AN ALTERNATIVE CORPORATE GOVERNANCE FRAMEWORK FOR NIGERIA'S BANKING SECTOR

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ABSTRACTS

The main objective of this paper is to propose an alternative corporate governance framework for Nigeria's banking sector in view of the recurrent corporate governance breaches reported among Nigerian banks. A questionnaire survey was used to identify factors affecting corporate governance practices among Nigerian banks, test the importance and practicality of features of acclaimed national codes of corporate governance and guiding principles and their applicability to Nigeria's banks setting. Eighteen (18) out of twenty-one (21) commercial banks participated in the survey, yielding 85 7% participation rate. All the banks that participated in the survey responded, resulting in a 100% response rate However, only 17 questionnaires were usable, yielding a usable rate of 94 4%. We find that the extant rule-based CBN code appears comprehensive as it focuses on principles relating to the board, shareholders, other stakeholders therefore recommends a framework anchored on the board providing ethical and effective leadership.

Keywords: Nigerian Banks, CBN, Corporate Governance, Code.

INTRODUCTION

Nigeria's banking sector over the years has witnessed incidences of bank failures and challenges that border on capital inadequacy, poor risk management and corporate governance breaches. Egbo (2012) argues that the failure of 21 of the 25 indigenous banks established in 1954 was due to inadequate capital, mismanagement, overtrading, lack of regulation and unfair competition from the foreign-owned banks. Between 1994 and 1998 licenses of 31 banks were revoked and transferred to Nigeria Deposit Insurance Corporation (NDIC) for liquidation (CBN, 1998). In January 2006, licenses of 14 banks were also revoked (CBN, 2006) bringing to 45 the number of banks that failed in a period of about 12 years. Furthermore, licenses of 3 of the banks rescued in 2009 (Spring Bank Plc, Bank PHB Plc and Afribank Nigeria Plc) were eventually revoked by the Central Bank of Nigeria (CBN) as they were unable to meet the September 2011 stipulated deadline for recapitalization in spite of benefiting from CBN bail out of N620b (CBN, 2011).

Liberalization of the economy spurred an increase in the application and approval of new banking licenses as there were 121 banks in 1994 compared to 38 banks in 1984, even though most of the licenses issued during the period were alleged to be issued to retired military officers and their cronies who also undermined the requirements for a banking license (Olaniyan, 2005). The World Bank Report on Observance of Standards and Codes (2004) has observed that Nigeria's institutional and regulatory settings are weak, inefficient and inadequate for observance of standards and codes.

The impact of the astronomical increase in the number of licensed banks on the social and economic life of Nigerians is, however, debatable. The paradox of the Nigerian banking sector is such that its performance indicators are often at variance with those of the real sector, suggesting a seeming disconnection between banks' objectives and overall interest of the society. For instance, according to Sanusi (2010), in the period between 2000 and 2007, while Nigerian banks were reporting super profits with major positive impact on the Gross

Domestic Product (GDP), on the other hand the level of unemployment and poverty worsened as factories were closing down and workers were being laid off. This is an indicator that Nigerian banks, just like their counterparts in the USA and UK, are directed and controlled based on the agency theory perspective that focuses on maximization of shareholders' wealth. Stakeholder theory sees businesses as considering the interests of all stakeholders by being accountable to shareholders and being responsible to other stakeholders.

Concerned about the distressed state of some banks, the CBN issued the prudential guidelines in 1990 while the military government promulgated the Banks and Other Financial Institutions Decree (BOFID) 1991 to strengthen regulation of the banking and financial institutions sector. In spite of these measures, between 1994 and 1998 the licenses of 31 banks were revoked and transferred to NDIC for liquidation (CBN, 1998) as earlier pointed out.

In order to address the corporate governance challenges in Nigeria, various codes of corporate governance, including industry-specific codes as well as codes that are applicable to all companies listed on the Nigerian Stock Exchange (NSE), have been developed over the years (Osemeke & Adegbite, 2016). The Securities and Exchange Commission (SEC) first issued its code in 2003 and revised it in 2011. The SEC code is applicable to all companies listed on the NSE as well as companies seeking to raise funds from the capital market through the issuance of securities or seeking listing by introduction and all other public companies. On its part, Nigeria's Bankers' Committee issued a code of corporate governance for banks and other financial institutions. This code is applicable to the banking sector as it applies to all banks including those not listed on the NSE.

The willingness of any corporation to embrace the spirit of any rules or standards rather than act in breach of such rules depends, to a large extent, on the governance culture of the corporation that promotes probity, transparency and accountability. This view is also shared by the Central Bank of Nigeria (CBN, 2006) as it reports that poor corporate governance was one of the major factors that were prevalent among distressed financial institutions in Nigeria as an abysmal figure of about 40% of listed companies, including banks on the Nigerian Stock Exchange, had formalized code of corporate governance. This may have prompted the mandatory code of corporate governance issued in 2006 by the CBN to address breaches that border on corporate governance. This was revised in 2014. Compliance with the CBN code is compulsory for all deposit money banks and discount houses operating in Nigeria. In 2007, the SEC further issued a code to guide the conduct of Shareholders' Associations (SEC code for Shareholders). The SEC code for shareholders was to regulate the conduct of members of Shareholders' Associations during general meetings of public companies as well as their relationship with public companies outside general meetings and other relevant matters. The Pension Commission of Nigeria's Code of Corporate Governance for Licensed Pension Operators (Pension Code) was issued in 2008. The Pension code is mandatory for all Pension Fund Administrators (PFAs), including Closed Pension Fund Administrators (CPFAs) and Pension Fund Custodians (PFCs). In 2009, the National Insurance Commission (NAICOM) code of good corporate governance for the insurance industry (NAICOM code) was issued. The NAICOM code applies to all Insurance and reinsurance companies where it is the primary regulator.

It is clear from the brief discussions above that there are several codes of good governance in Nigeria. Moghalu (2011) has justified the multiplicity of codes in Nigeria by arguing that they are necessary because they address the peculiar needs of the numerous stakeholders and their divergent interests. We argue that the proliferation of different codes has created a challenge for compliance and enforcement of these codes, especially when the requirements of a code conflict with another code. This readily creates a dilemma for the

companies with regard to compliance as it was not clear which code superseded the other. For example, all insurance companies listed on the NSE must comply with the NAICOM code as well as the SEC code while all deposit money banks and discount houses listed on the NSE must comply with both the CBN code and the SEC code.

