

Examining Corporate Governance Practices in Nigerian and Ghanaian Firms

Dr. Adeoye Afolabi

Department of Economic and Management Studies
School of Social and Management Sciences
Afe Babalola University, PMB 5454 Ado-Ekiti Nigeria
adeoye.afolabi@yahoo.co.uk

Abstract: *This paper reviews the historical background of corporate governance and emerging issues in the development and practice of corporate governance in Nigerian and Ghana firms. The paper examines the role of institutional bodies on corporate governance of listed firms, regulatory and enforcement, and institutional bodies of corporate governance in Nigeria and Ghana. Other issues also examined include role and responsibilities of corporate board and external factors that affect corporate governance such as politics, corruption, economic, and ownership structure of listed firms. We find that institutional shareholders are more active in Nigeria than Ghana, also shareholders association in Ghana are not active compared with that of Nigeria. In addition, Nigeria have a stronger institutional framework than Ghana, this really provide an evidence to show that enforcement of corporate governance practices in Nigeria seem to be better than Ghana. Generally, we find that corruption and bribery, politics, economic and ownership structure influence effective corporate governance practice in each country.*

Keywords: *Corporate governance, Institutional frameworks, Politics, Corruption, Economics and Ownership structure*

1. INTRODUCTION

Since the 1970's the issue of corporate governance has been the subject of significant debate in the US and around the globe. There are reforms of corporate governance in developed and developing countries. Efforts to reform corporate governance have been driven in part by the needs and desires of shareholders to exercise their rights of corporate ownership and increase the value of their shares and wealth. Over the past three decades corporate directors' duties have expanded their traditional legal responsibility of duty of loyalty to corporate organisations and shareholders, especially in developed countries. In the mid- 1990s the issue of corporate governance in the US and UK received considerable press attention due to the wave of corporate governance failure in some firms which led to a wave of institutional shareholder activism.

The East Asian financial crisis occurred as a way of ensuring that corporate value would not be destroyed traditionally because of the relationship between the CEO and the board of directors such as unrestrained issuance of stock option not infrequently. In 1997 the East Asian financial crisis was seriously affected by the exit of foreign capital after the property assets collapse. This occurred as a result of lack of corporate governance mechanisms this highlighted the weakness of the institution in their economies. Finally in early 2000s the massive collapse of corporations such as Enron and WorldCom made shareholders and governments develop an interest in corporate governance. This brought the passage of the Sabaness-Oxly Act of 2002(Sarbanes-Oxley Act 2002, World Bank 2002, OECD 1999).

Furthermore, international organisations such as the Organisation for Economic Cooperation and Development (OECD), and the Economic Commission for Africa (ECA) introduced principles of corporate governance of firms. The developed and developing countries introduced codes of corporate governance to enhance the effectiveness of corporate governance practices in firms. Consequently, the impact of corporate governance has shown a positive effect on different stakeholders by strengthening the economy. Therefore, good corporate governance is a tool for socio-economic development and this happened to developed countries such as the US and the UK.

Moreover, the Securities Exchange Commission (2006) explained that in the Africa region despite the diversity of the 53 countries with different colonial legacies, some pattern can be discerned with regard to corporate governance. As a result, the need for corporate governance among the listed, non-listed, and state-owned enterprises cannot be over-emphasised. Thus, it is obvious that corporate governance can contribute to the economic success of firms and to long-term stability, which in turn will attract local and foreign investors. The Securities Exchange Commission (SEC, 2006) revealed that a survey conducted by Mckinsey consulting group in 2002, found that eight-five per cent of respondents consider corporate governance in Sub-Saharan Africa to be more important than financial issues in deciding which companies to invest.

Consequently, this study extends its coverage to listed firms in Nigeria, and Ghana these countries are English speaking countries and their selection is based on regional approach, this will give a wider scope. For instance Ghana have the fastest growing economy in the sub-region after the discovery of crude oil and Nigeria a having huge population and large markets, blessed with abundant natural resources such crude oil and land fertile for agriculture. The regulation, control and governance of Business Corporation of these countries are largely contained within provision of company legislation which have their root from British colonies which is their source of political independence. Based on this, Nigerian and Ghana legal systems and corporate governance mirror the United Kingdom pattern (Okike, 2007). Therefore, it is necessary for this study to examine the development corporate of governance structures of listed firms for each of these countries in order to highlight different reforms, institution, politics, corruption, economic and ownership structure of firms in Nigeria and Ghana.

2. HISTORICAL BACKGROUND OF CORPORATE GOVERNANCE IN NIGERIAN AND GHANAIA FIRMS

Nigeria is one of the important countries in Sub-Saharan African Anglophone region because of his large size, huge population and markets for goods and services with abundant natural resources such as crude oil and fertile for agriculture. There are reforms on corporate governance such as Code of Corporate governance best practice in 2003 issued by Securities Exchange Commission (SEC). In 2006, there was Code of corporate governance for banks post consolidation issued by Central Bank of Nigeria (CBN) and recently Securities Exchange Commission issued another Code of corporate governance in 2011. It is obvious from the above that there is multiplicity of Code corporate governance in Nigeria. Despite these reforms on corporate governance there are corporate failures of firms.

Corporate governance in Nigeria can be traced to the colonial days through the independence that Nigeria obtained from Britain in 1960. Before the independent the British colonial government imposed an Anglo-Saxon base system of corporate law and regulation on the country (Adegbite and Nakajima, 2011). The conduct and governance of Nigerian firms which contain within the provision of the company legislation was originated from Britain. As a result, Nigeria inherited Anglo-Saxon framework of corporate governance (Okike, 2007). After independence, the Nigerian government replaced the Companies Ordinance of 1922 with the 1968 Companies Act which was modelled on the UK Companies Act of 1948. This implies all the reforms in law and legal system are fashioned toward the Anglo-Saxon model and Nigerian legal operating framework for corporations have not been developed based on the country business environment (Adegbite and Nakajima, 2011). Consequently, the government of Nigeria have traditionally failed to deal with the problem of company law and legal system from the perspective of the socio-political environment of the country (Okike, 2007).

