"The regulatory agencies are very much in the know of what goes on within the financial sector because they are colleagues with some of the executive directors of these banks either on business relations or political links. This in itself makes it difficult to prosecute or bring the weight of the law on any erring bank".

In essence, the public-private collusion within the Nigerian banking sector is so knit that there is an inability to implement regulations fairly. In the high-profile cases of Cecilia Ibru and the other bank managers, we have seen that political will to prosecute was lacking which explains the reason why the case dragged on for such a long time. The height of insider abuse involved in some of the high-profile banking cases, questions the level of political will accorded the regulatory agencies to bring the full force of the law to the offenders. The absence or the delay of some of these cases shows that there is a high level of political collusion amongst the major players who delay justice or in most cases completely avoid justice.

Therefore, there needs to be effective vetting process in appointing members of the regulatory agencies to rid any form of relationship between the regulators and the regulated. Furthermore, in conflict resolution in the cases involving the bank management and the various regulatory agencies, there needs to be fairness in the interpretation of the law. Recently, the head of Securities and Exchange Commission (SEC), was suspended for acts of corruption while in office. The legislature stepped in to resolve the issues but did little to punish the head of a major regulatory agency even with enough evidence to show culpability.

In response to the documentary analysis from a newspaper publication, a member of the focus group states that.

"Prosecution has very little to do with an offence but more towards what the stance of the government is towards the individual".

There needs to be proper professional integrity expectation on the part of the regulators to do their task without any fear of intimidation or favoritism. In the same vein, political patronage is the handicap of any form of the political will to quash any offence in the banking sector.

Establishing institutional structures that will be there long after any political administration will aid in maintaining corporate professional integrity. In a country where there is a dearth of institutions, it makes it difficult to achieve integrity because the operations of the institution will be dictated by its paying party. Appointments into office should be done on merit and from those within the same institutions which helps to strengthen the institutions. In addition, the constitutional rights accorded this regulatory agency should be given the full backing of the law to function without interference. Regulatory bodies are tasked to carry out their responsibilities without prejudice irrespective of who has been indicted.

In summary, political will gives the regulatory agencies and the whistleblowers the fire in their bellies to serve the nation without fear or intimidation because their job security is assured.

RESEARCH QUESTION 3
THEMES

1. Ineffective Judiciary
2. Political Will

Table 11 Research Question 3

6.4 Research Question 4

What is the Capacity of the Regulators?

The responses from this interview question examining the capacity of the regulatory body in ensuring the enforcement of corporate governance practices in the banking sector. The following themes emerged from the responses; Poor Leadership, Uniformity of Regulation, Poor Regulatory Review, Competence (Training).

6.4.1 Poor Leadership

In the past few years there has been a lot of cases mistrust, unethical behaviors that have become associated with the leadership of the banking sector. Visionary and ethical leadership is vital to ensure good corporate governance practices within the banking sector. It is argued that poor leadership is a huge reason for the poor corporate governance practices in the Nigerian Banking sector. As a participant of the interview process stated.

"*Ethical Leadership is important in the quest for good corporate governance standards as the perception of a leader creates a good image in the eyes of the public".*

The perception being highlighted here is the way the stakeholders view the operations of a bank. Generally, the perception on banks is viewed from the position of the bank leadership who not only represents the bank but also oversee steering the bank to showcase their corporate governance practices.

The ethical business operation is an important issue in the banking sector because it goes hand in hand with good corporate governance. A good leadership in the banking sector leads to ethical operations which are a prerequisite of the organizational dealings and aids in the bank remaining acceptable. This is because the stakeholders feel a certain level of trust and ethical behavior within the banking operations.

On the part of the regulators, the perception of poor leadership from the stakeholders only means there is a lack of credibility, trust and ethical practices in their operation which only leads to failure. With good leadership within the regulatory bodies, there is a sense of responsibility on the shoulders of the management of banks to do the right thing or face the consequences of their actions/inactions. Good leadership can easily influence the attitude of the employees within the regulatory body which would embolden them to do their job effectively.

The institutionalization of good leadership in the Nigerian banking sector will aid in stimulating the performance of the banks. A reshaped banking sector with an emphasis on good leadership in corporate governance is vital in regaining the public confidence in the Nigerian banking system.

In addition, a good leadership within the banking sector allows for a chain of command of reporting and analyzing issues. This promotes the employees within the regulatory sector to have the right chain of command for a continuity in their job specification whether the head of the regulatory agency is around which hasn't been the case in the Nigerian system. A system like this eliminates a lot of the insider abuse of power over the resources of the bank and will also provide an effective and efficient means of monitoring bank managers' behaviors to ensure banking accountability.

6.4.2 Uniformity of Regulations

There needs to be a better implementation of the regulations in the corporate governance principles by reducing the duplication and the unnecessary administrative overlaps within the regulatory framework. This involves the coordination of processes, the systems, and the institution. The calls for uniformity were due to cases of the similar regulatory framework with areas that overlapped, conflicting regulations and above all the conflict of the provisions of the code over other regulations.

Furthermore, the participants of the focus group discussions agreed that these issues were partly to blame for the corporate abuses within the banking sector and so bedeviled the quest for corporate governance excellence in the banks. This argument is supported by academics when they argued that a lack of uniform policy guidance makes companies more risk-averse. The lack of coordination within the major regulatory agencies in the Nigerian banking sector was a major reason for the difficulties in enforcing the corporate governance practices and policies. This is well articulated in the extract from an independent regulatory agent who stated that.

"The various regulatory agencies ask for a report from the banks but needed in a different format but it's all the same report, the frustration is that they don't coordinate amongst themselves to even go through the reports which are conflicting but legitimize a bank when once a sister agency does".

Explaining this point, the participant was frustrated at the lack of coordination amongst the major regulatory agencies in asking for a report in different formats and furthermore, their supposed attitude at not going through the reports properly in liaison with other regulatory agencies. He argues that every regulator should do their monitoring before legitimizing a bank rather than accepting the legitimization of a sister agent as authentic. He also stated that.

"The legitimization of banks with better-coordinated efforts by the regulatory agencies shows incompetence and in some cases corruption."

Furthermore, the differences between the CBN and the SEC provisions are a major hindrance and could be used as a shield to a lack of coordination from the banks. This was pointed out by a member of focus group when he stated that.

"The difference in compulsion as stipulated in the CBN provision and the discretion issued by the SEC is creating an unnecessary confusion as to which direction to follow and even when

found wanting, there is a tendency to blame whichever directive gives the bank a greater obligation in that issue".

In essence, what the participant was stating is the tendency for the bank to either comply or explain and when complying with the CBN provision is difficult they toe the path of explaining in the SEC provision. In this regard, they have a guard to any mishaps on their path.

However, the CBN has stated that their directives supersede every other rule/provision in the event of difference. The CBN has seen the need to create a better harmony within the banking regulation by uniting the relevant rules/provisions covering the banking sectors across the regulatory agencies into one institutional mechanism to eliminate the multiple requests of compliance been placed on the banks. The harmonization of rules is only a part and it must be said that it is a major part, but an enforcement will only eliminate the ability of the banks to hide behind any confusion in the rules.

In summary, a harmonization of regulation will bring a better level of coordination between the regulatory agencies and help to eliminate any numerous compliance obligations faced by the banking institution.

6.4.3 Poor Regularity Review

This is the difficulty associated with the enforcement and compliance within the regulatory framework. Some of these issues emanated from subjects such as lack of continuity, lack of robust guidelines, lack of moral values, provisions that may not be amiable to compliance. The view from the respondents during data collection summarily agreed that the most crucial need is a provision that reflects the current situation to improve the governance practices within the Nigerian banking sector. One of the official's stated.

"*We are working hard to comply with the requirements of the governance codes, but we need better consultation in code creation and amendments to enable us to offer provisions for today's governance challenges*".

The consultation being addressed here is the way the regulatory review is done when looking at the success/failure of any the provisions of the codes. Without proper consultation with the bank management in code creation that is meant to govern them, the regularity review process is virtually futile as the regulation are only effective with the compliance of the bank.

A compliance regulator reiterated the need for more improvement when he stated that.

"We have seen improvement in the bank's practice, and we have kept un-top of the procedures of the bank, however, there need to be more reviews to improve and get to the perceived International best standard".

The CBN officials are stressing the need for continuous regulatory review within the banking sector to ensure that there is no stone left unturned in the quest for best good corporate governance practice. There needs to be continuous cooperation with the regulators to achieve effective implementation of regulations.

The abuse of regulations within the banking sector, calls for a roundtable discussion with the regulatory bodies and the bank's management at various times during the year to iron out any difference. This will aid in the creation of the best guideline with inputs and comments to ensure a progressive corporate governance practice.

Furthermore, an effective and efficient regulatory review will be beneficial to the sector because it will be able to analyze and look at the current issues facing the banking sector to mirror the socio-economic situation of the country. The banking sector is very pivotal in any society and it is affected by a change in government and change in the economic conditions of any nation. Therefore, as such, there needs to be a better regulatory review that will analyze the various aspects including regulations, governmental changes and anything that is able to affect the smooth operation of the banking sector.

The general perception of the members of the focus group was a conscious effort in the more articulate regulatory review which is not just lip service but looks into deep issues to ensure that everyone within the banking sector is carried along which will enable a level of transparency amongst the various actors in the Nigerian banking sector.