Our view is supported by Osemeke and Adegbite (2016) who found that non-compliance with regards to recommendations on board size, directors' independence, CEO duality, board membership and audit committees was rampant among firms because there are conflicts in the codes. Consequently, there was a growing call within the Nigerian setting for a unified national code of corporate governance, which eventually came into existence in January 2019 after a series of events that include a legal tussle that tested the powers of the Financial Reporting Council of Nigeria (FRCN) to issue the National Code of Corporate Governance (NCCG), suspension of the first version of the code as well as the removal of the Executive Secretary of the FRCN (FMITI, 2017; Punch, 2017). It is unclear whether a unified national code will solve the corporate governance challenges prevalent among Nigerian companies in view of the unfolding events that characterized the evolution of a national code of corporate governance for Nigerian entities. Nakpodia, Adegbite, Amaeshi and Owolabi (2018) have suggested that for the unified code of corporate governance to be effective in promoting firm compliance in Nigeria, it must be devoid of any ambiguity, and should be easy to understand. Similarly, Okike & Adegbite (2012) suggest that overcoming corporate governance challenges in a corruption ridden environment like Nigeria, lacking efficient law enforcement and compliance monitoring institutions, will require a governance regulatory strategy that is internally driven with the objective of addressing the problem of majority ownership and unethical behaviour of managers and directors, which might not be in tandem with globally accepted models of ensuring good corporate governance.

Soludo (2004) identifies inadequate capital base, ineffective risk management and poor corporate governance practices as factors that underscore inefficiency as well as the imminent collapse of some Nigerian banks. Effective risk management is one of the instruments for control in organizations (Moloi, 2015; Moloi, 2016). Consequently, a mandatory code of corporate governance was introduced after the consolidation of Nigeria's 89 banks to 24 banks. The code became effective on 2nd April 2006 to give guidance on the best practices to the banking sector (CBN code 2006). The Central Bank of Nigeria has reported severally (CBN, 2008; 2013; 2015) that since the code of corporate governance post-consolidation in 2006 became effective, good corporate governance practices have improved significantly among Nigerian banks. The CBN referred to a survey conducted by the International Finance Corporation (IFC) in 2007 which indicated among other things that the Nigerian banking sector has embarked on a couple of corporate governance initiatives that have improved transparency and information disclosure as Nigerian banks now maintain proper board structure and processes that include board committees, ensuring board members possess relevant qualifications as well as procedures for evaluating board performance among other achievements. However, just three years after the CBN code was introduced in 2006, the CBN governor fired the chief executive and executive members of the board of directors of eight (8) banks (eight banks is equivalent to one-third of the licensed banks in Nigeria), citing weak corporate governance and risk management practices (Sanusi, 2010). As the CBN governor acted, he lamented the fact that consolidation had created bigger banks but failed to overcome the fundamental weaknesses in corporate governance leading to many Nigerian banks getting engaged in unethical and potentially fraudulent business practices.

The flagrant breaches of good corporate governance prompted a review of the 2006 CBN code and the 2003 SEC code. The SEC issued a revised code of corporate governance in 2011 (SEC, 2011). The prudential guideline for banks that has been in operation since 1990 was revised with effect from 1st July 2010 (CBN, 2010). The CBN in a circular dated 16

May 2014 informed the Nigerian public that it had revised the 2006 CBN code now applicable to banks and discount houses (CBN, 2014). The circular stated among other things that "*.... the revised Code of Corporate Governance aims to align the code with current realities and global best practices*" (CBN, 2014 p.1).

Following the revision of the 2006 code, which was repealed by the 2014 code in July 2016, the CBN announced the dismissal of the management and board of Skye Bank Plc (a deposit money bank) on issues that were said to be bordering on corporate governance matters (Punch, 2016 p.13). This raises concern as to the efficacy of CBN 2014 code in totally tackling corporate governance problems in Nigerian banks. While sceptics of the CBN code might attribute the breaches in governance at Skye Bank Plc to inadequacies in the extant CBN code there is a need to exercise caution in reaching such a conclusion. The ingenious attitudes of some individuals at circumventing rules and procedures especially in a country with weak institutional settings (Adegbite, 2015) cannot be overruled. This view in supported by Ahunwa (2002) who opines that Nigeria's problems (including corporate governance) could be attributed to unethical behaviour of individuals as well as the unwieldiness of its political and economic system (Olowosegun & Moloi, 2019 unpublished). The main objective of this paper is to propose an alternative corporate governance framework for Nigeria's banking sector.

The paper is structured as follows: section 2 reviews literature on the concept of corporate governance and Nigeria's banking sector, while section 3 presents methodology used in the study. Section 4 presents findings while an alternative corporate governance framework for Nigeria's banking sector is presented in section 5. Section 6 concludes the paper.

A Brief Review of Related Literature

Corporate governance has been defined in several ways depending on the background, perspectives and the objectives of the originators of the definitions. However, the definitions generally fall into two categories:

1. Definitions that focus on behaviour of corporations in relation to operational performance as well as the treatment of shareholders and other stakeholders; and
2. Definitions that are concerned with establishing a framework for running of corporations (Moloi, 2008; Moloi,2011, Claessens & Yurtoglu, 2013).

In the UK, the Cadbury Report (1992) was concerned with how shareholders would not suffer losses in the event of failure of the company, but would rather maximize the wealth of shareholders at all times, and thus defined corporate governance as the way companies are directed and controlled. Although the scope of the Cadbury report covers corporate governance mechanisms like board of directors, auditing and the shareholders, the emphasis of the report was on board of directors, attaching more importance to the direction function. The board, being the highest authority of the company, is critical to achieving a company's objectives as it is expected to provide entrepreneurial leadership that includes formulating strategy for the actualization of the company's vision, effectively monitor the activities of management as well as define behaviours that shape company culture and the manner in which it conducts its business (FRC, 2018).

Parkinson (1994) appears to be more sympathetic to the shareholders as he saw corporate governance as a process of supervision and control that ensures that management acts in the best interest of shareholders. According to Cadbury (1992) and Parkinson (1994), corporate governance is about protecting the shareholders, and every mechanism that ensures that shareholders' wealth is maximized should be embraced. This view aligns with the

finance perspective of corporate governance. La Porta, Lopez-desilanes, Shleifer and Vishny (2000) widen the scope to include creditors as they view corporate governance as mechanisms to protect outside investors from expropriation by the insiders. The Central Bank of Nigeria (CBN) appears to perceive corporate governance as a collection of rules and legislations to control corporations than to protect investors as it defines corporate governance as " *the rules, processes, or laws by which institutions are operated, regulated and governed*" (CBN, 2014, p.3).