Securities Exchange Commission (SEC, 2006) in Nigeria revealed that despite all these provisions there are corporate failures in financial and non-financial sectors in the country. There are indications that banking industry and other firms were collapsing in their numbers, leaving a trail of woes for investors, shareholders, suppliers, depositors, employees and other stakeholders. This was a result of the messy state of the nation then that led the government to make a bold step in initiating the corporate governance evolution. In addition, in order to address the problem and to align with international best practices the SEC inaugurated a committee on corporate governance in June 2000 and the Code of Best Practices on corporate governance in Nigeria was submitted in November 2003. This Code of Corporate Governance Practices was based on unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role

of board of directors and management, shareholders rights and privileges, and the audit committee (Aganga 2011).

In recent times Ghana have the fastest growing economy in the sub-region as a result of stable democracy and recent discover of crude oil. There is Guideline on corporate governance practices issued to listed firms, however the Ghana Companies Act of 1963 is perceived as outdated and there is need to review the Companies Act. Ghanaian government have not carried out major reform on corporate governance of firms.

The legal framework for listed firms consist of the Companies Act 1963, the Ghana Stock Exchange listing rules and the Securities Industry Law of 1993 PNDCL 333 which was amended by Securities Industry Act of 2001. This act vested the Securities and Exchange Commission of Ghana with the function of creating an atmosphere for orderly growth and development of the capital market and protecting the integrity of the market (GSEC 2009).

GSEC (2009) further explained that the commission note the significant contribution for good corporate governance. As a result, in order to achieve this objective the Securities Exchange Commission in Ghana provided guidance on mechanisms which will contribute to the implementation of suitable corporate governance practices in corporate bodies. The Commission is licensed under the Securities Industry Law and the issuers of publicly traded securities particularly those firms listed on Ghana Stock Exchange approved under law have formulated the following body of best practices. These best practices are based on principles originating from the Organisation for Economic Co-operation and Development (OECD), the Commonwealth Association for Corporate Governance and codes of corporate governance issued by regulatory authorities in emerging markets.

3. LEGAL AND REGULATORY FRAMEWORKS FOR CORPORATE GOVERNANCE OF FIRMS IN NIGERIA AND GHANA

Nigeria has a legal framework derived from British Common Law and similar commercial codes. Also apart from the main statute regulating corporate organizations in the country, which is the Companies and Allied Matters Act (CAMA) 1990 (that replaced the Companies Act of 1968), there is several corporate governance Codes in force, some of them are industry specific. The corporate governance Codes applicable in the country are the Code of Best Practices on Corporate Governance in Nigeria 2003 which was issued by the Securities and Exchange Commission (SEC). The Code of Corporate Governance for Banks in Nigeria Post-Consolidation 2006, which was issued by the Central Bank of Nigeria (CBN) and the Code of Corporate Governance for Insurance Industry in Nigeria 2009, which was issued by the National Insurance Commission (NAICOM). The 2003 SEC Code has been reviewed and posted to SEC website in 2010. As can be gleaned from the above, there is a multiplicity of corporate governance codes in Nigeria (SEC, 2011). In addition in June 2011, the Federal Government introduced Financial Reporting Council Act No 6 with the aim to use the Council as a vehicle for improving corporate financial reporting practice in Nigeria.

The corporate governance regulatory institutions in Nigeria such as the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), Corporate Affairs Commission (CAC) and the Nigerian Deposit Insurance Corporation (NDIC), are staffed with self-interested executives who easily and readily collaborate with companies' senior executives to compromise the shareholders' interests. Board members are picked from the pool of high-profiled retired senior military officers and civil servants without expertise in basic finance and business operations (Okpara, 2010). In addition, Bakare (2011) argues that there is need for an appropriate corporate governance guideline relevant to socio-political, economic, and cultural environment of Nigeria and also effective laws, will and commitment on the part of the government to enforced compliance of corporate governance policy.

There are various institutional bodies, and organisations that have responsibility for ensuring effective corporate governance practices of firms in Ghana, these includes the following below;

Mensah (2003) explained that the Ghanaian government provides a numbers of laws for firms in Ghana; these include the Company Codes 1963 Act 179 which provides for governance of all companies incorporated in Ghana. Also, the Securities Industry Law 1993 (PNDCL 333) as

amended by the Securities Industry Act 2001 (Act 590) which provides rules and regulations for firms listed in the stock exchange. In addition, authors also explained that there is Ghana Stock Exchange's Listing Regulations 1990 (L.I1509) this consist rules on take- over and mergers and acquisition on regulation for listed firms in Ghana. Other duties such as investment advisors, securities dealers, and collective investment schemes are also function of Ghana Securities Exchange Commission. However, the London Business School's report (2003) revealed that the Ghana Companies' act 1963 is perceived as outdated and is currently under review by the Registrar General Office. The establishment of the above institutional bodies by the government indicates that the government of Ghana is serious in providing a sound legal framework for corporate governance in Ghana.

4. THE ROLE OF INSTITUTIONS IN CORPORATE GOVERNANCE OF FIRMS IN NIGERIA AND GHANA

The subject of corporate governance is relatively new in Nigeria, however the evolution of corporate governance for listed firms is as a result of various corporate failures, Also, the 1999 change in government in Nigeria from prolonged military regime into a new democratic administration with a policy to attract new and sustainable foreign investments which necessitated the need for corporate governance reform (Aganga 2011). This results in an established commission to review the existence, adequacy and relevance of corporate governance in Nigeria relative to the international best practices in response to the New International Economic Order (NIEO). In view of the importance attached to the institution for effective corporate governance the Federal Government of Nigeria, through its various agencies, has come up with various institutional arrangements to protect the investors' hard earned investment from unscrupulous management/directors of listed firms in Nigeria (Aganga 2011). These institutional arrangements, provided in the Code of Corporate Governance Best Practices issued in November 2003.

