African Journal of Legal Research [AJLR] (2025) Vol. 3, No. 2
https://africanjournaloflegalresearch.com [ISSN: 1595 – 5966]

REASSESSING CORPORATE GOVERNANCE IN NIGERIA: REGULATORY EVOLUTION, MECHANISMS, AND PERSISTENT CHALLENGES

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Abstract

Corporate governance in Nigeria has had significant regulatory advancement over the last twenty years, encompassing modifications in the Companies and Allied Matters Act, sector-specific governance codes, among others. Notwithstanding this evolution, prominent corporate failures and ongoing governance deficiencies erodes market stability, investor confidence, and institutional responsibility. This paper rigorously evaluates the evolution of corporate governance regulation in Nigeria, analyses the efficacy of fundamental governance mechanisms such as board composition, risk management systems, and others. Utilising a doctrinal and analytical approach based on the agency, stakeholder, and institutional theories, the paper reveals that regulatory fragmentation, inadequate enforcement capacity, and other factors undermine the effectiveness of current reforms. The paper contends that in

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the absence of efficient legislative frameworks, robust enforcement mechanisms, and other global standards like the ISSB framework, enhancements in governance will be merely superficial. The paper provides a systematic examination of regulatory development and ongoing issues, contributing to discussions on regulatory coherence, corporate accountability, and the future trajectory of governance change in Nigeria.

Keywords: Corporate governance, regulatory reform, enforcement, disclosure, board effectiveness, institutional theory

1.0 Introduction

Nigerian legal and economic reform now includes company governance, reflecting global trends towards accountability, transparency, and ethics in business. The nation has strengthened its governance system through statutory, regulatory, and institutional measures to address corporate failures, particularly in banking, insurance, and capital markets. These include successive amendments to the Companies and Allied Matters Act (CAMA), industry-specific governance codes from regulatory bodies like the SEC and CBN, and the Financial Reporting Council's National Code of Corporate Governance (NCCG) 2018. However, governance issues continue to weaken investor trust, impede firm growth, and cast doubt on Nigeria's governance system.

This paper examines the growing gap between Nigeria's corporate governance laws and firm practices. Despite significant improvements, enforcement, regulatory fragmentation, political intervention, and board professionalism have hindered implementation and encouraged shallow, pro forma compliance. This discrepancy between legal frameworks and organisational conduct highlights the need to reevaluate Nigeria's regulatory growth and the ongoing difficulties to corporate governance.

Given worldwide expectations for openness, ethics, and stakeholder-focused business practices, Nigeria's corporate governance route must be reevaluated. The OECD Principles and King IV Report emphasise adaptation, sustainability, and rigorous risk governance, which Nigeria wants to achieve through ISSB-aligned sustainability reporting. True growth requires steady enforcement, effective institutions, and governance frameworks that appropriately reflect Nigeria's corporate and political situation, not just new legislation.

This paper examines three main questions: the evolution of Nigeria's corporate governance framework and regulatory rationale; the effectiveness of existing mechanisms—such as board composition, risk management, disclosure systems, and shareholder remedies—in mitigating governance failures; and the structural, institutional, and cultural impediments that prevent substantive reform. The article uses agency, stakeholder, and institutional theories to examine Nigeria's governance system and suggest improvements.

The significance of this paper goes beyond academia. Market integrity, foreign investment, business performance, and stakeholder protection require strong corporate governance. Governance regulation and enforcement affect corporate conduct in emerging economies like Nigeria, where institutional capacity is limited.[1] Understanding the deficiencies and

[1] Andrei Shleifer and Robert Vishny, 'A Survey of Corporate Governance' (1997) 52 *Journal of Finance* 737.

persistent inconsistencies within Nigeria's governance framework is therefore essential for informing reform by policymakers, regulators, and corporate actors.

The article continues: Section 2 introduces the analysis's conceptual and theoretical foundations; Section 3 discusses Nigeria's regulatory framework and its challenges; Section 4 assesses key governance mechanisms' efficacy and limitations; Section 5 examines structural and institutional barriers; Section 6 proposes reform pathways; and Section 7 concludes with reflections on corporate governance in Nigeria.

2.0 Conceptual and Theoretical Framework

To reevaluate corporate governance in Nigeria, one must comprehend its intellectual foundations and the principles that shape its regulation and implementation. Legal, market, and institutional forces have created corporate governance, a complicated concept of company administration. Accountability and stakeholder protection are its goals, but political-economic dynamics in Nigeria require a complex analytical approach.