The OECD (2004) views corporate governance from a relationship perspective as it considers corporate governance as the management of a nexus that consists of an enterprise's shareholders, board, management and other stakeholders by providing structure for formulating objectives and how to achieve the objectives, as well as the monitoring of performance. According to Oman (2001), this set of relationships entails;

> *....the private and public institutions, including laws, regulations and accepted business practices, which together govern the relationship, in a market economy, between corporate managers and entrepreneurs ("corporate insiders") on one hand, and those who invest resources in corporations, on the other. Investors can include suppliers of equity finance (shareholders), suppliers of debt finance (creditors), suppliers of relatively firm–specific human capital (employees) and suppliers of other tangible and intangible assets that corporations may use to operate and grow (OECD Working Paper 180, p.13).*

Although Oman's (2001) definition appears to be broad when compared to other definitions cited above, as it includes all categories of investors and employees, it, however, ignores other stakeholders like the host communities and environment that can sometimes be critical to the growth and survival of a corporation. There is another perspective that views corporate governance beyond the relationship of the owners of companies and their management, but inclusive of the devolution of power in a corporate entity (Tricker, 2015). This perspective is anchored on the fact that the actors in a company are not only its owners and managers, but include several other actors, institutions and processes that should be coordinated to realize the company's objectives. Therefore, corporate governance is viewed as managing a series of relationships concerning a company that ensures the company's objectives are achieved by focusing on owners' interest, but putting into consideration the interests of other parties like employees, customers, suppliers, host community, and government among other stakeholders. Solomon (2007) appears to share this perspective as she defines corporate governance as follows;

> *....The system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all stakeholders and act in a socially responsible way in all areas of their business activity (Solomon, 2007 p.14) emphasis added.*

Solomon's definition appears encompassing and inclusive of actors and processes that corporate governance entails. It considers not just a category of human actors in a company but all parties that have an interest in the company. It also suggests processes and procedures, and the manner of interaction that should eschew rancour as well as guarantee fairness and equity among all parties in the attainment of a company's objectives.

Drawing inference from the view of Solomon (2007), it is worthy to note that procedures such as segregation of duties, internal controls and audit are forms of checks and balances that are established to ensure effective and efficient running of business enterprises and discharging accountability, which are practices that are as old as managing a business. Secondly, in spite of the established controls, businesses still fail, partly because these controls are circumvented, and also because of unwillingness to be accountable. On its part the King IV report (2016) defines corporate governance with a focus on ethical and effective leadership by governing bodies of organizations that help organizations achieve four

objectives, namely;

1. Ethical culture,
2. Good performance,
3. Effective control, and
4. Legitimacy.

Subsequent to the discussion above regarding what corporate governance entails, it seems that the evolution of corporate governance is synonymous with the evolution of running business enterprises efficiently and effectively as well as discharging accountability. It should, however, be noted that with advancement in civilization, the business environment also changes, creating fresh challenges and complexities for the running of businesses. The nature of corporate governance challenges experienced by countries has been influenced by their level of development and institutional environment (Aguilera, 2005) and most importantly the prevailing ownership structures (Claessens & Yurtoglu, 2013). One of such challenges and complexities is the separation of ownership and control and dispersed ownership that created very powerful managers in the USA, whose interests were at variance with the owners of the companies between 1920 and early 1930s (Wells, 2010).
Section 3 discusses methodology used in this paper.

METHODOLOGY

We used the questionnaire to gain insight into factors affecting corporate governance practices as well as propose an alternative corporate governance framework for Nigeria's banking sector. According to Bentahar and Cameron (2015), the most important consideration in the choice of research method is its capacity to find a solution to the research problem as well as answer the research questions. This paper, as earlier pointed out, has as its main objective the development of an alternative corporate governance framework for Nigeria's banking sector. Consequently, it progressed through a questionnaire survey to identify factors affecting corporate governance practices among Nigerian banks as well as test the importance and practicality of features of acclaimed national codes of corporate governance and guiding principles and their applicability to Nigeria's banks setting.

We approached the main objective with a view that banks are not just responders to the dictates of the regulator, but are major actors and influencers of activities beyond the Nigerian banking sector. Therefore, their perceptions on what is happening cannot be ignored. Secondly, we avoid being pre-emptive that the extant CBN code is weak and that is why corporate governance breaches have persisted in some Nigerian banks. Consequently, we did not consider the radical change paradigm (Burrell & Morgan, 1979) as appropriate for our study. Rather we align with the view of a critical accounting researcher that there could be an improvement in the current framework of corporate governance of Nigerian banks for better performance. We also align with the "*middle range*" position of Laughlin (1995) on amalgamation of two or three perspectives in accounting research. Therefore, the philosophic assumptions of this study were interpretively and critically informed.

The methodology used in this paper integrates the appropriate philosophical assumptions as well as procedures for data collection, analysis and reporting that help achieve the overarching objective of this paper, which is to develop an alternative corporate governance framework for the Nigerian banking sector by testing the importance and practicality of the extant CBN code as well as the applicability of acclaimed national codes and international guiding principles to the Nigerian banking sector.

With regards to epistemology, we used quantitative method to determine the most acceptable features of corporate governance applicable to Nigeria's bank settings, as well as

factors that affect good corporate governance in Nigeria's banking sector. We also used the quantitative approach to explore the similarity of views and consensus of opinions on the most acceptable features of corporate governance framework appropriate for Nigeria's banking sector. Unlike qualitative data, quantitative data possesses qualities that allow measurement and broadening of the study sample, as well as supporting validation of generalization of result. However, the shortcomings of quantitative method in social research include its inability to capture a wide range of unstructured responses and its tendency to focus on numbers and accuracy of statistical figures, with little or no consideration of interpretation, and sometimes ignoring the impact of the result on the social actors that are the subject of study (Johl et al., 2012). These weaknesses, however, have not devalued the findings of this paper.

Findings

As of December 2017, there were twenty-seven (27) licensed deposit money banks in Nigeria. These banks are categorised into five (5) with regards to their nature, scope of operation and authorisation. There were ten (10) commercial banks with international authorisation and nine (9) banks with national authorisation in Nigeria at the time of the study. Two (2) banks had regional authorisation, one (1) bank had non-interest authorisation while five (5) banks had merchant banking authorisation. The CBN code of corporate governance applies to all banks and discount houses in Nigeria (CBN, 2014).

The targets of the questionnaire survey were twenty-one (21) licensed deposit money banks engaged in commercial banking irrespective of the bank's geographical authorisation. This is because of their wide scope of operation, including large scale depositary receipts when compared to merchant banks and interest-free banks operating in Nigeria. For example, the total demand deposits of all commercial banks in Nigeria as at 31st December 2017 was N19,146.8b, while the sum of all demand deposits for merchant banks in the same period was N31b representing 0.2% of the total deposits of all commercial banks (CBN, 2017). There were eighteen (18) banks that participated in the survey, yielding 85.7% participation rate. The other three did not respond to emails as well as telephonic requests to meet them and administer the questionnaire. All the banks that participated in the survey responded, resulting in a 100% response rate. However, only 17 questionnaires were usable, yielding a usable rate of 94.4%.