The main regulators and enforcers of corporate governance are the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (which register all incorporated companies). The Companies Allied Matter Act 1990, (CAMA) and the Investment Securities Act provide basic guidelines on company listing and more detailed regulations are covered in the Nigeria Stock Exchange Listing rules. The Banks and other Financial Institution Act 1991 as subsequently amended, the act empowered the Central Bank of Nigeria (CBN) to register and regulate bank and other financial institution. Also there is the Insurance Act of 2003 for regulation of insurance companies through National Insurance Commission (NAICOM).

Furthermore, other institutions such as Institute of Chartered Accountant of Nigeria (ICAN), the Association of Accountant of Nigeria (ANAN), and Institute of Directors (IoD) play various roles in promoting effective corporate governance systems in Nigeria. This occurs by enlightening their members through conferences, seminars and symposiums on compliance with the code of corporate governance practices for listed firms.

The Ghana Securities Exchange Commission (2009) have power and authority, by the Act that established it, to shape the regulatory framework effectively so that the regulatory framework will balance the need for sufficient flexibility to allow the market to function effectively and to respond to the expectations of shareholders. In addition, the Commission further explained that it is the intention of the commission that all listed firms should endeavour to adopt as far as practically feasible mechanisms which will ensure the implementation of appropriate corporate governance practices in their management and operations. Also it is necessary for listed firms in Ghana to regularly disclose their degree of compliance with acceptable corporate governance practice in a public manner.

Moreover, the Securities Exchange Commission (2009) in Ghana believes in collective responsibility of stakeholders of corporate governance to monitor corporate governance practice. For example controlling shareholders who are individual shareholders who may be individual family holding bloc alliance or firm acting through a holding company or cross shareholding all these can significantly influence corporate behaviour. Furthermore, the commission also posited that all the players of corporate governance such as institutional investors, individual shareholders, creditors, employee and other stakeholders play an important role in contributing to the long term success and performance of firms. In addition, the government established the overall institutional and legal framework of corporate governance.

The Ghana Securities and Exchange Commission (2009) documented the legal and regulatory framework of corporate governance prevalent in Ghana so it can facilitate the underlying principles of corporate governance. In related to securities market the regulatory framework is contained in the Companies Code 1963 (Act 179), the Securities Industry Law 1993 (PNDC 333) as amended and the Membership and Listing Regulation of Ghana Stock Exchange. The commission also explained that this framework is supplemented by the Ghana National Accounting Standards and the principles and codes of professional conduct imposed by the Institute of Chartered Accountants (Ghana) on its members.

The following are the objectives of the commission with regard to improvement in the implementation of corporate governance standard of firms in Ghana. The commission believe in developing a partnership with the Ghana Stock Exchange and its membership listed companies, Institute of Directors, Institute of Chartered Accountant of Ghana, Chambers of Commerce, Association of Ghana Industries and other professional bodies. In addition, institutions and multilateral agencies willing to fund further development of corporate governance practice of firms in Ghana. The objective of the commission is to provide technical assistance to firms through both local sponsors and foreign donors in corporate governance practices. They also assist in education and familiarising of policy- makers, board and members of listed companies with concepts and need for corporate governance on basis of the value it could add to their respective firms. In addition, the Commission educate the shareholders and potential investors on the concept of corporate governance and the value it can add to their investment, in an effort to encourage higher investors and stakeholders insistence on adherence to corporate governance practices. In Ghana enforcement of corporate governance for listed firms is the responsibility of institutional bodies such as Registrar General Department (RGD), Ghana Securities and Exchange Commission, and Ghana stock Exchange. In addition, Institute of Director (IoD), State Enterprises Commission, Africa Capital Market Forum, Institute of Economic Affairs, Institute of Chartered Accountants of Ghana, Chambers of Commerce Association of Ghana Industries, and Centre for Democratic Development. This also includes Private Enterprises Foundation (PEF) and Ministry of Private Sector Development. All these bodies are involved in promoting enforcement of corporate governance system of firms in Ghana through their various activities such as seminars, conferences and media enlighten (GSEC 2009).

4.1. The Role and Responsibilities of the Board of Directors in Nigerian and Ghanaian Firms

The means by which a corporation is being controlled is through the power and obligation of the board of directors. The Companies Allied Matter (CAMA) 1990 requires every private company registered in Nigeria to have at least two directors on the board of the company (Okike, 2007). In addition, according the Code of Best Practice of Corporate Governance issue by SEC on April 1st 2011 explained that director should be involved in the day- to-day operations and management of the company, in particularly they should be responsible for the department they head and should answer to the Board through the Chief Executive Director or Managing Director. Also, directors should not be involved in the determination of their remuneration. Non-Executive directors should be key members of the board; they should bring independent judgement as well as necessary scrutiny to the proposals and actions of the management, and executive directors such as issues of strategy, performance, evaluation and key appointments.

The Code of Best Practice for corporate governance in Nigeria is based on a unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role of board of directors and management, shareholders rights and privileges, and the audit committee (Aganga 2011). Consequently, the boards of directors are the leader and the controller of the company. Thus an effective board is fundamental to the success of a company (Okike, 2007). The Code of Best Practice on Corporate Governance SEC (2011) indicates that the board should be a sufficient size relative to the scale complexity of the company's operation and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility and integrity. Also, the members should always be available to attend meetings of the board, the membership should not be less than five, majority of the board members should be non-executive directors and at least one should be an independent director. In addition, members of the board should be upright personal characteristics, relevant core competent and entrepreneurial spirit, and a good record of tangible achievement and knowledgeable in board

matters. They should also possess a sense of accountability, integrity and be committed to the task of good corporate governance. The board should be independent of management so that they can carry out their oversight function in an objective and effective manner.