2.1 Conceptualising Corporate Governance

Corporate governance has no universal definition, but certain perspectives help define it. Corporate governance fosters responsibility while balancing economic and social aims, according to the Cadbury Report.[2] According to the OECD, it governs the connections between a company's management, board, shareholders, and other stakeholders and defines the system for setting corporate goals and monitoring performance.[3] Governance is

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[2] Cadbury Committee, *Report of the Committee on the Financial Aspects of Corporate Governance* (1992) para 2.5.

[3] OECD, *Principles of Corporate Governance* (2015) 9.

structural—institutions, regulations, and processes—and behavioral—business ethics, leadership, and decision-making.

Accountability, openness, and monitoring are regulatory priorities in Nigeria. The SEC Code of Corporate Governance directs and controls corporate actions to maximise shareholder wealth and stakeholder interests.[4] Ethical leadership, sustainability, and risk governance are central to the Financial Reporting Council's National Code of Corporate Governance, which prioritises stakeholders.[5] Despite these formal confirmations, corporate governance in Nigeria generally focusses on compliance with statutory and regulatory obligations rather than strong governance cultures. The gap between theoretical ambitions and practical realities is crucial to Nigeria's governance difficulties and informs this paper 's theoretical approaches.

2.2 Models of Corporate Governance

The shareholder model, prevalent in Anglo-American institutions, prioritises shareholder value via board independence and market discipline.[6] The stakeholder model, prevalent in Europe and certain regions of Africa, encompasses employees, creditors, communities, and the environment.[7] Nigeria employs a mixed governance paradigm. Sectoral codes and the NCCG focus on sustainability, ethics, and corporate social

[4] Securities and Exchange Commission (Nigeria), *Code of Corporate Governance for Public Companies* (2011) s 1.
[5] Financial Reporting Council of Nigeria, *National Code of Corporate Governance* (2018).
[6] Frank Easterbrook and Daniel Fischel, *The Economic Structure of Corporate Law* (Harvard University Press 1991).
[7] R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Cambridge University Press 1984).

responsibility, whereas CAMA emphasises shareholder rights. This blend satisfies global and domestic expectations without complete harmonisation, resulting in regulatory complexity and inconsistent governance.

2.3 Theoretical Framework

Three principal theoretical frameworks support the examination of corporate governance in Nigeria: agency theory, stakeholder theory, and institutional theory. Each provides insights into the framework, regulation, and practical constraints of governance methods.

2.3.1 Agency Theory

Agency theory is the preeminent theoretical framework in corporate governance discussions. It establishes a distinction between ownership and control, resulting in conflicts of interest between principals (shareholders) and agents (managers).[8] Governance systems, like independent boards, disclosure requirements, and performance-based compensation, aim to alleviate these tensions. In Nigeria, agency issues are exacerbated by concentrated ownership, substantial insider control, and inadequate enforcement of fiduciary responsibilities.[9] These circumstances exacerbate the likelihood of managerial opportunism and lead to persistent governance failures.

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[8] Michael Jensen and William Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure' (1976) 3 *Journal of Financial Economics* 305.
[9] Yinka Omorogbe, 'Corporate Governance in Nigeria: An Overview' (2005) 3 *Journal of Corporate Law Studies* 4.

2.3.2 Stakeholder Theory

Stakeholder theory holds firms accountable to employees, creditors, consumers, and society beyond the shareholder-manager relationship.[10] This strategy aligns with modern governance changes that promote sustainability, ethical leadership, and long-term value. Stakeholder theory provides a governance framework for corporate social responsibility, environmental stewardship, and community participation in Nigeria, where corporate actions greatly impact social and developmental outcomes. Stakeholder responsibilities are poorly executed due to insufficient enforcement mechanisms and the lack of specified regulatory obligations across many organisations.

2.3.3 Institutional Theory

Institutional theory explains why governance improvements in emerging nations often fail. The theory states that statutory and informal norms, cultural expectations, and political processes affect organisational structures and activities.[11] Patronage networks, regulatory incompetence, political meddling, and cultural hierarchy and power strongly influence corporate conduct in Nigeria. Thus, governance mechanisms that look powerful in theory may fail in practice, resulting in "decoupling" between law and execution, according to researchers.[12] This theoretical framework helps explain Nigeria's enforcement issues and superficial compliance culture.