In summary, the fundamental factors affecting the governance of the banks lies within the inconsistencies in existing regulations and this warrants a careful look at the various regulatory frameworks.

6.4.4 Competence

The theme *"competence"* emanated from the responses analyzed from the regulatory bodies tasked with the enforcement responsibility during the interview process. The emergence of the theme was an explanation from one of the interviewees on the measures in place to ensure better corporate governance enforcement within the banks. The interviewee questioned the competence of the regulatory body and the internal self-regulatory body within the banks at their readiness to know what to do and how to tackle corporate secrecy and corruption.

Competence is viewed as a reflection of organizational capabilities to learn and coordinate its operations. Furthermore, the respondent was pointing to the readiness and capacity of the regulators to pursue and fish out banking secrecy with enough knowledge to ascertain and be steps ahead of the failing banks.

The following questions were instrumental in creating this theme of competence from the responses analyzed from the regulatory bodies interviewed.

- How do you ensure that banks adhere to this code? What mechanism (monitoring) do you have to ensure banks adhere to corporate governance codes?

- How adequate are the reforms within the Banking sector?
- In your view, what do you think is the challenge of enforcement of the codes?

In reference to a response from the interview, the regulator stated that, "In furtherance of the campaign to ensure better corporate governance practices within the banks through the regulatory bodies, there need to be foundational studies and regulator update of knowledge on the intricacies of the banking sector to stay a step ahead and be well furnished with any new tact by the banking officials".

Due to the complexities of the banking operation and the tendency for corporate secrecy and corruption within the banking sector, there needs to be proper understanding on why banks are involved in such illicit activities to ascertain their motives.

The competence of the regulatory bodies is always questioned when banks are in distress. With regulatory frameworks in place that are meant to check and ensure that banks are safe and do not get to the stage of distress, the blame will be directed to the regulatory boy whose job it is to ensure corporate sanity.

Competence is also expected of the bank management whose first responsibility is to form and run their banks within the framework of the corporate governance principle. The bank management team should be able to interpret the corporate governance code and make it work within their banks.

Furthermore, a lack of competence could hamper the regulatory review that is reliant on the input and information which is given by the bank in their compliance with the provisions of the code. This is vital in recruitment and appointments to ensure that people who have the right qualification and understanding of the financial market/operation are employed and not an imposition of an employee based on political/business affiliation.

The lack of training not provided to regulatory officials in the basic as well as complexities of the financial sector was pinpointed as a major failing in this regard by the responses.

This assertion was countered by an official of the CBN who served within the compliance team and in his interview, response stated that.

“Banks were involved in issuing false reports which were always easy to detect, therefore the CBN ensured that members of staff involved in monitoring and supervision undergo very rigorous training to increase their capacity to have deeper understanding of certain regulatory requirements”.

6.4.4.1 Training

The emergence of training as a major component of competence in the research findings leads to the definition where it is stated that training is a “process used in modifying attitude, knowledge through a learning experience to achieve an effective and efficient performance”.

From the focus group responses, it was gathered that there needs to be proper explanation of the process of corporate governance and its structure to banking official to not only fully grasp the knowledge but to also understand what is required of them and what is seen as inappropriate as stated in a response from a participant,

“There needs to be a better orientation for all involved within the banks towards the present challenges to ensure that training becomes more knowledge-driven than a well decorated corporate jamboree”.

There is need to be better informed and purpose-driven conferences that are geared towards knowledge building in the banking sector. The management team would usually allow other employees to attend training conferences to equip themselves effectively and they would usually attend the conference as a way of towing the line, but it is more to show their presence than it is to learn. This can cripple the effectiveness of the corporate governance framework because the self-regulation of the bank could only be effective if bank management keeps abreast of the various intricacies in the banking sector and equip themselves with the right training to sharpen their understanding.

It is vital that bank managers are given information through training programs on the corporate requirements to aid their abilities to ensure good corporate governance practices in their banks. Training is vital because it could be used to remind bank management of their practices to prune it more effectively. It is also essential because it draws on examples of some corporate secrecies and how to deal with them to ensure better compliance.

In the same line, a respondent from the CBN (official) also pointed out by stating that.

"*We realized that our employees need to have appropriate knowledge, therefore we have in place plans for improving the capacity of our employees to cope with banking challenges in enforcement".*

This is vital for the apex bank to ensure that the employees are fully inundated with the needful training to ensure corporate governance efficiencies. Also, they are looked upon by the commercial banks as a model to emulate so when the perception is one of a lack of training coming from the apex bank, morally it becomes a challenge to expect commercial banks to do the right thing.

This was further highlighted by the head of compliance in a regulatory agency charged with ensuring that members of staff have the right training. The interviewee stated that.

"Training of staff and examination has seen very significant improvement, with subsequent examinations and training to remain relevant been introduced into the recruitment sector of the regulatory agency".

The role of the government is also looked at here because the government has some regulatory oversight of the affairs of the regulatory agencies. They also would need to be trained to understand financial operations to have the right capacity to challenge and waterproof any corporate governance regulation and its operational mechanisms. Due to the global nature of banking, fraudulent activities are always advancing therefore it is vital the regulatory personnel have the right knowledge to deal with complexities of the business environment (Yousuf & Islam, 2015).

The CBN has insisted that they are investing a lot in the training of its staff as supported by the statement of a top official during an interview process that stated that.

“CBN conducts both online and in-house training to equip the members of staff for the challenges ahead and ensure the remain very professional to detect irregularities”.

In summary, the information gathered from the interview process pointed to a better improvement in the training along the lines of corporate governance. It is argued that the training of staff is crucial to the success of any financial institution and to remain relevant (Agyemang & Castellini, 2015).

RESEARCH QUESTION 4
THEMES

1. Poor Leadership
2. Uniformity of Regulations
3. Poor Regularity Review
4. Competence (Training)

Table 12: Research Question 4

CHAPTER 8: RECOMMENDATION AND CONCLUSION

8.1 Introduction

This research has joined the call for a governmental involvement in the enforcement of corporate governance in the Nigerian banks reflecting on the peculiarities of the banking sector and its negative impacts to ensure a stable financial sector. The peculiarities of the challenges facing the regulatory model of the Nigerian banking sector made the call more prevalent in the light of the ineffectiveness of the self-regulation of banks and a loss of confidence as all pointed out by this research. This, therefore, portends that the Nigerian government transcends into a more active player in the enforcement of corporate governance in the Nigerian banking sector rather than a ceremonial overseer.

This research made use of the exploratory process of research collecting qualitative data through interviews and focus groups involving the stakeholders (regulators, banking officials, government personnel and academicians). The analysis of the data collected helped in the formation of the theoretical framework aimed at showing a better understanding of the regulatory model with a governmental legitimization in the corporate governance practices of the Nigerian banks. This theory joins the theories of corporate governance within the Nigerian banking sector that has been looked at in the literature review process. The Institutional theory used in this research was to show the way the government can use coercive force (coercive isomorphism) to ensure better corporate governance practices within the Nigerian banks. This research also looked at extensively the role corruption has played in the corporate governance scene within the Nigerian spectrum. It is also worth pointing out that the thesis delved into the comparison of the peculiarities of the Nigerian corporate governance scene with its more illustrious developed western countries and other sub-Saharan African countries.

Furthermore, this final chapter showcases the implications of a good corporate governance mechanism through the coercive isomorphic process from the findings of the research. Also, it gives substantive recommendations and conclusions from the research and gives the contribution of this study to the research process. This final chapter concludes with limitations of this study and recommended areas for subsequent research.

8.2 Overview of the Research and the Theory

The more recent global banking crisis that enveloped the world in 2008 and led to a halt on the sustainability of the financial institutions worldwide has left a lasting impact in the way in which banks should be regulated to ensure an avoidance of future upheavals (Sun et al., 2011). While some developed countries (America and the U.K) have endeavoured to draw up a corporate governance regulatory framework to suit their banking sector, some other developing countries like Nigeria have seen a shift in the paradigm of regulation to regularly amending its regulations to absolve any banking crises. (La Porta et al., 2002; Berger et al., 2005).

The generation of corporate governance theories to tackle the corporate governance scene has clearly evolved over the years to find a suitable "best model to fit every financial environment (Jensen and Meckling, 1976; Shleifer and Vishnny, 1997; **Daily** et al., 2003). The consensus amongst policy analysts, corporate practitioners and academicians is the peculiarity of the financial environment in the different countries showcases the environmental differences in these countries and therefore should have a corporate governance theory model drawn particularly to suit its peculiarity rather than adopt a "one size fits all model" (M. O' Sullivan, 2000; Ogbechie, 2007; Adebgite, 2012).

Furthermore, these debates indicate the repeated failures in corporate governance theories and have ensured a continuous call for alternative corporate governance mechanisms to tackle new corporate governance challenges in the banking sector (J. Macey and O'Hara, 2003; Okike, 2007; Letza et al., 2008; Tomasic, 2011).

According to Arun and Turner (2004), the experience of developing countries in their corporate failures is not different from that of the developed countries. However, the regulatory reforms, privatisation, tweaking of codes and most recently the bank consolidation of 2005 in Nigeria (have all been seen to be inadequate), displays some distinct differences from the decorated developed nations (Reaz and Turner, 2006; Adegbite, 2010). All these have only led to a louder call for a more robust alternative corporate governance mechanism for the Nigerian banking sector to combat corporate failure and to bring back some public confidence (Wilson, 2006; Okike, 2007; Nworji et al., 2011).