Guideline for interpreting questionnaire survey

The paper adopts an 82% benchmark similar to the threshold set by Vincent-Lambert, (2011) in establishing consensus of participants' responses in a questionnaire survey that used the Delphi method to investigate potential solutions to the obstacles and challenges, which educational managers are likely to face in articulating a study curricular for professional and degree qualifications for a section of the mid-level health workers in South Africa. Consequently, the following guideline is used to accept responses that formed part of the alternative corporate governance framework:

1. A minimum of 82% (14/17) responses of addition of the options "Agree" and "Strongly Agree" for responses that have "Strongly Disagree", "Disagree", "Neutral", "Agree" and "Strongly Agree" options.
2. A minimum of 82% (14/17) responses for the combination of responses "Important" and "Very Important" for responses that have the options "Not Important", "Somehow Important", "Neutral", "Important" and "Very Important".
3. For practicality, minimum of 82% (14/17) responses is required after the addition of the options "Practical" and "Very Practical" for responses with "Not Practical" "Somehow Practical" "Neutral"

"Practical" and "Very Practical".

4. The 82% (14/17) threshold responses for the addition of the responses "Applicable and Very Applicable" is also set for responses "Not Applicable" "Somehow Applicable" "Neutral" "Applicable" and "Very Applicable".

Table 1 is used to interpret the responses from the questionnaire survey.

Table 1
INTERPRETATION OF QUESTIONNAIRE GUIDELINE

	"Agree"	**"Importance"**	**"Practicality"**	**"Applicability"**
Guidelines	Agree + Strongly Agree > 82%	Important + Very Important > 82%	Practical + Very Practical > 82%	Applicable + Very applicable > 82%

Source: Authors' own compilation, 2019.

Findings on importance and practicality of clauses in the CBN code of corporate governance

We found that the CBN code, though mandatory, is very comprehensive. It captures best practices recommended in acclaimed national codes and international guiding principles on corporate governance. The results of the questionnaire survey indicate that substantial provisions in the CBN code of corporate governance are considered important and practical by the respondent banks as they crossed the 82% threshold set in this paper for accepting a provision Table 2. It should be noted that the extant CBN code became effective in 2014; however, there are cases still reported of corporate governance breaches.

Table 2
SUMMARY RESULTS OF IMPORTANCE AND PRACTICALITY OF CLAUSES IN THE CBN CODE OF CORPORATE GOVERNANCE

Category	Importance (Important + Very Important) %	Practicality (Practical + VeryPractical) %
Board and management	95.4	92.7
Size and composition of board	93.6	93.3
Separation of power	81.3	64.3
Appointment and tenure of board members	98.3	93.1
Board Committees	97.3	93.8
Board Meetings	96.4	90.0
Remuneration	92.5	89.4
Board Appraisal	100.0	100.0
Rights and functions of shareholders	95.9	91.1
Equity Ownership	94.0	86.2
Protection of shareholders' rights	97.9	88.7
General meetings	95.4	87.9
Shareholders' Associations	100	92.3
Rights of other stakeholders	98.8	90.5
Disclosure and transparency	99.4	97.0
Transparency and integrity in reporting	96.1	94.8
Whistle blowing policy	100.0	93.1
Risk management	98.8	97.2

Source: Authors' own compilation, 2019.

We found that except the provisions on separation of power, which requires that the responsibilities of the chairman of the board be clearly separated from that of the CEO that have responses of 81.3% and 64.3% respectively on importance and practicality all the

provisions in the CBN code crossed the 82% benchmark set in this study for acceptance of a provision as important and practical. This resultmay not be unconnected with the common perception that this provision is obeyed in the "letters" because where either the chairman or the CEO is the founder or a major shareholder, separating the roles are often difficult. However, other provisions in the code such as the size and composition of the board as well as equity ownership are intended to reduce the influence of a dominating chairperson or CEO.

The views expressed by the respondents on a majority of the provisions of the CBN code did not show significant differences when the responses on importance and practicality of the provisions in the CBN code were paired using the Wilcox Sign Test (Anderson, Sweeney, Williams, Freeman & Shoessmith, 2007) to gauge similarity of views on importance and practicality. The Wilcoxon analyses assisted to determine responses that have significant differencesin mean rank when responses on the importance and practicality of the provisions in the CBN code are paired. In other words, the mean ranks with a difference that is significantly different from zero. However, there were significant differences in the perception of respondents on the following provisions when responses on importance and practicality were paired:

1. The provisions that require the board to define the bank's strategic goals, approve its long and short term business strategies and monitor their implementation by management;
2. The board ensures that its human, material and financial resources are effectively deployed towards the attainment of set goals of the bank and comply with the provision that the board appoints the CEO, top management staff and establishes a framework for the delegation of authority in the bank according to the provisions of the CBN's Circular on Harmonization of Job Roles in the banking industry;
3. Members of the board are severally and jointly liable for the activities of the bank;
4. Practicality of the board's expectations or targets from management.
5. Provisions relating to the appointment and tenure of board members, the venue of general meeting,
6. Disclosure of bank's remuneration policy for members of board and executives as well as disclosure ofinsider related credits as provided in the CBN code.

The results above indicate that these provisions are important to the banks, but practicality that it could yield the desired governance outcomes appears to be a challenge. It is, therefore, suggested that the board reviews structures and procedures necessary for implementation of the provisions as the banks considered the provisions important for effective corporate governance.

The provisions on separation of power in the CBN code marginally missed the 82% threshold set in this study, as 81.3% agreed that the provision is important, while 64.3% agreed that the provisions are practical. The practicality of this provision in some banks might not be unconnected with the influence of founders on banks and former CEOs that become chairpersons of their banks. The next section discusses the perception of the respondent banks on the legal and institutional framework of corporate governance as well as factors that affect the practice of good corporate governance by Nigerian banks.

Legal and institutional framework of corporate governance of Nigerian banks

Studies by La Porta et al. (1997) and Colares Oliveira, Ceglia, and Antonio Filho (2016) found that the legal system, as well as coercive and normative forces, has significant influence on corporate governance practices and level of compliance. The respondent banks were asked eighteen (18) questions that border on the legal and institutional setting of corporate governance of Nigerian banks, such as the adequacy and effectiveness of laws that promote the practice of good corporate governance, perceptions of political, social, cultural and ethical factors on the practice of corporate governance as well as whether regulation is

preferred to voluntary corporate governance guidelines.

All the respondent banks agreed that there are adequate and effective laws that promote the practice of good corporate governance in Nigerian banks (LIF1) Table 3, while 87.5% agreed that enforcement agencies have the power and authority to enforce compliance with laws and regulations in Nigerian banks (LIF5), and banks' regulatory and enforcement authorities are effective in enforcing compliance with laws and regulations (LIF6) as well. This indicates that the enactment of new laws may not be the solution to corporate governance breaches in the Nigerian banking sector.