[10] Freeman (n 7).
[11] W Richard Scott, *Institutions and Organizations* (Sage 2014).
[12] John Meyer and Brian Rowan, 'Institutionalized Organizations: Formal Structure as Myth and Ceremony' (1977) 83 *American Journal of Sociology* 340.

2.4 Synthesis and Relevance to the Nigerian Context

These theoretical frameworks stress corporate governance's complexity and the limitations of legal or structural solutions. Agency theory emphasises better supervision and accountability, stakeholder theory emphasises firms' social responsibilities, and institutional theory shows Nigeria's structural barriers to good governance. This paper analyses Nigeria's regulatory development, governance systems, and persisting difficulties using these perspectives.

3.0 Evolution of Corporate Governance Regulation in Nigeria

Nigerian corporate governance policy has evolved to improve accountability, investor protection, and international norms. Economic reforms, financial sector crises, and the growing recognition of corporate governance as essential to corporate performance and national growth have shaped this regulatory trajectory. Understanding this progression is crucial to understanding Nigeria's regulatory progress and the ongoing issues that hinder governance.

3.1 Early Statutory and Regulatory Foundations

The Companies and Allied Matters Act (CAMA) 1990 replaced the Companies Act 1968 and updated corporation law to international standards.[13] While not using the term "corporate governance," CAMA 1990 created core governance legislation on directors' roles, disclosure standards, shareholder rights, and audit controls. The Act's techniques were limited in scope and execution, reflecting the period's institutional flaws.

[13] Companies and Allied Matters Act 1990; now replaced by Companies and Allied Matters Act 2020.

In 2003, the SEC published the Code of Corporate Governance, the first specific governance structure. This was owing to widespread concerns about corporate misbehaviour, several financial institution failures, and Nigeria's need to boost investor trust in its capital markets. Although optional, the 2003 Code introduced board structure, audit committees, internal controls, and accountability.[14] Nigeria joined worldwide corporate governance reform trends led by the Cadbury Report in the UK and the OECD Principles of Corporate Governance.

3.2 Consolidation and Sector-Specific Governance Codes

Corporate governance failures, notably in banking, prompted a stronger regulatory response by the mid-2000s. The 2006 Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks, amended in 2014, aimed to reduce insider wrongdoing, excessive risk-taking, and inadequate board supervision.[15] The National Insurance Commission (NAICOM), National Pension Commission (PENCOM), and Nigerian Communications Commission released similar governance regulations. Each sector-specific code mitigated governance risks while following national changes.

Governance codes during this time showed Nigeria's regulatory fragmentation. Each regulatory authority tried to improve governance, but the lack of a uniform standard caused redundancies, disparities, and compliance issues for enterprises in various areas. However, this legal expansion showed a rising recognition of corporate governance as a key

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[14] Securities and Exchange Commission, *Code of Corporate Governance for Public Companies* (2003).

[15] Central Bank of Nigeria, *Code of Corporate Governance for Banks and Discount Houses in Nigeria* (2014).

tool for financial stability and institutional integrity.[16] A major effort was made to strengthen the 2003 SEC Code of Corporate Governance in 2011. Board autonomy, audit committees, whistleblower mechanisms, and risk management were extended.[17] However, the Code was primarily voluntary, limiting its effectiveness and encouraging corporate selective adherence.

3.3 Toward Harmonisation: The National Code of Corporate Governance 2016–2018

The Financial Reporting Council of Nigeria (FRCN) expanded efforts to harmonise Nigeria's governance framework with the release of the National Code of Corporate Governance (NCCG) in 2016. The NCCG aimed to consolidate current governance regulations and provide a national standard applicable across many sectors.[18] Nonetheless, the preliminary iteration of the Code became contentious, particularly concerning the obligatory implementation of certain governance measures for religious and non-profit groups. The controversy resulted in the suspension of the FRCN board and an order to retract the 2016 Code.