This research echoes the call and hinges its objective on the demand for more governmental involvement in the enforcement of corporate governance regulations on the Nigerian banks with a more substantive theoretical framework for the banking sector. Due to the peculiarities of the corporate governance practices of Nigerian banks, this research adopted an exploratory research method to understand the various practices and to evaluate the reasons for the corporate collapses or in more recent time the financial mistrust in the banking sector and to draw up an alternative theory.

The search for a better understanding of the corporate governance practices within the Nigerian banking sector necessitated the need for an exploratory research method to gain precise knowledge and to assist in offering an alternative solution with a willingness to change the direction of the thesis from the research findings.

8.3 Contributions to the Study

This research set out to contribute to the study of corporate governance practices within the Nigerian banking sector with reference to the role of government. The available literature did not cover extensively the regulatory reforms and the peculiarities of the Nigerian banking sector; however, the corporate scene has been reviewed holistically without focusing on its distinct peculiarities.

This research introduced a body of knowledge regarding an alternative means to corporate governance practices in the Nigerian banking sector with a governmental involvement in the enforcement in a sector that has been characterised by weak institutions and a proper lack of enforcement.

Furthermore, this research showcases the continuous nature of the corporate governance practices as well as enforcement procedures to highlight the peculiarities of the banking sector and the evolving dynamics within each economic environment. Giving voice to the continuous studying of the corporate governance scene in Nigeria to implement a strategy that is specific to it. In addition, this led to new theoretical framework, methodological approach to better understand the corporate governance practices of the Nigerian banking sector and to proffer a better solution to combat the lack of enforcement. This research introduced the use of coercive isomorphism in ensuring governmental involvement in the enforcement of corporate governance in Nigerian banks.

8.4 Methodological Contribution

The methodology is defined as an approach to the process of the research with varying methods, it immediately led the research along the path of adopting a case study method of approach (Yin, 2003). In Yin's (2003), argument the case study approach provided the perfect scenario where the phenomenon and the context are not in sync which was the case of the Nigerian corporate governance scene where the practice was different from corporate governance principles.

However, it became more apparent that an exploratory research approach making use of a mixed method of data collection which involved interviews, focus group discussion and documentary analysis. This was best suited for the research as the researcher sought to understand what the practice before adjudicating a better theoretical framework.

Saunders et al. (2007), suggests that the use of exploratory research looks at the extant literature to gain better understanding while also using data collection methods such as unstructured interview to gain more insight into the research. The researcher was willing to divert and make amends as findings from the exploratory research were analysed to offer a better theoretical foundational solution (Robson, 2002).

8.5 Practical Contributions

This research has raised a number of practical contributions to those tasked with making policies and ensuring the enforcement of corporate governance practices within Nigerian banks (CBN, SEC, CAC). The theoretical framework indicates some of the challenges to the enforcement such as corruption, transparency issues, weak regulatory mechanism, competence, political will, self-interest, the capacity of lawmakers etc. The research highlighted the need to address these issues to develop a corporate governance mechanism for the banks.

A point of reference is the uniformity of regulations, where some rules appear not to be adhered to either due to an overlap with an existing rule or just a poor interpretation which calls for a far better harmonisation and a collective rule production by all necessary stakeholders to ensure a uniformed rule provision.

Also, this research has shown the flaws of the enforcement mechanism which indicates, weak regulatory framework, lack of government oversight, corruption, and an issue of competence. This research points to the involvement of the government to ensure enforcement by issuing the ultimate legitimate authority to both the banks and the regulatory body to not only make the necessary body know they have to answer to someone but to better checks and balances.

Furthermore, this research put to bed the idea of the one size fits all approach by developing countries in addressing their corporate failures and trying to build a better corporate governance mechanism. The peculiarities of the ingrain banking sector for instance with a huge case of corruption and weakness in enforcement structure is not the case with the United Kingdom's corporate governance scene that is advanced and does not have weakness in an institution as a challenge. This shows that each environment displays it is on factors that may impede the governance practices despite the existence of a more holistic regulatory platform.

8.6 Theoretical Contributions

The institutional theory was chosen in this research points to the fact that the goal of organisations is to seek legitimacy not just compete for resources (Suchman, 1995). The institutional theory, therefore, adds to the literature that the pursuit of legitimacy by organisations (banks) could prove to be an effective way of ensuring corporate governance practices by handing the government the ultimate legitimate authority over the banks and their respective regulatory agencies.

It also adds voice to the argument that corporate governance is beyond an economic process but more a social one (Sonnenfeld, 2002; Letza et al. 2008).

More precisely, this research has shown a substantive theoretical framework to combat the weak nature of the Nigerian institutional setting which makes enforcement or regulation a challenge (Yakasi, 2001 & Ahunwan, 2002). Furthermore, the thesis has aided in showcases more evidence to back up the ineffective self-regulation of banks in ensuring they maintain good corporate governance practices by highlighting the lack of understanding of the corporate governance rules and the supposed little cost to compliance to rules.

In conclusion, the findings of this research give room for more research to be carried out to find out the foundations of the corporate governance rules governing the Nigerian banking scene to understand if it upholds the values of the nation and above all if at all it is amiable to enforcement about being drawn up to combat the issues of the local scene. This, therefore, can be used a comparison with another country appropriating within a slightly similar economic environment to understand in what way they went and how they drew up their corporate governance policy and mechanisms.

This will present researchers with a complete picture of the corporate governance practice of Nigerian banks with the coercive isomorphic theory that gives legitimate authority. It could prove to be a blueprint for the lack of enforcement that has become the mainstay of some developing countries.

8.7 Contributions of the Substantive Theory for Practice

According to Strauss (1987), a substantive theory is a single theory developed for a context in view. The coercive isomorphism theory used in this research has shown the implication of the theory in maintaining good corporate governance in the Nigerian banking sector. The findings of the theory used have shown areas for improvement for the government and regulators of the banking sector which includes:

- By avoiding structural unemployment by appointing the right people with the right skill set for the role that they are equipped for. The findings have shown that there is a lack of knowledge in the technicalities of the banking sector by the regulators which has been blamed on a mismatch of roles with the necessary skill set.
- An encouragement of banking executives to show more ethical leadership style and this could be pursued with the corporate governance code.
- There needs to be a better way of building trust with the larger populace and this responsibility rests on all 3 arms of government, the regulators, and the banking sector in making public their financial records and any other financial dealings as provided by the corporate governance code. A level of transparency will do a great deal in achieving this.
- An overview of the consequence of a lack of transparency would aid in addressing the issues in the banking sector. A correlation between transparency and the perception of the stakeholders will push bank officials to do more knowing that integrity is bound by morality (Hung & Huang, 2010).

In conclusion, this research has recognised the efforts of the regulatory agencies in ensuring good corporate governance practice in the Nigerian banking sector. However, the evidence shows that there is room for improvement because regulations and regulatory amendments cannot ensure good corporate governance without a proper scrutiny on the mechanisms of enforcement with every regulator having a level of responsibility and accountability. Some of the recommendations of this study will be discussed below.

National Values and Commitment to Improve

The evidence of the research data collected pointed to some contributions to a good corporate governance system in the Nigerian banking sector.

National loyalty and a commitment to improving were identified by the researcher during an interview with a respondent. He argued that a sense of national loyalty eradicates the idea of trying to mirror the corporate governance codes and practices of another country but firstly creating a framework that caters for the national challenges and peculiarities of the host environment which is the Nigerian banking sector.

The commitment to improve he also argues that although the difficulty in ensuring a better commitment to improving on individuals if successful will create a system of checks and balances where every major stakeholder has a responsibility to improve. The commitment to improve starts from the government with its legitimate authority and would transcend to other bodies that require its legitimacy. There needs to be an emotional value in connection with national loyalty. Every member of the regulatory agency needs to have an emotional value to the achievement of the desired goals of the agency.

Studies have shown that the Nigerian moral/national values have tumbled beyond recognition since the days of the father of nationalism. This can be seen in the monetized nature of the Nigerian value system where most things are done on the value of money or what they can get. This is also the case in the banking industry where the leaders are not paying enough attention to the service of people but to the aggrandizement of self/major depositors through illicit fraudulent activities.

There needs to be a proper examination of the national values to understand and ascertain the level of loyalty people in position have. This involves going back to the drawing board to the initial national values of the country to understand at what point that may have been compromised to understand how to overcome such.

A reflection on the drawing board will enable the banking sector to engage the public effectively and regain some trust that has gone since the onset of the banking crises in Nigeria. This involves a careful look at the various laws and regulations within the banking sector to ensure that these regulations were done in good faith to represent the needs of the country. There needs to be a better balance between the interest of the investors and that of the bank management to ensure fairness in operation. In examining national values, it is also vital to know and examine the organizational values to ensure that it is in line with the yearnings and values set by the country. This is the image that is perceived by the stakeholders and the investors looking for a safe haven.

In summary, there needs to be a revamp of the value system to usher in a value system that is founded on hard work, efficiency, merit, and service to the public rather than an acquisition of wealth. This is vital in recreating a Nigeria that values leadership that is devoid of any form of corruption.

Whistleblower Policy Not Only Directed to Political Officeholders

The whistleblower policy of the current administration has been a huge success with an exposure of those that have been involved in financial corruption. However, the workability of the policy has been largely focused on the politicians whereas the scale of corruption cuts across whole fabric of the national economy and the nation in general. The policy compensates whistleblowers that expose the financial excesses of corrupt politicians.