In what appears to be support for the current regulation regime, only 31.3% agreed that regulation should be replaced with voluntary corporate governance guidelines (LIF18). However, an earlier study on Nigeria by Nakpodia, Adegbite, Amaeshi and Owolabi (2018) found that an amalgamation of elements of both rule-based and principle-based regulation appears appropriate for Nigeria.

The political climate appears not conducive for the practice of good corporate governance in Nigerian banks as only 37.5% agreed that the political climate is conducive to practice good corporate governance, although 43.8% (7/16) were undecided on the matter (LIF11). Only 68.8% of the respondent banks agreed that social and cultural factors affect the practice of corporate governance in their banks. When the respondents were asked to assess the practice of corporate governance in their banks, 68.8% said the practice of corporate governance in the bank is satisfactory, while 25% said they were undecided.

Table 3
RESPONSES TO LEGAL AND INSTITUTIONAL SETTING OF CORPORATE GOVERNANCE IN NIGERIA'S BANKING SECTOR

Variablecode	Responses					Total valid responses	% of Agree +Strongly Agree
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree		
LIF1	0	0	0	8	8	**16**	**100.0**
LIF2	0	0	3	10	3	**16**	**81.3**
LIF3	0	1	5	7	2	**15**	**60.0**
LIF4	0	1	5	7	3	**16**	**62.5**
LIF5	0	0	2	7	7	**16**	**87.5**
LIF6	0	0	2	7	7	**16**	**87.5**
LIF7	0	2	4	5	4	**15**	**60.0**
LIF8	0	2	1	7	6	**16**	**81.3**
LIF9	0	3	0	9	3	**15**	**80.0**
LIF10	0	1	4	7	4	**16**	**68.8**
LIF11	1	2	7	4	2	**16**	**37.5**
LIF12	1	1	1	9	2	**14**	**78.6**
LIF13	1	2	2	9	2	**16**	**68.8**
LIF14	1	2	2	9	2	**16**	**68.8**
LIF15	0	1	1	11	2	**15**	**86.7**
LIF16	0	1	1	8	6	**16**	**87.5**
LIF17	0	1	2	4	8	**15**	**80.0**
LIF18	4	4	3	2	3	**16**	**31.3**
Total	**8**	**24**	**42**	**112**	**74**	**249**	
% of Total valid responses	**3.2**	**9.6**	**16.9**	**45.0**	**29.7**	**100**	

Source: Authors' own compilation, 2019.

Keys to codes

LIF1 - There are adequate and effective laws that promote the practice of good corporate governance in Nigerianbanks.
LIF2 - The legal system helps to improve corporate governance in Nigerian banks.
LIF3 - The legal system helps to improve accountability in Nigerian banks.
LIF4 - The legal system helps to improve compliance in Nigerian banks.
LIF5 - The enforcement agencies have the power and authority to enforce compliance with laws and regulations inNigerian banks.
LIF6 - Banks regulatory and enforcement authorities are effective in enforcing compliance with laws andregulations.
LIF7 - Corruption in Nigeria affects the ability of regulatory authorities to enforce compliance with corporategovernance principles in Nigerian banks.
LIF8 - The Central Bank of Nigeria is effective in enforcing good corporate governance practices in Nigerianbanks.
LIF9 - Proliferation of corporate governance codes has improved the practice of corporate governance in Nigerianbanks.
LIF10 - The practice of corporate governance in the bank is satisfactory.
LIF11 - The political climate in Nigeria is conducive to the practice of good corporate governance in Nigerianbanks.
LIF12 - The state of the economy in Nigeria affects the practice of corporate Governance in Nigerian banks.
LIF13 - Social factors affect the practice of corporate governance in Nigerian banks.
LIF14 - Cultural factors affect the practice of corporate governance in Nigerian banks.
LIF15 - Ethical factors affect the practice of corporate governance in Nigerian banks.
LIF16 - Banks that do not comply with corporate governance guidelines should explain and justify their non-compliance.
LIF17 - Banks that do not explain and justify their non-compliance with corporate governance guidelines should beheavily sanctioned.
LIF18 - Regulation should be replaced with voluntary corporate governance guidelines.

Factors that affect Corporate Governance of Banks

Beyond the legal and institutional framework that guides the operations of banks, the banks were asked about the extent of their agreement on eleven factors that could affect the practice of corporate governance in their banks. The identification of the factors that have the highest frequency indicates factors common to the banks, which could be responsible for the reported corporate governance breaches.

Eleven factors were listed in the questionnaire as factors that could affect corporate governance of banks. From the result on Table 4, over 87% of the respondent banks agreed that conflict of interest (**FACGC2**) and political interference (**FACGC3**) were factors affecting corporate governance of banks, while 85.7% agreed that non- compliance with laws and regulations **(FACGC8)** was a factor affecting the practice of corporate governance withinNigerian banks. Nigeria is a multi-ethnic and religious country, and the effect appears to be manifesting on the corporate governance of banks in Nigeria, as 81.3% respondents agreed that sectarianism (**FACGC7)** affected the corporate governance of their banks. Only 56.3% of the respondent banks agreed that incompetent personnel (**FACGC6**) affected the practice of corporate governance in their banks.

The impact of corruption on Nigeria's economy was demonstrated by the Global Financial Integrity (GFI) in its global annual update 2015 of illicit financial flows from

developing countries which pointed out that between 2004 and 2013 over US$178 billion unlawfully left Nigeria (Kar & Spanjers, 2015). This is despite the legal and institutional frameworks embedded in Nigeria's corporate laws to protect investors. The results show that 75% of the respondent banks agreed that corruption and bribery (**FACGC1**), lack of political will to combat corruption (**FACGC4**), lack of political will to enforce compliance (**FACGC5**), and fear and respect for the authority (**FACGC10**) were factors that affected the practice of corporate governance in Nigeria's banking sector.

A cursory look at the results shows that conflict of interest, political interference, non-compliance with laws and regulations, and sectarianism received the highest frequency of factors affecting corporate governance of banks in Nigeria. The extant CBN code appears to have dealt with all these factors. For example, the elaborate provisions on disclosure and transparency are meant to address conflict of interest that may arise when directors discharge their duties, while the provisions on equity ownership are intended to reduce government influence and, consequently, political interference. There are also stipulated sanctions and penalties for non-compliance with laws and regulations.

The fact that there are sufficient laws that enhance the practice of good corporate governance was established in this study (**LIF1**), and it suggests that the CBN code, SEC code and statutes like CAMA and BOFIA and other guidelines appear adequate for effective corporate governance in Nigerian banks. Therefore, new laws appear not to be an option for curbing corporate governance breaches in Nigerian banks, judging with the result of this questionnaire survey. However, this is not suggesting a review of any provision that is obsolete; especially insignificant sanctions and penalties that encourage non-compliance with laws should not be done, as some banks would rather pay the fines than embrace compliance. The results of the survey buttress this point as 68.8% of the respondent banks agreed that insignificant fines did not encourage compliance with laws (**FACGC9**). Table 4 below indicates responses on factors that affect corporate governance of banks in Nigeria.