In 2018, the FRCN published a revised NCCG that embraced a more principles-based, adaptable, and sector-specific methodology. The 2018 Code underscores ethical leadership, sustainability reporting, risk governance, stakeholder engagement, and board diversity.[19] In contrast to previous regulations, the NCCG employs a "comply or explain" framework,

[16] Olatunde Julius Otusanya, 'Corporate Governance in Nigeria: The Status Quo and Imperatives for Reform' (2017) 15 *Journal of Corporate and Commercial Law & Practice* 1, 12–14.
[17] Securities and Exchange Commission, *Code of Corporate Governance for Public Companies* (2011).
[18] Financial Reporting Council of Nigeria, *National Code of Corporate Governance* (2016).
[19] Financial Reporting Council of Nigeria, *National Code of Corporate Governance* (2018).

affording companies flexibility while also requiring transparency and accountability. It also anticipates collaboration with sectoral authorities to minimise conflicts and redundancies. Despite the objective to harmonise, the NCCG does not completely supplant sector-specific governance standards, many of which continue to be in effect. The simultaneous existence of various governance regimes complicates regulatory interpretation and compliance for companies.

3.4 Contemporary Developments and Ongoing Challenges

Reforms like CAMA 2020 have improved Nigeria's governance. Single-shareholder companies, electronic meetings, improved disclosure, and limited liability partnerships are included to CAMA 2020 to modernise corporate regulation. Additionally, it strengthens directors' obligations and creates transparency and accountability systems. Governance legislation is linked to sustainability and ESG principles, and Nigeria's adoption of the International Sustainability norms Board (ISSB) framework signals a shift towards global governance norms.[20]

Nigeria's corporate governance regulatory development faces structural and institutional challenges. Governance structure coherence and efficacy are hampered by inconsistent governance rules, regulatory agency enforcement, and political intervention. Enforcement is still vulnerable. Nigeria has a comprehensive governance system, yet violation penalties are variable and often insufficient to deter infractions.[21] Capacity constraints, resource shortages, and institutional instability threaten the regulatory framework.

[20] IFRS Foundation, *ISSB Standards and Adoption Initiatives* (2023).
[21] Omolaja Adeyeye, 'Corporate Governance in Nigeria: Enforcement Challenges' (2020) 18 *Nigerian Journal of Commercial Law* 45.

Establishing formal governance frameworks and matching national norms with international best practices has advanced corporate governance law in Nigeria. However, weak enforcement, regulatory fragmentation, and institutional volatility require further reforms. These concerns frame the evaluation of governance measures and the ongoing challenges that affect corporate governance in Nigeria.

4.0 Corporate Governance Mechanisms: Effectiveness and Limitations

Corporate governance promotes ethics, openness, and accountability. These procedures and regulatory reforms in Nigeria aim to improve systemic governance and align domestic practices with international standards. Governance systems' intended roles and consequences vary despite these developments. Nigerian corporations' board structure, risk management, internal control, disclosure and transparency, shareholder enforcement rights, and regulatory monitoring programs are assessed in this section.

4.1 Board Structure and Composition

Strategic direction, management oversight, and stakeholder protection are the core functions of the corporate board. Nigerian governance laws emphasise board independence, diversity, expertise, and ethics. The SEC Code (2011) recommends one-third independent directors on a board including executive and non-executive members. [22] The Financial Reporting Council's 2018 National Code of Corporate Governance (NCCG)

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[22] Securities and Exchange Commission, *Code of Corporate Governance for Public Companies* (2011) s 4.1.

promotes board independence, gender diversity, and director capabilities for good governance.[23]

4.1.1 Effectiveness

Publicly traded companies demonstrate progress, with stricter compliance standards and higher market expectations. Independent directors, board committees, and competency-based director nominations have improved board composition in many organisations.[24] Board charters and performance reviews, once rare, are now used in many companies. These reforms improved governance, strategy, and investor trust.

4.1.2 Limitations

However, systemic constraints restrict board efficacy in Nigeria. First, board independence is mostly symbolic. Independent directors are often hired for social, political, or familial ties, weakening their independence.[25] Second, CEO duality, albeit discouraged by governance principles, persists in many organisations, boosting management supremacy and undercutting board scrutiny.[26] Third, directors' lack of experience, especially in banking and insurance, hinders their ability to review complex choices and risk exposures.[27] Many organisations' boards

[23] Financial Reporting Council of Nigeria, *National Code of Corporate Governance* (2018) Principle 2.

[24] Chijioke Okezie and Uche Nwankwo, 'Corporate Governance Practices in Nigeria: An Empirical Assessment of Compliance by Listed Companies' (2019) 17 *Journal of Corporate Governance and Control* 45, 51–54.