Moreover, Aganga (2011) argues that the board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. The author also explained that there is a need for the board to be sufficient in size and have an appropriate level of commitment to fulfil its responsibilities and duties.

The Code of Best Practices of Corporate Governance SEC (2011) revealed that the primary responsibility of the chairman is to ensure effective operation of the board such that it works toward achieving the company's strategic objectives. The chairman of the company should not be involved in day-to-day operations of the company; this should be the primary responsibility of the Chief Executive Officer (CEO) and the management team. The Code explained further that for all public companies listed with the Securities Exchange Commission (SEC) the position of the chairman of the board and Chief Executive Officer should be separate and held by a different individual. This is to avoid over-concentration of powers in one individual which may likely rob the board of the required checks and balances in the discharge of its duties. In addition, the chairman of board should be a non-executive director.

Furthermore, the Code explained the remuneration committee should consist of only non-executive directors, this is to ensure that appropriate governance structure is adopted and implemented by the board. The function of the remuneration committee is to oversee the nomination, remuneration, performance management, and succession planning process of the board. The SEC Code provides a guidance on remuneration policy and practices, the code requires the board of director to oversee the development of a remuneration policy and ensure that the share option that are adopted as part of executive remuneration are not price at a discount except with authorisation of SEC. In addition, the boards should undertake periodic peer reviews of director compensation and remuneration levels. KPMG and the SEC Code (2011) revealed that the board should disclose in the annual report, director remuneration and share options including fees, allowances, all material benefit and compensation paid or provided to directors.

The Securities and Exchange Commission of Ghana (2009) explained that the companies' code of 1963 specifies the basic responsibilities of the board of a firm. The code also makes the provision for appointment, retirement and removal of the directors and with regard to their qualification as board members. The Commission revealed that the provisions are included in the companies code supplemented by listing regulation of Ghana Stock Exchange which inter alia requires all listed firms to established and maintain audit committee. The Commission argues that although there are some aspects of corporate governance that necessarily have their origin in the culture and conduct of the board of a firm. As a result the guidelines on best practices of corporate governance issue by the Commission are based on the above premise. According to the guideline the board of directors have the following as their key function, this include; Reviewing and guiding corporate strategy, major plan of action, risk policy, annual budget and business plan, setting performance objective monitoring implementation and corporate performance, overseeing capital major capital expenditure, acquisition and divestitures. The function of the board also involved selecting compensation, monitoring when necessary, replacing key executives and overseeing succession planning, reviewing key executive and board remuneration and ensuring a formal and transparent board nomination process. In addition, the commission further explained that board can monitoring and manage potential conflict of interest that may arise among management, board members and shareholders.

Moreover, the Securities and Exchange Commission (2009) in Ghana posited that the board ensuring that the integrity of the firms accounting and financial reporting system. The board should ensure the credibility of the independent audit and the existence of appropriate internal control systems, ensuring the monitoring and management of risk. The board should make ensure that the firms compliance with relevant laws, rules and regulation. Furthermore, the board should monitor the effectiveness of corporate governance practices and oversee the process of disclosure and communication.

In case of the remuneration of the directors, the Ghana Securities Exchange Commission revealed that the levels of remuneration of directors should reflect experience and the level of responsibility undertaken by the particular director concerned. The board as a whole should determine the remuneration of non-executive directors with the individuals concerned excluding them from deliberations on the matter. The remuneration of a non-executive director should be fixed at a level that will ensure their commitment to the duties and obligations they are required to discharge.

In the case of the Audit Committee, the Commission argues that every listed firm should have an audit committee and the Committee should comprise at least three directors majority must be non-executive directors. Also the membership of the audit committee should be ideally comprises of director with adequate knowledge of finance, accounts and the knowledge of law under which the firms operate. The chairman of the committee should be a non-executive director and CEO, the finance director, the head of internal auditor and a representative of external auditor should be invested for audit committee meeting (Ghana Securities and Exchange Commission, 2009).

4.2. The Role of Investors in Nigerian and Ghanaian Firms

The government and management of a company require the fashioning out aims, objectives and the appropriate strategies for their realization. As a result, shareholders are one of the strategic stakeholders that should provide checks and balances on the activities of directors. In Nigerian firms, shareholders of listed companies have the duty of monitoring the activities of management. The shareholder rights emanated from Companies Allied Matter Act 1990 which deals with investor protection and creditors and disclosure of information to shareholders (Aganga, 2011).

Moreover, Okike (2007) argues that the Nigerian Shareholders Solidarity Association (NSSA) was formed in December 1987 because shareholders in Nigeria can no longer trust auditors in protecting their interest in the corporate affairs of firms. In addition, the author believes the Nigerian Shareholders Solidarity Association was formed as a result of dissatisfaction of the investment of listed firms with the performance of direction and auditors. The Securities Exchange Commission published a Code for shareholders association, the Code specified that the board of listed firms should ensure that they deal association with transparency and strict adherence to the Code of the shareholder association. The SEC Code (2011) also explained that shareholders of listed firms should play a vital role in good corporate governance of firms' especially institutional investors and other shareholders with large holdings. The Code specified that they should seek to influence positively the standard of corporate governance of firms in which they invested; they should demand compliance with the principles of this Code. Also they should seek explanations whenever they observe non-compliance with the code. In addition, Uche (2009) revealed that shareholder activism and Codes are complementary tools with value as an important aspect of corporate governance. The author explained that the development of shareholders activism in Nigeria is as a result of changes in regulation, corporate practices, expansion in local investment and the establishment of shareholder associations by government institutions.