The government has made a lot of effort in combating sharp practices in the Nigerian banking sector, this has led to the introduction of the whistleblower policy. This policy encourages employees to report acts that may constitute poor behavior, financial fraud, and outright failure to comply with banking regulations to the relevant authorities. The aim of this policy is to uphold good corporate governance practices and to build confidence and trust in the stakeholders.

A more rounded approach to the policy will create the fear of corruption by the bank officials which will only help in aiding good corporate governance practices. Implementing the policy in the practices of corporate governance regulation will help in ensuring that information's could be made public and there is a genuine avenue with confidentiality on how to report cases against banking operations.

This policy is to be drawn to cover everyone that has a connection with any form of financial crime and not only the political office holders. The Nigerian economic situation offers a connection between the public and the private sector where they are always involved in the business. Furthermore, the private sector is the avenue political office holders use to launder money and commit other financial malpractices.

It appears that the policy was created to witch hunt and go after political office holders that are in opposition to the government and this filters through to the supposed whistleblower. There needs to be a shift to a more collective effort to go after everyone that is found culpable within the banking sector.

Banks and financial institutions are expected to have this policy in place to usher in the tradition in the heart of the banking system. The policy provides that under no circumstance should the whistleblower be subjected to any form of intimidation, redundancy, duress, and any form of action that could negatively affect the individual.

Whilst there are provisions for the protection of the whistleblower, there is no clear guideline for recourse in the case the individual faces any form of backlash for his/her action. Furthermore, the limited and almost ineffective legal framework does little to provide the sense of security that the whistleblower needs in such situations. It is quite usual for employees to feel the sense of responsibility to report anything they may have witnessed that falls short of the best standards of corporate governance in the banking sector. However, there is a sense of betrayal by the authorities that make it challenging for the employees to report cases because they are not assured of job security and do not also believe any action would be taken against the accused/convicted.

The guideline by the CBN falls short of offering the best mechanism to tackle financial crimes and offer the best form of protection for the whistleblower. In addition, there also needs to be a mechanism to offer psychological help to those who may be wrongly accused and may have had their image tarnished because of the whistleblower's action. Also, there also needs to be a careful and concise study on the impact on the accused and the beneficiaries and the lengths they could go to avenge and put the life of the whistleblower in danger especially in a society that data security and anonymity is not at its best. The government needs to ensure that whistleblower is not blacklisted because of the alarms and are able to secure jobs without being put through unfair treatments.

In conclusion, the whistleblower policy needs to be broadened to include everyone with a better mechanism that ensures security on both sides (whistleblower and the accused) while also examining the psychological effects of the alarm on the accused and finally the effects the beneficiaries stand to face when an alarm may cut short their livelihood.

Consultative Collaborating

There has been consultative collaborating amongst the regulatory bodies in making rules and policies to guide the operation of the banking sector. However, it has been shown that there wasn't an extensive and effective consultative collaboration amongst the regulatory bodies including the banks which will only help to gain a better understanding of the corporate governance regulations and ensure better enforcement.

It is argued that with a better consultation, every major stakeholder takes the rules and principles as something they joint enacted and have a level of responsibility to ensure it is implemented properly. This should also go along with a consolidated supervision/enforcement by the Financial Reporting Council (FRC) which involves all the necessary regulatory teams. This means every enforcement agency is expected to provide its own supervision and make its reports irrespective of the conclusions of other regulatory bodies.

Consultative collaboration essentially takes everyone on board and brings everyone to the table and creates what could be termed as a well-rounded principle that has considered the needs and cries of every stakeholder. There is a feeling by the employees of the bank that they are not consulted on changes on the regulations even though they are involved in the daily banking operations.

The feeling amongst the employees of the bank is one that centers on shock because they are not consulted on changes but are expected to adhere to changes that they do not exactly understand and to a large extent believe is not representative of the financial challenges in the banking sector. Banks would ideally want to have the proper knowledge and what to be part of the decision making the body of any regulation so they could enlighten their customers properly and be able to comply with the provisions of such regulation.

The FRC consists of the major regulators in the economic sector in Nigeria but this research will only focus on the 3 that are actively involved in the banking sector which includes the SEC, CAC (Corporate Affairs Commission) and the CBN. There needs to be an effective collaboration of these 3 bodies to hold each other accountable and to ensure a sustainable and efficient banking sector.

The CBN as the apex bank needs to feel it has the legitimate authority to carry out decisions in the banking sector and will have the other bodies backing its actions. In contrast to this, the FRC meetings have become a medium to show face and let stakeholders know that the bodies are meeting and discussing the way forward in regard to regulation and how to better enforce good corporate governance practices.

Without proper consultation between the bodies and all singing from the same page, they would always be a few steps behind curtailing the menace of poor corporate governance practice and corruption because the focus of the FRC will be taken away from the major obligation as to why they were inaugurated.

Inclusiveness of the Banking Sector

This is in close connection to the consultative collaborating that highlighted the importance of a more rounded consultation in rules making, implementation and enforcement. The banking management from the data analysed showed that some banks were either in denial or were completely oblivious to the expectation of the corporate governance regulations. An inclusiveness of the banking sector in decision-making will remove any issues of what rule to follow where there is a discord with the CBN and the SEC code.

To ensure that compliance to the provisions of the code of corporate governance, banks need to feel a part of the decision making and more importantly feel that they are not left behind when making suggestions. The code of corporate governance in the banking sector is geared towards a future where the banks could be self-regulated in line with the principles of the free market system. Getting banks involved in the decision making is one sure way of ensuring the actualization of self-regulation.

Furthermore, having oversight regulation over banks is a great initiative but there needs to be a soft landing handed to the banks to have a level of independence to operate without always looking over their shoulders. With the reprimand handed out in non-compliance to the provisions of the code appearing as a slap on the wrist, it is beneficial to bring the banks closer to the drawing table to promote more openness and honesty.

There is a need for the strong internal control system to curb the activities of fraudsters inside and outside the banking sector. This internal control system will essentially be the eyes and ears of the regulatory body. However, to be more effective the internal control system needs to be involved in the decision making with the regulators to make concise and environmental worthy contributions to the process.

There needs to a line that clearly that indicates the difference between inclusions and legitimate authority. Overindulgence to the banking sector by giving them full access to decision making may be counterproductive as they are aware of the measures and can devise means on how to beat the system. Therefore, the CBN needs to ensure that the legitimate authority always remains with them and that they do not divulge all the necessary things to the banks.

Furthermore, the CBN can hold banks very accountable for any mistakes that occur within their operations as they are a party to decision making and can no longer claim to be oblivious of any ruling/regulation because they are actively involved in the making of the regulations.

Banks play a major role in the national economic development of any nation and governments use banks to raise funds and to a large extent finance developmental project. Therefore, in view of such astronomical role that the banks play in the economic development, they need to be actively involved to ensure sound corporate governance practice and to install proactive mechanism and reforms.

Senstitization of Every Arm of Government

The sensitization of the 3 arms of government (Executive, Legislative, and the Judiciary) will aid in a collective effort to ensure a better implementation and enforcement of corporate governance practices in the Nigerian banking sector. A sensitization effort to alert the arms of government to the benefits of a good corporate governance practice within the banking sector and how it affects the whole nation.

This will fasten enforcement by every arm of government making a conscious effort to ensure their arm is not lagging behind in the drive for a better banking sector. The legislative arm (National Assembly) with this view in mind can help build national loyalty and commitment.

It is the responsibility of the legislative arm of the government to ensure proper oversight checks on the operations of the banking sector and the enforcement framework by the executive arm. They essentially are the voice of the public and ensure a better sanctity and better operation in the banking sector where the public can feel it for themselves.
Being the arm of government that has an oversight responsibility on the other mars of government, they have to be able to understand the intricacies of the banking operations to hold the executive and the judiciary responsible on their responsibilities.

The Executive arm of the government is the focal authority of the enforcement framework because it is at its feet that the legitimate authority resides. This legitimate authority is what the executive arm of government uses to coerce the regulatory bodies and the bank to ensure their compliance with the corporate governance regulations. The executive arm of government is also responsible for the enactment of codes and laws to govern the banking sector. They are also tasked with the responsibility of ensuring a proactive regulatory procedure. Proper sensitization on the executive arm of government on the importance of the banking sector in national economic development is very vital. Political office holders most times are traditional politicians which are not technocrats that have been actively involved in the public sector and therefore are used to the rudimentary way of operation steeped in bureaucracy.
The executive can be sensitized on the need to understand when a sense of urgency is needed in the banking sector to make decisions that reflect the current situation of the sector to remain proactive rather than reactive in many cases as has been witnessed in Nigeria.

The judiciary arm of government with better sensitization and an awareness of the importance of a good corporate governance framework will realise the strategic importance they hold in the fight against bad corporate governance practices. The judiciary arms main responsibility is to interpret the laws and to ensure impartiality which means that the banking sector realises they cannot buy a judgment.

Being the interpreters of the law, there is a sense that the ultimate last call rests on them. Therefore, having insight into banking operations is vital to help make a well-informed judgment that is fundamental to maintaining a sound corporate governance practice in the banking sector.

Do Not Over Strengthen the Regulators or It Will Be Abused

An over strengthened regulatory framework could be easily abused and it is against the framework of a free market system. The regulations are meant to create a self-regulatory framework for the organisation/banks to ensure they are part of the corporate governance framework. A certain freedom is to be granted to allow for a good functional banking system with a form of explanatory corporate governance mechanism.