[25] Olatunde Otusanya, 'Corporate Governance in Nigeria: Status Quo and Imperatives for Reform' (2017) 15 *Journal of Corporate and Commercial Law & Practice* 1, 10–12.

[26] Olayinka Marte Uadiale, *The Impact of Board Structure on Corporate Financial Performance in Nigeria* (International Journal of Business and Management, 2010) 4–5

[27] Yemi Oke, 'Corporate Governance Failures in Nigeria's Financial Sector' (2013) 31 *Journal of Financial Regulation* 27, 33.

lack gender diversity, despite its benefits for creativity and decision-making.[28] Although structural compliance has improved, cultural and institutional issues limit the board's practical effectiveness.

4.2 Risk-Management and Internal Control Systems

Corporate asset protection and financial stability require robust risk management and internal control mechanisms.[29] Risk governance has become a priority in Nigerian governance, especially since the mid-2000s financial crisis. The CBN's 2014 Code of Corporate Governance for Banks requires board risk committees and thorough internal audits.[30] The NCCG 2018 mandates enterprise-wide risk management frameworks connected to strategic goals.[31]

4.2.1 Effectiveness

Digital monitoring and automated reporting have improved internal control frameworks in high-risk industries like banking and telecoms. CAMA 2020 and sector-specific laws require audit committees to examine financial controls, compliance reports, and internal audit outcomes, improving transparency.[32] These approaches have enhanced operational discipline and enabled certain organisations to foresee and alleviate financial and operational hazards.

[28] Eyitayo, Adewumi; Veronica, Ekundayo; Temitope Omotola, Odusanya, 'Legal Appraisal of Corporate Governance and Gender Diversity on Nigeria's Corporate Board' (2020) *International Journal of Law* 186, 186–191

[29] ISO 31000:2018 *Risk management — Principles and guidelines* (ISO 31000)

[30] Central Bank of Nigeria, *Code of Corporate Governance for Banks and Discount Houses in Nigeria* (2014) s 5.

[31] NCCG (n 3) Principle 11.

[32] Olugbenga Jinadu, Samson Ademola Oladejo and Henry Kehinde Fasua, 2025, 'Audit Committee Attributes and Quality of Audit in Nigerian Listed Manufacturing Companies' (2025) 9 *International Journal of Research and Innovation in Social Science* 2700

4.2.2 Limitations

Despite legal advances, risk-management strategies are often shallow. Many companies lack the technical expertise to build and apply effective frameworks, resulting in obsolete or misaligned risk registers.[33] Internal audit units may be underfunded or administratively subject to management rather than the board.[34] Audit committee members, especially non-financial ones, may lack the financial expertise to assess risk data and ensure compliance.[35] Multiple sectors experience financial misstatements, asset misappropriation, and operational breakdowns due to internal control flaws. These failures show the gap between regulatory requirements and corporate risk governance capacity.

4.3 Disclosure, Transparency, and Reporting Mechanisms

Market discipline, shareholder scrutiny, and information asymmetry depend on disclosure responsibilities. Nigerian laws require full financial and non-financial declarations. CAMA 2020 increases reporting requirements, but NCCG 2018 emphasises sustainability, ethics, and transparency in related-party transactions.[36] Nigeria's adoption of the

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[33] J Bwanbale Akello, 'Effect of Risk Management on the Nigerian Industry' (2024) *Research Inventi Journal of Current Research in Humanities and Social Sciences* 37 37–42

[34] Simon Ademola Akinteye and others, 'The Role of Internal Audit in Enhancing Corporate Governance Practices in the Nigerian Manufacturing Sector' (2023) *Research Journal of Finance and Accounting* 14(10) 30

[35] Esitime Okon Essien, Eno Gregory Ukpong and Nkanikpo Ibok, 'Audit Committee Effectiveness and Financial Reporting Quality of Listed Non-Financial Firms in Sub-Saharan Africa: The Moderating Role of Board Independence' (2024) *Journal of Business and African Economy* 10(4) 35–36

[36] Companies and Allied Matters Act 2020, ss 371–378.