The aims and objectives of Nigerian Shareholders Solidarity Association (NSSA) is to promote the interests of the shareholders of listed companies, liaising with the government and Nigerian Stock Exchange (NSE) on matters of interest to shareholders and especially the Nigerian economy. Also, ensuring that there is just and equitable management of listed and unlisted companies in Nigeria (Okike 2007).

The companies' code 1963, the Securities Industry Law 1963 as amended and the regulations of the Ghana Stock Exchange provide the primary regulatory framework for the establishment and operations of companies that issue publicly traded securities. These laws and regulations provide for basic shareholders' rights (GSEC 2009). According to the Commission the basic shareholders rights includes; rights to secure methods of ownership registration, transfer of shares, ability to obtain relevant information on the corporation on a timely and regular basis. Participate and vote in general shareholders meeting, electing members of the board and share in the profits of the corporation. Mensah et.al (2003) found that in Ghana there is an absence of strong shareholder activism and proxy fights also limited numbers of institutional investors, this reason is an evidence for shareholders not able to fight against corruption and challenge the boards of directors of firms

5. INSTITUTIONS AND CORRUPTION IN NIGERIA AND GHANA

Nigeria has a Judiciary system that is divided into: the Supreme Court, the Court of Appeal, the High Court, the Commercial Court and the Magistrate Court. The corporation and statutory entities are regulated and supervised by various institutional bodies. For instance, the registration of private companies is done by Corporate Affairs Commission under the Companies and Allied Matter (CAMA) 1990; the listed firms are regulated and supervised by Securities and Exchange Commission. The banking sector and other financial institutions are regulated and supervised by Central Bank of Nigeria (CBN), Financial Reporting Council (FRC) and the Economic and Financial Crime Commission (EFCC) which are in charge of prosecution of fraudulent and corrupt practices. All of the above institutions are established to improve the legal and corporate governance system in the country (SEC 2011).

Furthermore, Nigeria has operated a culture of political patronage where the ruling political military elite do not pay attention to public accountability. Thus, the military and civilian regimes institutionalised corruption by creating an atmosphere that they are above the law (Bakare 2011, Amaeshi et.al 2006). The military and civilian rulers appointed their cronies as board of members' government agencies and private business organisations. This lead to persistent failures of corporations where there is a lack of proper accountability and as a result of institutionalised corruption in the country. Fagbadebo (2007) explained that diverse views on corruption agree that it is a bad behaviour. Also, corruption is not easy to define and it is generally not difficult to recognise when observed. As a result, the author argues that the most simple and popular definition for corruption is adopted by the World Bank which states that corruption is the abuse of public power for private benefit.

Moreover, Gray and Kaufmann (1998) define corruption to include bribery and extortion which involved at least two parties and other malfeasances that a public official can carry out alone, including fraud and embezzlement. The authors posit that people may assume that only politician in government are corrupt, most often bureaucrats provide the template for perfected corruption. Most corrupt practice is only exposed by bureaucrats when they are excluded in sharing in the process.

In Nigeria, Okike (2007) argues that the various measure taken by government to improve the investment climate and corporate governance, meant to help attract foreign investment, are commendable with the investment potential in Nigeria. However, the government effort cannot yield good results because of corruption in entire sectors in the county. The Global Corruption Report produced by Transparency International, ranks Nigeria as the second most corrupt country in the world after Bangladesh. ROSC (2004) revealed that corruption is the main obstacle to enforcement of standards and this affects the financial reporting when the auditors connive with management to defraud companies (Okike, 1996, 2004).

One of the more notable events in the recent history of corporate bodies is the corruption by the Chief Executive Officer (CEO) and other management of banks which led to the collapse of most Nigerian banks in the mid- 1990s and even recently. Also, there is corrupt corporate behaviour in non-financial firms in Nigeria such the scandal of Cadbury Plc and Halliburton. Business Codes of Ethics and Corporate Governance Code of Best Practice play an important role in driving transparency and accountability reforms, which can combat corruption. In addition, the type and quality of laws and regulations (including level of enforcement) of the countries in which the companies operate has a direct bearing to the level of corruption in a particular country (Obinatu 2006).

There are legal enforcement mechanisms established by the Federal Government to eradicate corruption in Nigeria. This include the Banks and other Financial Institutions Act 1991, the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994. Others are the Money Laundering Act 1995 and the Money Laundering Act (Prohibition) 2004. In 1999 the president set up two anti-graft bodies such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crime Commission (EFCC) Act 2004 in order to eradicate corruption. However, as of today corruption has not being eradicated in the country. It is still persistent in every sector of the economy (SEC 2011).

In Ghana the Economic Commission for Africa (ECA, 2004) revealed that there are many incident of political turmoil that occurs in Ghana such as political and constitutional difficulties, military coup with dictatorship, and revolution. Consequently, this led to 1992 constitution that ushered in the Fourth Republic and this laid the foundation for stability and promotion of good governance that lead to a sustainable political and economic system. The presidential election of 1992 seem to be controversial this led to boycott of parliamentary election by the opposition party. However, there was improvement in the electoral system to the extent that the 1996 election was more credible than the past election and this led to December 2000 election that international observers judged as a more successful election in the history of Ghana. The government of the National Democratic Congress (NDC) which rule Ghana between 1992 and 2000 established the National Reconciliation Commission which is a good initiative to unify the country. Later in January 2001, president Kufor and his New Patriotic Party (NPP) assumed office following the victory in the December 200 elections and his own government reign for till December 2008.