Banks are to function in accordance with the free-market principles and in line with the provisions of the code which was to comply or explain their practices. With regulators having the adequate authority to question bank management, the bank will take the word of the regulators to bare because their judgment is fair. However, an over strengthened regulator could use their powers to punish bank management they are not in agreement with and use their powers also to sack and appoint anyone that they please. It will make a mockery of the whole process and lead to a banking sector that is not stable.

A governmental involvement in the enforcement of corporate governance in the banking g sector is not a call to make sure that the government is seen completely immersed in the operations of the financial sector. However, it is the government extending their legitimate authority to reprimand, conduct and extol regulators.

The government needs to allow the apex bank and other regulators to do their job but make sure that they are reminded that we are watching you and that you answer to us and therefore would help to usher in a form of checks and balances within regulation while not over strengthening the regulators.

Over strengthening of the regulators could lead to an abuse of the system because the banks could feel that the regulators have lost the legitimacy and could give the banks an open avenue to not comply with the provisions.

Judiciary Contributions

There is a need for the judiciary to be educated on the importance of good corporate governance practices in the Nigerian banking sector. This is crucial in speeding up the cases that involve banking operations to ensure a quicker resolution to encourage more judicial accomplishment in this regard. In other words, this will encourage people to take cases to court and get a fair resolution. Furthermore, there is trust in the judicial system to try and prosecute any banking official that has been involved in any form of illicit activity.

Also, a special training for a host of judges on the intricacies of the banking operations to understand what they are dealing with and how to tailor legal interpretations along those lines. This means they are better informed about the banking sector and with time become experts in the field which only improves the trust and the level of a sound corporate governance practice.

The judiciary system in Nigeria is riddled with allegations of corruption and deliberate interpretations of the law to suit those in command which essentially protects them. There needs to be an effective contribution from the judiciary to undertake cases and understand the corporate governance practices in the Nigerian banking sector to aid the enforcement process.

The formation of a separate law court with specialized lawyers to deal with financial crimes in Nigeria is a welcome development in curbing the menace. However, it has been seen that formation has never been an issue in Nigeria, but the implementation has always been the Achilles heel of the Nigerian system. The weakness of the judicial system does little to alleviate the lack of trust in this process.

The judiciary is tasked with an interpretation of the law and is vital in the enforcement of the laws. Honestly and integrity within the judicial system will be very welcome as this will be very vital in ensuring a sound system. The Judiciary as the apex of legal authority in this Nigerian system has a lot to contribute to the practice of good corporate governance. Independent judiciary will be able to conduct their responsibilities without fear or intimidation from any quarters. This will erode the political patronage and protection that several financial offenders have used in overtime to either get a slap on the wrist or to completely go away scot-free.

The 3 arms of government need to each realize that they owe the stakeholders the responsibility to ensure good corporate governance in the banking sector, the judiciary is to ensure the laws are enforced when it has been brought to the law court and more importantly see to it that cases of financial crimes are treated not only quickly but severely.

An educated judiciary that knows the intricacies of the banking operations can support the enablement of a better enforcement mechanism and could use its expertise to help in amending the codes and regulations to ensure effectiveness. In summary, the judiciary can help create a system that enables the practice of good corporate governance in the Nigerian banking sector.

Ethics

The role of ethics in corporate governance is essentially the policies that various institutions have put in place to deal with any issues surrounding cases of ethical misconduct. Nigeria is ranked amongst the most corrupt nations to do business with the World bank which goes to show that its ethics needs to be improved immensely.

In as many banks are created to generate profits, it is important to balance this ambition with sound ethical practice within this sector to showcase good practice. The ethical behaviors of the banks need to be a responsibility rather than a voluntary exercise which they have to do in their locality.

Ethics can help shape the Nigerian banking sector towards sustainable development that will ensure its long-term growth as a business that will contribute to the economic liberation of the nation presently and in the future. Trust and confidence in the banking sector are built on the principles of good ethical behavior that is meted out to the stakeholders. These ethical behaviors have to be enshrined in the governance of these banks with the bank management showing the necessary leadership trait that is of a high ethical value.

Poor ethical behaviors in the banking sector are a microcosm of an enshrined culture of corruption that has enveloped in the financial sector. Therefore, it points to the fact that for better success in the quest for good corporate governance practices, the Nigerian banking managers, and the regulatory authorities need to set a standard for ethical behaviour to revamp of the moral values of those in authority. Ethics is very vital in ensuring that the adequate mechanism needed in the regulatory policy to check corporate excesses.

Another way of ensuring ethical standards are upheld is by evaluating and questioning bank and regulatory body heads to understand the reasoning behind their decision-making process and to ascertain what values they possess as individuals. These values will be tailored to that of their organization to see if it best fits into what the corporate governance principles demands.

Information Technology or Comprehensive database.

Nigeria as a nation has not fully embraced the information technology age due to issues surrounding facilities and implementation. In relation to other countries that are used as a yardstick to measure Nigeria corporate governance progression, they have information technology as part of the fabric and therefore only have to work on fine-tuning their regulations rather than always working on a better mechanism to best deliver.

The absence of a comprehensive database makes it easy to omit some aspects of the process and aids those involved in financial crimes to hide it from the public. The database not only means that there is an availability of information but also there is an expectation to the banks to always make this information readily available as they are not aware when it will be requested by a member of the public.

A robust and comprehensive database could help in checkmating insider abuse in money laundering and lending beyond the financial capacity of the bank. The Nigerian government has made a huge improvement in this regard, but the huge financial crimes and huge amounts of annual reserves reduce the speed at which Information Technology is absolved into the banking/financial sector.

Limitations of the Study

The limitations of this research cover area that limit the generalisation of the research in using it a blueprint for every other research. Some of the areas of limitations here would be looked at below.

Time Limitation

The focus of the data collection was generally centred on the post-consolidation period which was after the banking crisis. This, therefore, limits the research to not knowing the practice of corporate governance fully pre-banking crises. This is possibly due to the lack of information or the absence of any findings because of the perceived competence of the Nigerian banking sector at the time. A complete research pre-and post-consolidation will be more accurate to create a proactive corporate governance mechanism rather than the perceived reactive nature of the Nigerian corporate governance mechanism.

It is fair to point out that this research did well to undertake in-depth interviews to get a deeper understanding of what was going on before the post-consolidation the Nigerian banks. In addition, some documents were obtained from the banks to support the data already gotten from the interviews to provide a richer research finding.

Generalization of the Data

The generalisation of findings in an interpretive study such as the corporate governance practices of Nigerian banks is not possible. This is due to the subjective nature of the study because of the interpretation and understanding of the findings rather than in a quantitative study.

Contributions can be made and generalised using a theoretical underpinning by providing a deeper understanding of the phenomenon as suggested by Charmaz (2006). Furthermore, this research illustrated using the institutional theory of coercive isomorphism on a better enforcement mechanism, but this cannot be generalised due to the peculiarities of the research field with its constantly changing challenges which need regular amendment of the procedures.

Research Location

The time constraint and the broad nature of this research meant that only key players within the corporate governance spectrum in Nigeria were involved in the collection of data. This included banking officials, regulators, and the government without a deeper consultation of other academics who share similar opinions or even the wider stakeholders and a deeper consultation with the government. Furthermore, the main location for the data collection was in Nigeria, but this has some limitations when making some comparative analysis of the corporate governance operations across other African countries. This research will have been richer with on-site field research on the comparative country in addition to the extant literature.

Application of the Theory

The conclusion of this research would not constitute a concrete reality but would be an interpretation of the enforcement challenge using the lens of the coercive isomorphic theoretical framework. This represents an exploratory research that has grappled with the available evidence to answer the research questions set out by the research. This, however, does not answer all the questions bordering on corporate governance operations which other theories would be tailored to providing such answers.

Areas for Future Research

The limitations of this research point to the fact that there are possible areas for further research to produce a more rounded conclusion to the corporate governance challenges of the Nigerian banking sector. This thesis set out an objective of understanding the challenges of the enforcement of corporate governance practices on Nigerian banks by presenting a theoretical framework to this effect. It is fair to say that the research went a distance in conclusively achieving the set-out objective.

However, this theory was only set out to combat the enforcement challenge of corporate governance. Therefore, this theory does not automatically become a formal way for addressing such issues and the peculiarities of the banking sector will mean that future research will be carried out to combat any issues and to remain proactive in this area. Future researchers can consider with more time investigating the corporate governance practices over a longer period pre-and post-consolidation and might present a different theoretical standpoint.

The findings of this research are rooted in an exploratory study in a qualitative research design which opens the possibility of research carried out using other theories to investigate the findings of this research. Also, the theory does not create a full picture of the challenges in the corporate governance practices of the banking sector. Therefore, there needs to be a continuous conceptual modification to keep up with the fast-moving nature of corporate e-governance.

In the ethical behaviours of regulators and banking officials, this research did looks at the moral values of the country been put forward in creation and practices of corporate governance codes and regulations. However, further research will need to be carried out to supplement and create a substantive theory to ascertain the moral values of regulators and banking executives in carrying out their respective roles.

