


Chapter 4

The 2018 Revised Nigerian Code of Corporate Governance: An Academic Response and Lessons for Africa

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ABSTRACT

This chapter points out the significant changes in the 2018 codes of corporate governance in Nigeria. This document also highlights the authors' concern that the failure of the 2018 code to address some identified issues can have unintended consequences among firms and could harm the ease of doing business in Nigeria. In particular, the 2018 code gives the board significant powers but underestimate the board's ability to misuse their power, which may lead to complacency on the part of senior management and may affect the long-term survival and performance of Nigerian firms. Also, the Financial Reporting Council of Nigeria has not considered how companies will react to the new regulations. These observations have important implications for African countries and their codes of corporate governance.

DOI: 10.4018/978-1-6684-7885-1.ch004

1. INTRODUCTION

The purpose of this paper is to review the revised Nigerian code of corporate governance (NCCG) in 2018, identify the significant changes made, and to draw some implications and lessons for other African countries that are in the process of revising their national codes of corporate governance.

Academia has a crucial role to play in commenting officially on proposed changes in the regulatory landscape. When well-documented, thoroughly researched and effectively communicated, academic response to regulations can influence regulatory and industry practice (Danielsson et al., 2001). Our response to the revised 2018 NCCG in this paper is purely academic and is intended to stimulate debates for improvement in the future.

The NCCG was first developed in 2003 by various agencies; however, today, the NCCG is developed and coordinated by the Financial Reporting Council (FRC) of Nigeria (Kajola, 2008). To develop the codes, the FRC solicits and receives input from various agencies after which it coordinates and consolidates the ideas into a standard regulatory document after consultation with multiple stakeholders. Many of the stakeholders are industry practitioners with limited contributions from academic scholars.

Academics can provide theoretical insights and perspectives that may be useful in developing and improving the codes of corporate governance, and their lack of representation, or under-representation in the code setting process may affect the quality of revised corporate governance codes. Therefore, we analyse the relevance of the Nigerian code of corporate governance with a focus on the implications for accountability. There is the expectation that effective corporate governance will improve firm performance in Nigeria, however, the empirical literature shows mixed evidence for the impact of corporate governance on firm performance (see Ehikioya, 2009; Ozili & Uadiale, 2017; Sanda et al., 2010; Ozili, 2023).

The discussions in this paper contribute to the corporate governance literature that examine the existing codes of corporate governance in several countries. Studies in the literature analyse how the codes affect the ethical norms of doing business (McCarthy & Puffer, 2002; Cromme, 2005; Aguilera & Cuervo-Cazurra, 2009). Our paper contributes to this literature by showing the potential impact of the revised Nigerian codes of corporate governance on corporate behavior. The discussions in the paper also contribute to the literature that criticize existing codes of corporate governance and search for new ways to improve existing codes either through convergence of local codes with foreign codes or through a complete overhaul of local codes of corporate governance (see Koldertsova, 2011; Itami, 2005; Pass, 2006).

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