In addition, in January 2009 President John Atta Mills was sworn in under the National Democratic Congress (NDC) during his period, Ghana marked 55 years of independence on March 12 2012. Moreover, Ampofo (2012) argues during the 55 years of Ghana independence anniversary that over the past decades the country has recorded political stability and socio-economic progress. However, the author believes that at present Ghanaian must come to terms with challenges and opportunities that include significant hydrocarbon resources just discovered in Ghana, income inequality, job creation, political polarisation, corruption, economic diversification, infrastructural development and macroeconomic stability.

In Ghana, the judiciary system is divided into the Supreme Court which is the highest judicial body, the Court of Appeal, the High Court, Commercial Courts and the Magistrate Courts. The corporation and statutory entities are regulated and supervised by various bodies, the private companies that are not listed are regulated by the Registrar General's Office (established under ordinance 1950), listed firms are regulated by Company Codes 1963 (Act 179) which provides for government of all companies incorporated in Ghana. Also the Securities Industry Law 1993 (PNDC 333) as amended by Securities Industry Act 2001 (Act 590) which provides law, rules and regulation for firms listed in the Stock Exchange. Apart from the above bodies, the banking industry are supervised and regulated by Bank of Ghana and insurance firms are also under Ghana National Commission of Insurance. In addition, other agencies such as that are assisting the firms to make progress in their operational activities are Institute of Director (IoD), State Enterprises Commission, Africa Capital Market Forum, Institute of Economic Affairs, Institute of Chartered Accountants of Ghana, Chambers of Commerce Association of Ghana Industries, Ghana Centre for Democratic Development Private Enterprises Foundation (PEF) and Ministry of Private Sector Development (Economic Commission for Africa (ECA 2004).

Furthermore, the revolution that took place in 1979 by Flight Lieutenant J.J Rawling was as a result of corruption that is endemic in Ghana however, the issue of corruption is still prevailing in Ghana (Economic Commission for Africa ECA, 2004). Thus, Mensah et.al (2003) explained that President John Kufor who took office in January 2001, promised to adopt zero tolerant for corruption by developing a Code of Conduct for ministers, public and private officers of corporations to promote good conducts and government. As a result the authors found that the government set up the National Institutional Renewal Programme (NIRP), the aim and objective of setting up this organisation is to transform the public and private sectors from input-oriented, hierarchical systems and which are relatively inflexible. The National Institutional Renewal Programme (NIRP) participated in some institutional reforms and capacity building in Ghana.

6. ECONOMY, MARKETS, AND INVESTMENTS ENVIRONMENT IN NIGERIA AND GHANA

The Nigerian economy has a turbulent history among Africa countries because the Nigeria has abundant mineral resources such as crude oil, bitumen and fertile land for Agriculture still the economy is growing. Also from 1960 to 1970 the Gross Domestic Product (GDP) recorded 3.1 per cent growth annually and during the oil boom period (1970-1978) the GDP increased positively by 6.2 per cent annually. However, in the 1980s there were negative growth rates of GDP (Ekpo and Umoh 2012).

In addition, from 1988 to 1997 the Structural Adjustment Programme (SAP) and economic liberalisation had an impact on the GDP by increasing the GDP at a positive rate of 4 per cent. The economy of Nigeria has not experienced double-digit inflation during the 1960s; however in 1976 the inflation rate was at 23 per cent, but decreased to 11.8 per cent in 1979, increased to 41 per cent in 1989 and increased again to 72.8 per cent in 1995. However, from 1996 to 1998 the inflation rates have reduced to 29 per cent (Ekpo and Umoh 2012).

There are major factors underpinning the economic growth and Foreign Direct Investment (FDI) in Nigeria this includes; over-dependence on the oil sector, which accounts for 95 percent of foreign currency income and 80 per cent of the national budget. Also, the national deficit and foreign debt caused by free-spending, poor implementation of economic policies under past military regimes, and corruption. Other factors are unstable regulatory and institutional environments and insecurity in the country (Bala 2003). The latter author explained that in order to bring Nigerian investment into a more competitive position for foreign direct investment (FDI) and to ensure free transfer and repatriation from Nigeria, the Federal government has legislated two laws. These laws are the Nigerian Investment Promotion Commission (NIPC) Act 16 and the Foreign Exchange (Monitoring and Miscellaneous provision) Act 17 which were enacted in 1995. This is to allow foreigners have 100 per cent ownership of their business and repatriate their capital if they decide.

The Nigerian Investment Promotion Commission (NIPC) is an agency of the Federal Government with a statutory mandate to co-ordinate, monitor, encourage and provide necessary assistance and guidance for the establishment and operating enterprise in Nigeria. The function of the commission is to plan and support measures which can enhance the investment climate in the country for both domestic and foreign investors. In addition, the commission also promote investment within and outside the country through effective promotional means and disseminating current information on incentives available to investors (NIPC 2012).

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In Ghana the Economic Commission for Africa (ECA, 2004) found that the 1970s and early 1980s Ghanaian economy was characterised with declined output in major sectors, continuous high inflation rate, balance of payment difficulties, large government budgetary deficits and excess liquidity. As a result, in order to stabilise the economy and promoting growth, there was Economy Recovery Programme (ERP) in 1983 and later Structural Adjustment Programme (SAP). Moreover, Mensah et.al (2003) explained that the adoption of privatisation initiative in the early 1990s is aimed at weaning the government off State-Ownership Enterprises and turning them to privately owned enterprises. The authors found that this process is part of the conditions imposed by the World Bank and IMF for granting structural adjustment loans to Ghanaian government, and there was a World Bank guideline for divestiture which prescribed that a legal framework must be put in place. This rule of law supported a market economy and highlighted the privatisation process in Ghana and the government promulgated Divestitures of State Interest Law (PNDCL 326) in 1993. The authors argue that this period is when modern corporate governance started in Ghana as a result of the law that established the Divestiture Implementation Committee (DIC) this agency is mandated to implement government programme on divesting its interest in certain enterprises. In addition, the author believes that the provision of law that established DIC show a good corporate governance because it emphasized not only on shareholders wealth but creation which have a positive impact on other stakeholders.