The needed significance of future research in developing nations across Africa that could be used as a blueprint for Nigeria will aid in addressing similar issues. And finally, future research in the causes of a lack of enforcement will aid to address the root causes rather than a supposed research on the continuous amendment of regulatory mechanisms. Finding out what is wrong with a mechanism creates a better understanding of a proactive perspective rather than a reactive one as shown by the research on the amendment of regulatory mechanism.

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CENTRAL BANK OF NIGERIA

CODE OF CORPORATE GOVERNANCE
FOR BANKS IN NIGERIA POST CONSOLIDATION
(Effective Date: April 3, 2006)

MARCH 1, 2006

PART I: NEED FOR A NEW CODE OF CORPORATE GOVERNANCE

1.0 Introduction

1.1 Financial scandals around the world and the recent collapse of major corporate institutions in the USA and Europe have brought to the fore, once again, the need for the practice of good corporate governance, which is a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectations of the other stakeholders.

1.2 For the financial industry, the retention of public confidence through the enthronement of good corporate governance remains of utmost importance given the role of the industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement system and the implementation of monetary policy.

1.3 In Nigeria, a survey, by the Securities and Exchange Commission (SEC) reported in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only about 40% of quoted companies, including banks, had recognized codes of corporate governance in place. Specifically for the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country.

1.4 Yet, the on-going industry consolidation is likely to pose additional corporate governance challenges arising from integration of processes, IT and culture. Research had shown that two-thirds of mergers, world-wide, fail due to inability to integrate personnel and systems as well as due to irreconcilable differences in corporate culture and management, resulting in Board and Management squabbles. In addition, the emergence of mega banks in the post-consolidation era is bound to task the skills and competencies of Boards and Managements in improving shareholder values and balance same against other stakeholder interests in a competitive environment. A well-defined code of corporate governance practices should help organizations overcome such difficulties.

1.5 Since 2003 when the Nigerian Securities and Exchange Commission released a Code of Best Practices on Corporate Governance for public quoted companies, the relevant banks had been expected to comply with its provisions. This was in addition to a Code of Corporate Governance for Banks and Other Financial Institutions approved earlier in the same year by the Bankers' Committee.

1.6 The consolidation of the banking industry, however, necessitated a review of the existing code for the Nigerian Banks. This new code therefore was developed to compliment the earlier ones and enhance their effectiveness for the Nigerian banking industry.

1.7 Compliance with the provisions of this Code is mandatory.

2.0 Weaknesses in Corporate Governance of Banks in Nigeria

2.1 Disagreements between Board and Management giving rise to Board squabbles.

2.2 Ineffective Board oversight functions.

2.3 Fraudulent and self-serving practices among members of the board, management and staff.

2.4 Overbearing influence of chairman or MD/CEO, especially in family-controlled banks.

2.5 Weak internal controls.

2.6 Non-compliance with laid-down internal controls and operation procedures.

2.7 Ignorance of and non-compliance with rules, laws and regulations guiding banking business.

2.8 Passive shareholders.

2.9 Poor risk management practices resulting in large quantum of non-performing credits including insider-related credits.

2.10 Abuses in lending, including lending in excess of single obligor limit.

2.11 Sit-tight Directors – even where such directors fail to make meaningful contributions to the growth and development of the bank.

2.12 Succumbing to pressure from other stakeholders e.g. shareholder's appetite for high dividend and depositors quest for high interest on deposits.

2.13 Technical incompetence, poor leadership and administrative ability.

2.14 Inability to plan and respond to changing business circumstances.

2.15 Ineffective management information system.

3.0 Challenges of Corporate Governance for Banks Post Consolidation

3.1 Technical Incompetence of Board and Management: In view of the greatly enhanced resources of the consolidated entities, Board members may lack the requisite skills and competencies to effectively redefine, re-strategize, restructure, expand and/or refocus the enlarged entities in the areas of change of corporate identities, new business acquisitions, branch consolidation, expansion and product development.

3.2 Relationships among Directors: Boardroom squabbles could be an issue due to different business cultures and high ownership concentration especially in banks that were formerly family or "one-man" entities. The dominance of a "key man" could also emerge with the attendant problems.

3.3 Relationship between Management and Staff: Squabbles arising from knowledge gaps, harmonization of roles and salary structure could also manifest among staff and management of consolidating banks with the potential to create unhealthy competition and a counter-productive working environment.

3.4 Increased Levels of Risks: Currently, very few banks have a robust risk management system in place. With the huge amount of funds that will be available to them and the significantly increased legal lending limits, banks will be financing more long-term mega projects in the real sectors of the economy as opposed to the existing working capital/trade financing. Given the expected significant increase in the level of operations, the banks will be facing various kinds of risks which, if not well managed, will result in significant losses. The management of risks in a transparent and ethical way will thus present some issues bordering on corporate governance.

3.5 Ineffective Integration of Entities: Banks that would have completed the process of merging might continue to operate independently rather than as a single entity. For example, an investment bank's merger with a retail bank in which the MD of the investment bank continues to manage his arm of the business and the MD of the retail bank does the same and the operating results of the two entities are then consolidated for reporting purposes.

3.6 Poor Integration and Development of Information Technology Systems, Accounting Systems and Records: Banks with different IT systems (banking application, database platform, operating systems, human resource applications, hardware, server configuration, and network and telecommunication infrastructure) as well as different accounting systems and records will have to fuse and this could pose problems if not well managed. There will also be increased use of technology to power the consolidated business and this too will have to be well managed to ensure efficient operations and quality service delivery.

3.7 Inadequate Management Capacity: Directors and Managers will be running a much larger organization and controlling a significantly higher level of resources. Adequate management capacity is needed to efficiently and profitably run a larger organization.

3.8 Resurgence of High Level Malpractices: To boost income as a result of intense competition and lack of enough viable projects, malpractices may resurface post consolidation. Such sharp practices could include round-tripping of forex, excessive customer charges, falsification of records etc. , and adoption of unethical methods to poach customers.

3.9 Insider-Related Lending: If consolidation should fail to achieve transparency through diversification in bank ownership, the pervasive influence of family and related party affiliations may continue, resulting in huge levels of insider abuses and connected lendings.

3.10 Rendition of False Returns: Similarly, rendition of false returns to the regulatory authorities and concealment of information from Examiners to prevent timely detection of unhealthy situations in the banks may continue as a result of lack of transparency and pressure to boost income.

3.11 Continued Concealment: Continued concealment of material issues discovered by banks during their pre-merger due diligence will also compromise good corporate governance.

3.12 Ineffective Board/Statutory Audit Committee: The audit committee, which comprises both directors and shareholders who are not board directors, may be composed of people who are not knowledgeable in accounting and financial matters thus rendering the committee less effective.

3.13 Inadequate Operational and Financial Controls: There might be absence of such controls to cater for the increased size and complexity of operations.

3.14 Absence of a Robust Risk Management System: The huge amount of funds that would be available to banks post consolidation would significantly increase their legal lending limits and make them engage in financing long term mega projects. The management of the attendant risks in a transparent and ethical manner would require, as part of sound practices, the institutionalization of a robust risk management system.

3.15 Disposal of Surplus Assets: After consolidation, some branches of banks that are closely located may be sold to insiders at below market price. Other surplus assets may also be similarly sold. Fixed assets may also be sold indiscriminately and the profit from the sale used to boost profits with the intention of covering operational losses and inefficiencies.

3.16 Transparency and Adequate Disclosure of Information: These are key attributes of good corporate governance which the merged banks must cultivate with new zeal in order to provide stakeholders with the necessary information to judge whether their interests are being taken care of. Currently there are many deficiencies in the information disclosed, particularly in the area of risk management strategies, risk concentration, performance measures etc. These shortcomings will need to be addressed.

PART II: CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

4.0 Principles and Practices that Promote Good Corporate Governance

4.1 The establishment of strategic objectives and a set of corporate values, clear lines of responsibility and accountability.

4.2 Installation of a committed and focused Board of Directors which will exercise its oversight functions with a high degree of independence from management and individual shareholders .

4.3 A proactive and committed management team.

4.4 There should be adequate procedures to reasonably manage inevitable disagreements between the Board, Management and staff of the bank.

4.5 The Board should meet regularly at a minimum of four (4) regular meetings in a financial year. There should also be adequate advance notice for all Board meetings as specified in the Memorandum and Article of Association.

4.6 The Board should have full and effective oversight on the bank and monitor its executive management.

4.7 There is a well-defined and acceptable division of responsibilities among various cadres within the structure of the organisation.

4.8 There is balance of power and authority so that no individual or coalition of individuals has unfettered powers of decision making.

4.9 The Articles of Association should clearly specify those matters that are exclusively the rights of the Board to approve apart from those for notification.

4.10 The number of non-executive directors should exceed that of executive directors.

4.11 All Directors should be knowledgeable in business and financial matters and also possess the requisite experience.

4.12 There should be a definite management succession plan.

4.13 Shareholders need to be responsive, responsible and enlightened.

4.14 Culture of compliance with rules and regulations.

4.15 Effective and efficient Audit Committee of the Board.

4.16 External and internal auditors of high integrity, independence and competence.

4.17 Internal monitoring and enforcement of a well articulated code of conduct/ethics for Directors, Management and staff.

4.18 Regular management reporting and monitoring system.

5.0 <u>Code of Corporate Governance Practices for Banks Post Consolidation</u>

5.1 <u>Equity Ownership</u>

5.1.1 <u>Preamble:</u> The current practice of free, non-restrictive equity holding has led to serious abuses by individuals and their family members as well as governments in the management of banks. However, to encourage a private sector-led economy, holdings by individuals and corporate bodies in banks should be more than that of governments. It is also recognised that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. Such arrangements should be encouraged.