Table 4
RESPONSES TO FACTORS THAT AFFECT CORPORATE GOVERNANCE OF BANKS

Variablecode	Responses					Total valid responses	% of Agree +StronglyAgree
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree		
FACGC1	0	2	2	5	7	**16**	**75.0**
FACGC2	0	2	0	7	7	**16**	**87.5**
FACGC3	0	2	0	5	9	**16**	**87.5**
FACGC4	0	3	1	5	7	**16**	**75.0**
FACGC5	0	3	1	6	6	**16**	**75.0**
FACGC6	1	6	0	6	3	**16**	**56.3**
FACGC7	0	3	0	7	6	**16**	**81.3**
FACGC8	0	2	0	7	5	**14**	**85.7**
FACGC9	0	4	1	7	4	**16**	**68.8**
FACGC10	0	3	1	8	4	**16**	**75.0**
FACGC11	0	2	3	6	5	**16**	**68.8**
Total	**1**	**32**	**9**	**69**	**63**	**174**	
% of Total valid responses	**0.6**	**18.4**	**5.2**	**39.7**	**36.2**	**100.0**	

Source: Authors' own compilation, 2019.

Key to codes

FACGC1 - Corruption and bribery
FACGC2 - Conflict of interests
FACGC3 - Political interference

FACGC4 - Lack of political will to combat corruption
FACGC5 - Lack of political will to enforce compliance
FACGC6 - Incompetent personnel
FACGC7 - Sectarianism
FACGC8 - Non-compliance with laws and regulations
FACGC9 - Inadequate infrastructure and resources for regulatory and enforcement agencies,insignificant fines which do not encourage compliance with laws.
FACGC10 - Fear and respect for the authority
FACGC11 - Fear of individual survival

Ethical Leadership: Panacea to corporate governance breaches in Nigeria's banking sector

Our findings show that all the respondent banks agreed that there are adequate laws that should enhance good corporate governance. Conflict of interest and indulging in corrupt practices are vices prohibited by law in Nigeria. However, 68.8% (FACGC9 in Table 4 above) agreed that inadequate infrastructure and resources for enforcement, as well as insignificant fines for infraction of laws, were factors affecting corporate governance of banks. One reason for enacting laws is to shape human behaviour towards a desired goal. When laws or rules are not yielding the expected results, especially when such laws and rules have been tried and tested in other contexts, it could be an indication of their inappropriateness in that context.

Furthermore, the results of the survey also indicate that substantial provisions in the CBN code are important and practical; therefore, compliance with the code should not be a challenge. However, compliance may appear mindless for some banks to avoid being sanctioned by the regulator, which implies that compliance is cosmetic instead of embracing the good intentions of the code. Although 81.3% agreed that the CBN was effective in enforcing good corporate governance in Nigerian banks (LIF8), it remains debatable how efficient and sustainable are the various reports the banks are required to submit on regular basis. Further, the extent to which the onsite visits to bank offices can completely avert corporate governance infractions is debatable. This view is informed by the number of banks, discount houses and other financial institutions under the purview of the CBN. Effective surveillance of all banks and other financial institutions, therefore, will require a lot of personnel to review reports submitted by banks as wellas carry out onsite visits, which might not be efficient.

Based on the results of the questionnaire survey, it may be inferred that the cause of corporate governance breaches are attitudinal in nature, which puts them in the realm of ethics. Therefore, what is required is the application of ethical and effective leadership. Good ethical values require that the board be fair to all stakeholders in their decisions, conduct and relationship (IoD, 2016). The boards of directors of corporations are expected to provide leadership that would help achieve organisational goals. The values held in high esteem by the directors dictate the approach to achieve governance outcomes (ethical culture, good performance, effective control and legitimacy) canvassed in King IV code of corporate governance (IoD, 2016).

The banks were asked to rate the importance, applicability and practicality of sixteen principles of corporate governance extracted from the King IV code. The King IV code is principles based and requires boards to not only apply principles to their organisations; in addition, a board should explain how the principles were applied. The results show that all the principles in the King IV code, except the recommendation on shareholder activism (KCCP15), did not cross the 82% threshold set in this study for acceptance of a provision or recommendation onimportance, applicability and practicality (Tables 5, 6 & 7).

Table 5
RESPONSES TO IMPORTANCE (I) OF PRINCIPLES EXTRACTED FROM KING IV CODE

Variable code	Responses						Total valid responses	% of Important + Very Importantto Totalresponses
	Not Important	Somehow Important	Neutral	Important	Very Important	Missing response		
KCGP1-I	0	0	1	2	14	0	**17**	**94.1**
KCGP2-I	0	0	0	3	13	1	**16**	**100.0**
KCGP3-I	0	1	0	2	13	1	**16**	**93.8**
KCGP4-I	0	1	0	2	13	1	**16**	**93.8**
KCGP5-I	0	0	0	3	13	1	**16**	**100.0**
KCGP6-I	0	0	0	3	12	2	**15**	**100.0**
KCGP7-I	1	0	0	4	10	2	**15**	**93.3**
KCGP8-I	0	0	0	3	14	0	**17**	**100.0**
KCGP9-I	0	0	0	3	12	2	**15**	**100.0**
KCGP10-I	0	0	0	4	12	1	**16**	**100.0**
KCGP11-I	0	0	0	3	14	0	**17**	**100.0**
KCGP12-I	0	0	0	4	13	0	**17**	**100.0**
KCGP13-I	0	0	0	4	11	2	**15**	**100.0**
KCGP14-I	0	0	0	4	12	1	**16**	**100.0**
KCGP15-I	0	1	0	6	8	2	**15**	**93.3**
KCGP16-I	0	0	0	3	14	0	**17**	**100.0**
Total	**1**	**3**	**1**	**53**	**198**	**16**	**256**	
% of Total valid responses	**0.4**	**1.2**	**0.4**	**20.7**	**77.3**		**100.0**	

Source: Authors' own compilation, 2019.

Key to codes

The key to codes is presented after Table 7 below.