In the last decades, Economic Commission for Africa (2004) believes that Ghanaian governments have commitment to stabilise the economy and create an enabling environment for private sector growth. There are policies and strategies from various sectors of the economy and plan have been tailored toward achieving this national objective. One of these, was the establishment of a Ministry for Private Sector Development which has the mission of creation of ‘Golden Age of

Business". The aim is to facilitate the development and growth of competitive and sound private sector through the coordination of sectorial effort. There will be a positive attitude towards private sector business, enabling environment for enterprises development and ensuring the elimination of bureaucratic restriction. However, the implementation of this policy will be a problem that hampers the growth of the Ghana economy (ECA, 2004). According to Economic Commission for Africa, in Ghana there are policies towards the promotion of local and foreign investment such as a duty-free zone that offers generous incentive to investors and other policies to attract investment such as a tax holiday for companies and 80 per cent tax on non-traditional export incomes. The commission also found that apart from a policy to reduce rely on donor resource inflow; the Ghanaian government has put more effort to attract foreign direct investment in to the country. Based on information from Ghana Investment Centre registered Foreign Direct Investment (FDI) reduced from US \$637 million in 1997 to \$234 million in 1999, and it further reduced to \$180 million in 2001. The ECA (2004) revealed that main sources of Ghana FDI are U.K, India, China, the US, and Germany, then other sources of FDI is Nigeria, South Africa, and Malaysia. The commission explained that out of the total FDI of \$1.7 billion US Dollar registered between 1994 and 2002, about 60 per cent went to manufacturing and other services.

Furthermore, Economic Commission for Africa (2004) found that there are political reforms in Ghana, however, the economic and corporate governance as at year 2004 have received attention. In addition, the Commission argues that the companies' Code of 1963 Act 179 needs to be reviewed because it is outdated and there should be enforcement of the provision to not to allow many companies to operate like sole proprietorships. According to World Bank report 2005 on the Observance of Standard and Codes (ROSC) on corporate governance in Ghana, it was revealed that Ghana capital market development have shown a potential for improvement because Ghanaian capital market are more dependent on institutional capacity of the regulators, administration, and judiciary than on reforming the legal framework. In addition, ROSC (2005) found that the overhaul of institutional framework is very important with introduction a new law on Financial Services which will govern the non-financial sector which is under consideration by the Parliament of Ghana. The draft law aims to establish a Financial Services Authority which will be part of Ghana Securities and Exchange Commission and Ghana National Insurance Commission. Also Bank of Ghana (BoG) will continue to service as regulators and supervisor for all banking and depository institution.

7. OWNERSHIP STRUCTURE OF FIRMS IN NIGERIA AND GHANA

During the colonial period when the British were ruling the country, Nigerian corporations are dominated by foreign owners. As a result, the Federal Government of Nigeria promulgated a law in regard to indigenisation of foreign owned enterprises which was the Nigerian Enterprises Promotion Act 1972 and 1978 as well as the Foreign Exchange Act of 1962. Thus, prior to that the listing requirements were not attractive for more companies to be listed on Nigerian Stock Exchange (NSE). Consequently, indigenisation allow more companies listed on Nigerian Stock Exchange (NSE) because there were sales of equity shares held by foreigners in publicly quoted companies and more Nigerians were able to purchase these shares (Okike 2007).

Moreover, Nigerian scholars have expressed their doubt as to whether the Nigerian Enterprises Promotion Act 1972 have any significant effect on corporate governance especially whether there is any effect on ownership structure of the firms in Nigeria (Yerokun, 1992 and Ahunvan, 2002). The latter authors argue that the enactment of Nigerian Enterprises Promotion Act 1972 and 1978 as well as the Foreign Exchange Act of 1962 did have significant effect on ownership structure of Nigerian firms and corporate governance. The main area where ownership was affected was through the provision of 100 per cent foreign ownership in various sectors. As a result many foreign firms have to divert their shareholding in order to meet the requirement. In the end the Federal Government purchased the majority of the diverted shares because there was no sufficient domestic investment fund available as that time (Ahunvan 2002). In addition, the remaining of the diverted share that is not purchased by federal government was purchase by some few very wealthy Nigerians (Akinsanya 1983).

Furthermore, as a result of government's macroeconomic policy and legislation on foreign ownership the Federal Government actively involved in productive activities, owning industrial, commercial and services provision in corporation. This involvement can be either sole or joint

venture with foreign or local investors. In order hand it may be foreign investors continue to operate as majority (controlling) partner with government and local investors. Also, it may be local investors working either as minority partners with foreign investors or through small family firms (Ahunvan 2002). However, in the publicly listed firms in Nigeria foreign investors (as minority) may operate with local investors in the industrial and commercial sectors, and then there are some instance where the minority are the government, foreign investors, and the majority is the local investors this common in the financial sectors. Moreover, the finding of this study will definitely reveal the problem of ownership structure in relationship with corporate governance system in Nigeria.

World Bank ROSC report (2005) revealed that the Ghana Stock Exchange (GSE) which was established for trading in 1990, is fairly illiquid and with low market turnover. The report shows that in 2004, market capitalization was about US\$2.1 billion, which was 24 per cent of Ghana GDP and in 2005 the report shows that the bond market is limited but Initial Public Offer (IOP) were increased with ownership concentration within local and foreign shareholders. The World Bank report found that as of December 2008, with the report from the US Department of Commerce 2009 country commercial guide the number of listed firms both local and foreign firms are 36. The reports from the Department of Commerce 2009 commercial guide indicate that Ghana Stock Exchange (GSE) is one of the best performing in emerging markets in 2007. ROSC (2005) documented that retail investors are very low, institutional investors are not very involved and lager shareholders tend to control the board. Moreover, there is evidence from the ROSC (2005) that factors such as possible loss of control, cost of listing, transparency and accountability are factors that will likely discourage medium and large firms from listing in the Ghana Stock Exchange.