5.1.2 Government direct and indirect equity holding in any bank shall be limited to 10% by end of 2007.

5.1.3 An equity holding of above 10% by any investor is subject to CBN's prior approval.

5.2 <u>Organizational Structure</u>

5.2.0 <u>Executive Duality</u>

5.2.1 The responsibilities of the head of the Board, that is the Chairman, should be clearly separated from that of the head of Management, i.e. MD/CEO, such that no one individual/related party has unfettered powers of decision making by occupying the two positions at the same time.

5.2.2 No one person should combine the post of Chairman/Chief Executive Officer of any bank. For the avoidance of doubt, also no executive vice-chairman is recognised in the structure.

5.2.3 No two members of the same extended family[1] should occupy the position of Chairman and that of Chief Executive Officer or Executive Director of a bank at the same time.

5.3 <u>Quality of Board Membership</u>

5.3.1 Institutions should be headed by an effective Board composed of qualified individuals that are conversant with its oversight functions.

5.3.2 Existing CBN guidelines on appointment to the board of financial institutions should continue to be observed. Only people of proven integrity and who are knowledgeable in business and financial matters should be on the Board.

5.3.3 Regular training and education of board members on issues pertaining to their oversight functions should be institutionalized and budgeted for annually by banks.

5.3.4 The Board should have the latitude to hire independent consultants to advise it on certain issues and the cost borne by the banks.

5.3.5 The number of non-executive directors should be more than that of executive directors subject to a maximum board size of 20 directors.

5.3.6 At least two (2) non-executive board members should be independent directors (who do not represent any particular shareholder interest and hold no special business interest with the bank) appointed by the bank on merit .

5.3.7 A committee of non-executive directors should determine the remuneration of executive directors.

5.3.8 There should be strict adherence to the existing Code of Conduct for bank directors, failing which the regulatory authorities would impose appropriate sanctions including removal of the erring director from the board.

5.3.9 Non-executive directors' remuneration should be limited to sitting allowances, directors' fees and reimbursable travel and hotel expenses.

5.3.10 In order to ensure both continuity and injection of fresh ideas, non-executive directors should not remain on the board of a bank continuously for more than 3 terms of 4 years each, i.e. 12 years.

5.3.11 Banks should have clear succession plans for their top executives.

[1] The term 'extended family' here refers to the members of a nuclear family comprising the husband, wife and their siblings plus (+) parents and brothers/sisters of both the husband and the wife.

5.3.12 There should be, as a minimum, the following board committees – Risk Management Committee, Audit
Committee, and the Credit Committee.

5.3.13 The practice of the Board Chairman serving simultaneously as chairman/member of any of the board committees is against the concept of independence and sound corporate governance practice, and should be discontinued.

5.4 Board Performance Appraisal

5.4.1 Preamble: While adherence to corporate governance principles is recognised as necessary for successful performance of Boards, it is often not a sufficient condition. Hence, the need for Board performance reviews or appraisals as a new concept to ensure successful or exceptional performance.

5.4.2 Each Board should identify and adopt, in the light of the company's future strategy, its critical success factors or key strategic objectives.

5.4.3 Boards should determine the skills, knowledge and experience that members require to achieve those objectives.

5.4.4 A Board should work effectively as a team towards those strategic objectives.

5.4.5 There should be annual Board and Directors' review/appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance.

5.4.6 The review should be carried out by an outside consultant.

5.4.7 The review report is to be presented at the AGM and a copy sent to the CBN.

5.5 Quality of Management

5.5.1 Appointments to top management positions should be based on merit rather than some other considerations.

5.5.2 Existing guidelines on appointments to top management of banks should continue to be observed.

5.5.3 Track record of appointees should be an additional eligibility requirement. Such records should cover both integrity ('fit and proper' as revealed by the CBN 'blackbook', CRMS etc) and past performance (visible achievements in previous place(s) of work).

5.6 Reporting Relationship

5.6.1 Officers should be held accountable for duties and responsibilities attached to their respective offices.

5.6.2 The structure of any bank should reflect clearly defined and acceptable lines of responsibility and hierarchy.

6.0 Industry Transparency, Due Process, Data Integrity and Disclosure Requirements

6.1.1 The above are core attributes of sound corporate governance practices that are essential to installing stakeholder confidence.

6.1.2 Where board directors and companies/entities/persons related to them are engaged as service providers or suppliers to the bank, full disclosure of such interests should be made to the CBN.

6.1.3 Chief Executive Officers and Chief Finance Officers of banks should continue to certify in each statutory return submitted to the CBN that they (the signing officers) have reviewed the reports, and that based on their knowledge:

- The report does not contain any untrue statement of a material fact.
- The financial statements and other financial information in the report, fairly represent, in all material respects the financial condition and results of operations of the bank as of, and for the periods presented in the report.

6.1.4 False rendition to CBN shall attract very stiff sanction of fine plus suspension of the CEO for six months in the first instance and removal and blacklisting in the second. In addition, the erring staff would be referred to the relevant professional body for disciplinary action.

6.1.5 There should be due process in all the procedures of banks.

6.1.6 All insider credit applications pertaining to directors and top management staff (i.e. AGM and above) and parties related to them, irrespective of size, should be sent for consideration/approval to the Board Credit Committee.

6.1.7 The Board Credit Committee should have neither the Chairman of the Board nor the MD as its chairman.

6.1.8 Any director whose facility or that of his/her related interests remains non-performing for more than one year should cease to be on the board of the bank and could be blacklisted from sitting on the board of any other bank.

6.1.9 The Board Credit Committee should be composed of members knowledgeable in credit analysis.

6.1.10 The practice/use of Anticipatory Approvals by Board Committees should be limited strictly to emergency cases only and ratified within one month at the next committee meeting.

6.1.11 Banks' Chief Compliance Officers (CCO) should, in addition to monitoring compliance with money laundering requirements, monitor the implementation of the corporate governance code.

6.1.12 Banks should also establish 'whistle blowing' procedures that encourage(including by assurance of confidentiality) all stakeholders (staff, customers, suppliers, applicants etc) to report any unethical activity/breach of the corporate governance code using, among others, a special email or hotline to both the bank and the CBN.

6.1.13 The CCO shall make monthly returns to the CBN on all whistle blowing reports and corporate governance related breaches.

6.1.14 The CCO together with the CEO of each bank should certify each year to the CBN that they are not (apart from 6.1.14) aware of any other violation of the Corporate Governance Code.

6.1.15 The corporate governance compliance status report should be included in the audited financial statements.

7.0 Risk Management

7.1.1 The Board/Board Risk Management Committee should establish policies on risk oversight and management.

7.1.2 Banks should put in place a risk management framework including a risk management unit that should be headed by a Senior Executive, in line with the directive of the Board Risk Management Committee.

7.1.3 The internal control system should be documented and designed to achieve efficiency and effectiveness of operations; reliability of financial reporting, and compliance with applicable laws and regulations at all levels of the bank.

7.1.4 External auditors should render reports to the CBN on banks' risk management practices, internal controls and level of compliance with regulatory directives.

8.0 <u>Role of Auditors</u>

8.1.0 Internal Auditors

8.1.1 Internal auditors should be largely independent, highly competent and people of integrity.

8.1.2 The Head of Internal Audit should not be below the rank of AGM and should be a member of a relevant professional body.

8.1.3 He should report directly to the Board Audit Committee but forward a copy of the report to the MD/CEO of the bank. Quarterly reports of audit must be made to the Audit Committee, and made available to examiners on field visits.

8.1.4 Members of the Board Audit Committee should be nonexecutive directors and ordinary shareholders appointed at AGM and some of them should be knowledgeable in internal control processes. One of such appointed ordinary shareholders should serve as the Chairman of the Committee.

8.1.5 The Audit Committee will be responsible for the review of the integrity of the bank's financial reporting and oversee the independence and objectivity of the external auditors.

8.1.6 The Committee should have access to external auditors to seek for explanations and additional information without management presence.

8.1.7 Internal Audit Unit should be adequately staffed.

8.2.0 External Auditors

8.2.1 External auditors should maintain arms-length relationship with the banks they audit.

8.2.2 Appointment of External Auditors will continue to be approved by the CBN.

8.2.3 The tenure of the auditors in a given bank shall be for a maximum period of ten years after which the audit firm shall not be reappointed in the bank until after a period of another ten years.

8.2.4 A bank's external auditors should not provide the following services to their clients:

1. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
2. Appraisal or valuation services, fairness opinion or contribution-in-kind reports;
3. Actuarial services;
4. Internal audit outsourcing services;
5. Management or human resource functions including broker or dealer, investment banking services and legal or expert services unrelated to the audit contract.

8.2.5 Quality assurance auditing should be engaged whenever the CBN suspects a cover-up by auditors, and where proved, erring firms would be blacklisted from being auditors of banks and other financial institutions for a length of time to be determined by the CBN.

8.2.6 An audit firm would not provide audit services to a bank if one of bank's top officials (Directors, CFO, and CAO etc) was employed by the firm and worked on the bank's audit during the previous year.