Table 6
RESPONSES TO APPLICABILITY (A) OF PRINCIPLES EXTRACTED FROM KING IV CODE

Variablecode	Responses						Total valid response	% of Applicable + VeryApplicable To Totalresponses
	Not Applicable	Somehow Applicable	Neutral	Applicable	Very Applicable	Missing response		
KCGP1-A	0	0	0	5	8	4	**13**	**100.0**
KCGP2-A	0	0	0	3	11	3	**14**	**100.0**
KCGP3-A	0	0	0	4	10	3	**14**	**100.0**
KCGP4-A	1	0	0	4	9	3	**14**	**92.9**
KCGP5-A	0	0	0	4	10	3	**14**	**100.0**
KCGP6-A	0	0	0	4	10	3	**14**	**100.0**
KCGP7-A	0	0	0	4	10	3	**14**	**100.0**
KCGP8-A	0	0	0	3	10	4	**13**	**100.0**
KCGP9-A	0	0	0	3	11	3	**14**	**100.0**
KCGP10-A	0	1	0	2	10	4	**13**	**92.3**
KCGP11-A	0	1	0	1	11	4	**13**	**92.3**
KCGP12-A	0	0	0	4	9	4	**13**	**100.0**
KCGP13-A	0	0	0	3	10	4	**13**	**100.0**
KCGP14-A	0	0	0	3	9	5	**12**	**100.0**
KCGP15-A	0	2	0	3	6	6	**11**	**81.8**
KCGP16-A	0	0	0	3	10	4	**13**	**100.0**
Total	**1**	**4**	**0**	**53**	**154**	**60**	**212**	
% of Total responses	**0.5**	**1.9**	**0.0**	**25.0**	**72.6**		**100.0**	

Source: Authors' own compilation, 2019.

Key to codes

Key to codes is presented after Table 7 below.

Table 7
RESPONSES TO PRACTICALITY (P) OF PRINCIPLES EXTRACTED FROM KING IV CODE

Variable code	Responses						Total valid responses	% of Practical + VeryPractical to Totalresponses
	Not Practical	Somehow Practical	Neutral	Practical	Very Practical	Missing response		
KCGP1-P	0	1	0	4	8	4	**13**	**92.3**
KCGP2-P	0	1	0	3	9	4	**13**	**92.3**
KCGP3-P	0	1	0	2	10	4	**13**	**92.3**
KCGP4-P	0	1	0	2	10	4	**13**	**92.3**
KCGP5-P	0	1	0	2	10	4	**13**	**92.3**
KCGP6-P	0	1	0	3	10	3	**14**	**92.9**
KCGP7-P	0	0	0	4	9	4	**13**	**100.0**
KCGP8-P	0	0	0	3	10	4	**13**	**100.0**
KCGP9-P	0	0	0	3	11	3	**14**	**100.0**
KCGP10-P	0	1	0	2	10	4	**13**	**92.3**
KCGP11-P	0	1	0	1	11	4	**13**	**92.3**
KCGP12-P	0	0	0	3	10	4	**13**	**100.0**
KCGP13-P	0	0	0	3	12	2	**15**	**100.0**
KCGP14-P	0	1	0	2	9	5	**12**	**91.7**
KCGP15-P	0	2	0	3	6	6	**11**	**81.8**
KCGP16-P	0	0	0	2	11	4	**13**	**100.0**
Total	**0**	**11**	**0**	**42**	**156**	**63**	**209**	
% of Total responses	**0.0**	**5.3**	**0.0**	**20.1**	**74.6**		**100.0**	

Source: Authors' own compilation, 2019.

Key to code

I – Importance, A- Applicability and P- Practicality

KCGP1 - Integrated reporting that enable stakeholder to make informed assessment of bank's performance, and its short, medium and long term prospects.
KCGP2 - Balanced composition of governing bodies and independence.
KCGP3 - Delegation to management.
KCGP4 - Delegation to committees.
KCGP5 - Corporate governance services to the board of directors.
KCGP6 - Performance evaluations of the board of directors at least every two years.
KCGP7 - Social and ethics committee oversight and reporting on organizational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.
KCGP8 - Risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements in the value creation process.
KCGP9 - Technology and information.
KCGP10 - Compliance not only as an obligation but also as a source of right and protection.
KCGP11 - Remuneration policy that promotes achievement of strategic objectives in the short,medium and long term.
KCGP12 - Assurance and internal audit. Combined assurance model incorporating all assurance services and functions taken as a whole for effective control environment.
KCGP13 - Disclosure of tenure of an audit firm.
KCGP14 - Responsible and transparent tax policy.

KCGP15- Shareholder activism.
KCGP16 - Dispute resolution mechanism adopted and implemented as part of the overall management of stakeholders relationships.

Section 5 proposes an alternative corporate governance framework based on the findings presented in this section.

Corporate governance framework for Nigeria's banking sector

The extant rule-based CBN code appears very comprehensive as it focuses on principles relating to the board, shareholders, other stakeholders, whistle blowing ethics, professionalism and conflict of interest. We present an alternative corporate governance framework for Nigeria's banking sector based on the results of the questionnaire that we administered among deposit money banks in Nigeria.

In accordance with the interpretive-critical paradigm philosophic assumption adopted for this paper, the perceptions of the respondents as well as the desire for betterment of the extant corporate governance framework informed the need for an alternative corporate governance framework for Nigeria's banking sector. We propose one in this study. It is important to point out that there is no radical change (Burrell & Morgan, 1979) from the extant corporate governance framework. This is because the results of the questionnaire survey indicate that substantial provisions in the CBN code of corporate governance are important and practical, and, as a consequence, the majority of the provisions in the extant framework are retained, and some elements of principles-based codes were adapted from the UK national code and the King IV code. Also, guiding principles of the Basel Committee on Banking Supervision (BCBS) and Commonwealth Association for Corporate Governance (CACG) are also included in the proposed framework.

Further, there is no paucity of laws and rules in Nigeria. All the respondents agreed that there were adequate and effective laws that should promote the practice of good corporate governance in Nigerian banks. Although 18.8% of the respondents were undecided on whether voluntary corporate governance should replace the current regulation regime, 50% agreed that regulation should not be discarded.

Factors that border around unethical activities, such as conflict of interest and sectarianism by board members and top management, appear to be major causes of corporate governance breaches as over 85% of the respondents agreed that these factors affect the practice of good corporate governance in the banks. Solomon (2007) points out that a corporate governance mechanism can, at best, detect tendency for unethical activity before it is too late, but it cannot prevent it. The extant CBN code has provisions that address ethics and conflict of interest.

We find that in spite of admittance of importance and practicality of substantial provisions of the extant CBN code, and stipulated penalties for non-compliance with rules, corporate governance breaches still persist among some Nigerian banks. The recent merger of Access Bank Plc and Diamond Bank Plc was attributed to corporate governance breaches within Diamond Bank Plc (New Telegraph, 2018). This is an indication that "*technical compliance*" (Nakpodia et al., 2018), which mindlessly fulfills the requirements of the law rather than embrace the spirit of a rule, still persists in Nigeria's banking sector.