Furthermore, Prempeh (2002) argues that the undercapitalization of firms in Ghana is as a result of unwillingness on the parts of founding shareholders to share control of their firms and this seems to be cultural. Consequently, the authors explained that an average Ghanaian private firm remained a closed, thinly capitalised, debt-laden family business that is often under the control of the family patriarch. In addition, the author explained further that undercapitalization and excessive reliance on commercial credit bank debt is not only common to family-owned firms in Ghana, it can also be found among the multinationals and other foreign owned firms with substantial turnovers and asset value. These firms rely on domestic bank and commercial credit to finance their domestic operation. As a result, the author found that ensuring sound corporate governance in Ghanaian firms will also address the problem of lopsided higher-debt of corporate balance sheets. The authors found that the Ghanaian government has encouraged private firms to go public through the current corporate tax structure. This implies that public firms are taxed at a corporate rate of 30 per cent, and private companies are taxed 32.5 per cent. This differential rate in tax is more favourable to public firms. The author also recommended that the government should enact legislation requiring that certain categories of companies operate only as public companies; this legislation will certainly make sense in Ghana if it is implemented. Also any company that their annual turnover exceeds a certain benchmark or threshold should operate as a public firm.

Table1.1. Summary of the corporate governance institutions, politics, and economy in Ghana, Nigeria and Ghana

Characteristic	Ghana	Nigeria
Role of the government	Legislation is based on Companies code Act 1963 Act 179 There are no major reforms of corporate governance. There is Guideline of corporate governance practice	Legislation is based on Companies Allied Matter Act (CAMAD) 1990 There are major reforms of corporate governance such Code of corporate governance by SEC in 2003, CBN 2004 for banks SEC 2011, and establishment of Financial Reporting Council (FRC) There is Code of corporate governance best practices
Institutional bodies/Agencies	Securities Exchange Commission (SEC), Bank of Ghana, Ghana Stock Exchange (GSE), Registrar General Department (GRD), Private Enterprises Foundation)	Securities Exchange Commission (SEC), Nigeria Stock Exchange (NSE), Corporate Affair Commission (CAC), Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), Financial Reporting Council (FRC)

Examining Corporate Governance Practices in Nigerian and Ghanaian Firms

Role of professional bodies	Institute of Directors (IoD), Ghana Institute of Chartered Accountants (GIA), Africa Capital Market Forum	Institute of Directors IoD), Association of Corporate Governance, Institute of Chartered Accountants of Nigeria (ICAN), Association of Shareholder of Nigeria (ASN)
Code or Guideline of Corporate governance on regulatory framework	The same as it explain in Corporate governance Guideline issued by SEC	The same as it explain in Code of best practices issued by SEC
Enforcement of Corporate governance	The same with other countries	The same with other countries
Ownership structure	Ownership is concentrated	Ownership is concentrated
Number of Listed firms in Stock Exchange	Few firms (about 32) in number are listed because controlling owner of unlisted firms do not want to lose control	Many firms (206)
Code or guideline on board structure, management and role of the board of directors	The same with other countries	The same with other countries
Code or Guideline of corporate governance on role of auditors and audit committees	The same with other countries	The same with other countries
Code or Guideline on corporate governance on remuneration of the directors	The same with other countries	The same with other countries
Institutional Investors	No	There are institutional investors
Shareholders association	No	Yes
Politics, government and corruption	Previously military rules, for the past two decade stable democratic government There is corruption	Previously military rule, for the past one decade stable democratic rule There is corruption
Economy, markets and investments	Fastest growing economy, recently discover oil, capital market not strong	Largest market because of population, abundant natural resources such as oil and agriculture

8. CONCLUSION

In terms of board structure, Ghana and Nigeria are using a unitary type of board structure. In Ghana and Nigeria the structure of the board is the same likewise the legislation and code guiding the board. In Nigeria there are codes of best practice of corporate governance while in Ghana there are guidelines for practices of corporate governance. The two documents are issued by the Securities Exchange Commission (SEC); it has the same contents on the structure, role and responsibility of the board of directors. The companies' law and legal system are the same because Ghana, Nigeria and South Africa originated their common law in British common law.

Furthermore, corruption is common in developing countries and as a result, Sub-Saharan Africa Anglophone countries such as Ghana and Nigeria cannot be excluded from corruption.

We find that in Ghana there are lacks of institutional shareholders, while in Nigeria there are institutional shareholders, also shareholders association in Ghana are not active compared with that of Nigeria. Institutional framework in Nigeria is stronger than Ghana, this really provide an evidence to show that corporate governance practices in Nigeria seems to be better than Ghana. Generally, we find that corruption and bribery, politics, economic and ownership structure influence effective corporate governance in each country.

The Ghana Centre for Democracy and Development and the World Bank found that corruption is prevalent in both the private and public sectors in Ghana. Socio-political corruption has been an obstacle to economic development in Nigeria because corruption is being institutionalised and Nigeria is ranked high in the global corruption index. Based on the evidence from the above, it shows that corruption is common in Sub-Saharan Africa countries.

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AUTHOR'S BIOGRAPHY

Dr. Adeoye Afolabi obtained his B.sc from Obafemi Awolowo University Ile-Ife, M.sc in Accounting and Finance from Ahmadu Bello University Zaria and his M.Phil and PhD in Accounting and Finance from Brunel University London UK. Presently is a Principal Academic Standard Officer at National Universities Commission Abuja Nigeria.