APPENDIX B: Guidelines for Whistle Blowing for Banks and Other Financial Institutions in Nigeria

CENTRAL BANK OF NIGERIA

GUIDELINES FOR WHISTLE-BLOWING FOR BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

May 2014

TABLE OF CONTENT

SECTION DESCRIPTION

I.0 INTRODUCTION

The prevalence of misconduct in organizations, particularly banks and other financial institutions,in the recent past underscores the need to institute rigorous policies to allow employees and other stakeholders bring unethical and illegal practices to the fore to minimize the damage such misconduct can cause to different stakeholders.

The banking system relies on the effective operation of a range of "integrity systems" for keeping the institutions and their management honest and accountable. One of such systems is Whistle-blowing.

Whistle-blowing, therefore, is the reporting of alleged unethical conduct of employees, management, directors and other stakeholders of an institution by an employee or other person to appropriate authorities.

A whistle-blower is any person(s) including the employee, management, directors, depositors, service providers, creditors and other stakeholder(s) of an institution who reports any form of unethical behavior or dishonesty to the appropriate authority.

The objective of whistle-blowing is to encourage stakeholders to bring unethical conduct and illegal violations to the attention of an internal and or external authority so that action can be taken to resolve the problem. This will minimize the institution's exposure to the damage that can occur when internal mechanisms are circumvented. It will also demonstrate to stakeholders that the institution is serious about adherence to codes of ethics and conduct.

It is believed that an effective whistle-blowing mechanism in banks and Other Financial Institutions (OFIs) in the country would go along way in entrenching good corporate governance.

However, in order to gain the protection afforded to whistle-blowers by this guidelines, such disclosures must actually be made in good faith and the information provided must also be substantially true/reliable.

The provisions of these Guidelines represent the minimum standard of whistle-blowing which banks shall comply with. Banks and other financial institutions are however encouraged to aspire to higher standards.

1.2 COMPLIANCE

1.2.1 The provisions of these Guidelines shall be observed by all financial institutions under the supervisory purview of the Central Bank of Nigeria (CBN).

1.2.2 Compliance shall be mandatory with effect from October 1, 2014.

1.2.3 Banks and Other Financial Institutions are expected to forward copies of their whistle-blowing guidelines to the CBN within three months, effective from the date of issuance of the guidelines. These guidelines shall be updated from time to time as the need arises.

1.2.4 Banks and Other Financial Institutions shall render quarterly reports on their compliance with the provisions of the whistle-blowing guidelines along with their corporate governance compliance status returns.

1.2.5 The external auditor of each bank and other financial institution shall report annually to the CBN, the extent of the bank's and other financial institution's compliance with the provisions of these Guidelines.

2.0 SCOPE OF POLICY

These Guidelines are designed to enable stakeholders of banks and other financial institutions to report acts of impropriety to appropriate authorities. This may include any of the following:

- All forms of financial malpractice or impropriety or fraud;
- Failure to comply with a legal obligation or Statutes;
- Actions detrimental to Health & Safety or the environment;
- Any form of criminal activity;
- Improper conduct or unethical behaviour;
- Failure to comply with regulatory directives;
- Other forms of corporate governance breaches;
- Connected transactions;
- Insider abuses
- Non-disclosure of interest;
- Attempts to conceal any of these, etc

3.0 WHISTLE – BLOWING PROCEDURES

3.1 Banks and other financial institutions shall have a whistle– blowing policy which shall be made known to employees, management, directors and other stakeholders such as contractors, shareholders, job applicants and the general public. The policy should be disclosed in their web sites.

3.2 It is the responsibility of the board to implement such a policy and to establish a whistle-blowing mechanism for reporting any illegal or unethical behavior.

3.3 Banks and other financial institutions shall establish whistleblowing procedures that encourage stakeholders by assurance of confidentiality, to report any unethical activity/breach of these Guidelines using, among others, a dedicated email or hotline to the bank, other financial institution and the CBN.

3.4 The whistle-blowing mechanism shall include a dedicated "hot–line" or e–mail address and other electronic devices that could be used anonymously to report unethical practices.

3.5 The Head of Internal Audit shall review reported cases and recommend appropriate action to the MD/CEO and where issues affect Executive Management, such issues should be referred to the Board. The Board or CEO shall take appropriate action to redress the situation within a reasonable time.

3.6 The Head of Internal Audit shall provide the Chairman of the Board Audit Committee with a summary of cases reported and the result of the investigation.

3.7 A whistle–blower shall disclose any information connected with the activities of the bank or other financial institution which indicates any of the following:

(i) that an infraction has been committed;

(ii) that a person has failed to comply with banking laws, internal policies and procedures, etc; and

(iii) that someone has concealed matters falling within (i) or (ii) above.

3.8 A disclosure is deemed to have been made in accordance with this section if the whistle-blower discloses to the bank, other financial institution, CBN, and/or other appropriate agencies or exercise any other lawful option provided that such disclosure is:

(i) true; and
(ii) reasonable;

4.0 PROTECTION OF THEWHISTLE-BLOWER

4.1 These Guidelines is designed to offer protection to whistleblower(s) who disclose such concerns provided the disclosure is made:

a) in the reasonable belief that it is intended to show malpractice or impropriety; and

b) to an appropriate person or authority.

4.2 Banks and other financial institutions shall treat all disclosures resulting from whistle-blowing in a confidential manner. The identity of the whistle-blower shall be kept confidential.

4.3 Stakeholders are encouraged to disclose their name when filing reports to make their reports more credible. However, anonymous disclosures may be considered on discretionary basis taking into account the following factors:

a) the seriousness of the issues;

b) the significance and credibility of the concern; and

c) the possibility of confirming the allegation.

4.4 In making a disclosure through whistle-blowing, the individual should exercise due care in reporting his concern. If, however, an individual makes malicious allegations, and particularly if he or she persists with making them, no action shall be taken.

4.5 No bank or other financial institution shall subject a whistleblower to any detriment whatsoever on the grounds that s/he has made a disclosure in accordance with the provisions of these Guidelines.

4.6 Where a whistle-blower has been subjected to any detriment in contravention of the above, s/he may present a complaint to the CBN. This is without prejudice to the right of the whistleblower to take appropriate legal action.

4.7 An employee who has suffered any detriment by reason of disclosure made pursuant to the provision of these Guidelines shall be entitled to compensation and/or reinstatement provided that in the case of compensation, the employee's entitlement shall be computed as if he had attained the maximum age of retirement or had completed the maximum period of service, in accordance with his condition of service. For other stakeholders, the whistle-blower shall be adequately compensated.

4.8 Any bank or other financial institution which contravenes the provision of this section of the Guidelines will be sanctioned in line with Section 60 of the Banks and Other Financial Institutions Act 1991 (as amended).

4.9 For the purpose of these Guidelines, the word "detriment includes dismissal, termination, redundancy, undue influence, duress, withholding of benefits and/or entitlements and any other act that has negative impact on the whistle-blower.

4.10 Banks and other financial institutions shall make quarterly returns to the CBN and NDIC on all whistle-blowing reports and corporate governance related breaches.

4.11 Banks and other financial institutions shall include a whistleblowing compliance status report in their audited financial statements.

4.12 Banks and other financial institutions should review their whistle-blowing policies every three (3) years and notify the regulatory authorities of all

<u>Appendix C: Data Collection Interview Questions to Bank Managers and Government Enforcement Agencies on their Corporate Governance Practices.</u>

Questions to Banking Management

- ❖ How would you explain the term Corporate Governance?

- ❖ Do you have a Corporate Governance Code?

- ❖ Do you adhere to these principles (Internal & External)?

    - If yes, how (Give examples and when did you start?)
    - If no, why?

- ❖ Are there any challenges within your Bank in regard to Corporate Governance?

    - If yes, how (give examples and how you think you can combat the challenge)
    - If no, what are your key success factors?

- ❖ Is there a specific unit within the bank that is responsible for Corporate Governance? If yes, how many people work in this unit? Why do you have that unit?

- ❖ Do you seek legitimacy from regulators and other stakeholders in enforcing corporate governance?

    - If yes, please explain how
    - If no, please explain

- ❖ Are there any benefits for having a sound Corporate Governance system within your bank? If yes, please explain

- ❖ What do you think is the contribution of corporate governance to your banks strategy?

- ❖ Is there any contribution to shareholders value?

- ❖ What do you think is the future of the banking sector with Corporate Governance?

<u>Questions to Government Enforcement Agencies</u>

- ❖ What do you understand by the term Corporate Governance?

- ❖ What are the benefits of practising Corporate Governance?

    - If yes, should it be practiced across the board?

    - If no, why?

- ❖ What is the most important aspect of Corporate Governance in the Bank?

- ❖ How adequate are the reforms within the Banking sector?

- ❖ In your view, what do you think is the challenge of enforcement of the codes?

- ❖ What is the role you play in enforcing Corporate Governance Codes within the banks?

- ❖ What factors do you take into account when formulating a Code of Governance?

- Are you trying to copy or mirror best international practice?

- How do you ensure that banks adhere to this code? What mechanism (monitoring) do you have to ensure banks adhere to corporate governance codes?
    - How often?
    - Do you communicate outcomes with the public?

  - If no, why?
    - How do you ensure businesses comply with the set guidelines?

- Why do you think Banks don't comply with the codes?

- Is there an Issue with the Multiplicity of Codes?

    - If yes, how do you work around it?

- What do you think is the role of Government in the Enforcement of Corporate Governance?

- What does the future look like for Corporate Governance within the Nigerian banks?

- What is the level of awareness of Corporate Governance among the public