The proposed framework is classified into four levels. Level 1 (L1) deals with how corporate governance is perceived. Consequently, it proposes that corporate governance should be anchored on board of directors providing ethical and effective leadership in place of the extant CBN code that defines corporate governance as the rules, processes, or laws by which institutions are operated, regulated and governed. This is based on the fact that over

85% of the respondents agreed that unethical behaviours, such as conflict of interest and sectarianism by directors and senior managers, were factors responsible for corporate governance breaches in Nigerian banks.

Level 2 (L2) captures nineteen global best practices that were considered important and practical in Nigeria's banking context by the respondent banks based on the 82% threshold set for acceptance of principles included in the framework. It is worthy to note that the proposed framework retained substantial provisions in the extant CBN code because most of the provisions were adjudged important and practical in the banks. The nineteen principles presented in the framework are to be implemented on an '*Apply and Explain'* basis. This is a departure from the mandatory regime of the extant CBN code that could encourage mindless compliance. This change is without prejudice to the view expressed by 50% of the respondents that agreed that regulation should not be discarded as the CBN shall continue to perform its supervisory role as depicted in Level 4 (L4) of Figure 1. Nakpodia et al. (2018), in an earlier study, posit that corporate governance regulation in Nigeria must substantially reflect a rule-based approach as a stop-gap measure to confront the challenges of corporate governance.

Level 3 (L3) of the framework is concerned with regular review of laws, rules and guidelines. Respondents agreed that there are adequate laws and rules in Nigeria that should enhance good corporate governance in Nigeria's banking sector. However, there is need for periodic review of these laws and rules to conform to reality of the time. The World Bank, though, admitted that banks are the most regulated organizations in Nigeria, pointing out that outdated sanctions and reduced capacity diminish the effectiveness of monitoring as well as the enforcement of financial reporting requirements (World Bank, 2004). Similarly, Sternberg (2002) argues that rather than enact new laws to promote rule-based corporate governance, laws that make good governance ineffective should be reviewed or abrogated. The framework proposes regular review of laws, rules and guidelines to conform to the dynamic banking and global environments by appropriate institutions responsible for such review. Level 4 (L4) is focused on the crucial role of the regulator in ensuring good governance of banks.

The oversight function of a regulator cannot be overemphasised. Consequently, the CBN shall continue to perform its regulatory and supervisory role of Nigeria's banking sector. This requires that the CBN will not be a victim of '*regulatory capture'* (Oman, 2001), whereby it lacks capacity to enforce rules and guidelines and is subservient to banks it is meant to regulate. Rather, the CBN shall demonstrate the political will to act objectively, and diligently enforce rules and guidelines irrespective of pressures emanating from any quarters. Jayasuriya (2007) argues that Singapore was spared the consequences of the East Asia financial crisis ignited by the failure of BCCI in 1991 because the regulator upheld standards by refusing to approve bank operating license for BCCI in spite of the enormous influence of BCCI in the region.

The framework is depicted in Figure 1 below while the section that follows concludes the paper.

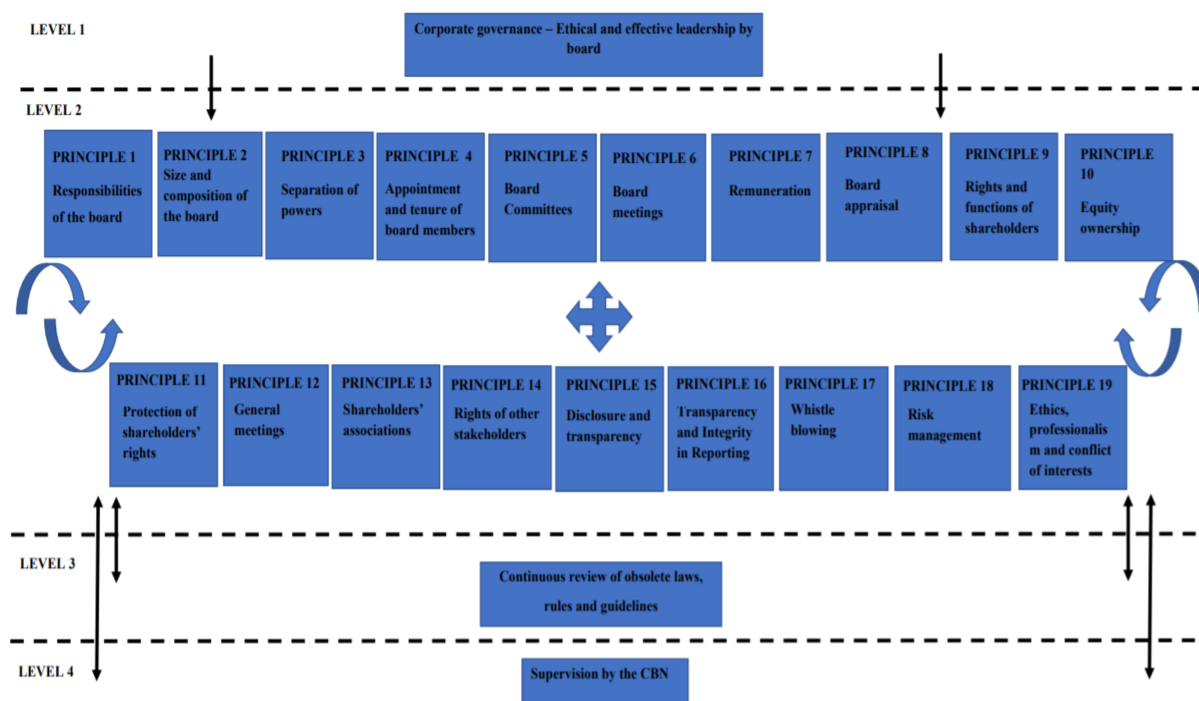

Figure 1
CORPORATE GOVERNANCE FRAMEWORK FOR NIGERIA'S BANKING SECTOR

CONCLUSION

The most acceptable features of corporate governance for the Nigerian banking sector identified in this paper will yield the desired outcome only when there is a deliberate and conscious effort by the board of directors to provide ethical and effective leadership. The proposed framework is principle -based. Market for corporate control is critical to the effectiveness of a principle-based framework. According to Cuervo (2002) and Jackson and Hoepner (2001), market for corporate control provides a form of continuous monitoring of corporations that compels management to demonstrate greater commitment to meeting shareholders' expectations. The capacity of regulator to effectively monitor the conduct of all actors in the corporate governance chain is another reason to embrace market for corporate control (Andreadakis, 2008). Nigeria's banking sector consists of commercial banks with numerous local and international branches, merchant banks, non-interest banks, discount houses and quite a number of other financial institutions under the supervision of CBN.

Further, market for corporate control presumes investors are rational. Consequently, a corporation could become target a of predators for merger and acquisition due to management and board actions and inactions that are detrimental to the success of the corporation as was the case of Diamond Bank Plc. Therefore, healthy competition, removal of regulatory barriers that hinder competition and other free market principles should be embraced by the practitioners and regulators.

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