International Sustainability requirements Board (ISSB) framework suggests a move towards worldwide ESG reporting.[37]

4.3.1 Effectiveness

Public companies, particularly those listed on the Nigerian Exchange (NGX), have notably enhanced adherence to quarterly financial reports, facilitated by digital filing systems and market-monitoring instruments.[38] Annual report transparency has improved, as more companies voluntarily disclose ESG data, compensation plans, and risk exposures.[39] Regulators periodically penalise non-compliant companies, indicating a heightened expectation for disclosure integrity.

4.3.2 Limitations

Disclosure quality varies. Many organisations engage in "window dressing" by producing reports that meet formal criteria without addressing company well-being or governance issues.[40] Sustainability reporting is typically conventional and untested.[41] Moreover, weak disclosures of beneficial ownership, related-party transactions, and political exposure hinder accountability.[42] Disclosure failures have few consequences, reducing

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[37] IFRS Foundation, *ISSB Standards and Adoption Initiatives* (2023).

[38] Rule 18.2 of the Issuers' Rules in the Rules of the Nigerian Exchange Limited

[39] Sylvia Nnenna Eneh and others, *'Corporate Governance and Voluntary Disclosures in Annual Reports: Evidence from Nigeria'* (2024) *Seybold Report Journal* 25(19) 25–53

[40] Ibrahim Bello, 'Disclosure Practices and Corporate Transparency in Nigeria' (2020) 4 *Nigerian Journal of Commercial Law* 88.

[41] Ebubechukwu Udo Ngwobia, and Onwuka Okwara Onwuka, 'Sustainability Reporting in Nigeria: Trends, Drivers and *Challenges'* (2025) *International Journal of Business and Economics* 27(11) 27–43

[42] Naheem Mustapha, 'Beneficial Ownership Disclosure Under CAMA 2020: Balancing Transparency and Privacy' (SSRN, April 2025) <https://doi.org/10.2139/SSRN.5272728> accessed 12 December 2025

compliance incentives. Although authorities occasionally sanction misbehaviour, these penalties rarely deter it, allowing opacity in many corporate sectors.

4.4 Shareholder Protection and Enforcement Rights

Shareholder rights are fundamental to successful governance allowing investors to hold directors and managers accountable. Shareholders can vote, receive dividends, examine corporate records, and sue directors for fiduciary misconduct under CAMA 2020.[43] Minority shareholders have legal recourse for undue discrimination.

4.4.1 Effectiveness

Legal reforms have expanded the resources available for shareholder action. Derivative actions, previously challenging to initiate, are now easier attainable owing to more explicit statutory procedures.[44] Judicial bodies have progressively acknowledged shareholder rights in instances of mismanagement and duty violations, hence enhancing the legal framework around corporate accountability.[45] Moreover, digital attendance at meetings, authorised under CAMA 2020, has improved shareholder engagement.

4.4.2 Limitations

Despite these advances, enforcement is still difficult. Many shareholders avoid litigation because it is expensive, lengthy, and complicated. Shareholders may lack the technical skills to spot governance issues or

[43] CAMA 2020, ss 239–243, 343–345.
[44] CAMA 2020, ss 346–352
[45] *Edokpolor & Co Ltd v Sem-Edo Wire Industries Ltd* [1989] 4 NWLR (Pt 116) 473.

assess complex financial statements.[46] Institutional investors can promote activism, but political or business interests limit their autonomy.[47]Minority shareholder associations are sometimes opaque or susceptible to corporate insider co-optation. Therefore, shareholder enforcement methods are underutilised, reducing their governance impact.

4.5 Regulatory Oversight and Enforcement Mechanisms

Corporate governance depends on internal organisational mechanisms and external regulatory oversight. The CBN regulates banks, NAICOM regulates insurance enterprises, PENCOM regulates pension fund administrators, and the FRCN coordinates financial reporting and governance requirements in Nigeria.

4.5.1 Effectiveness

Regulators increasingly use monitoring, compliance, and enforcement tools. The CBN has vigorously supervised failing banks and punished directors for governance infractions.[48] The SEC monitors governance and punishes market misconduct. These metrics demonstrate a growing appreciation for regulatory control.

4.5.2 Limitations

Fragmentation, inconsistent enforcement, and capacity limits hinder regulatory monitoring. Contradictory regulator directives make compliance difficult. Sector-specific enforcement authorities differ in boldness.

[46] Mark J Roe, *Political Determinants of Corporate Governance: Political Context, Corporate Impact* (Oxford University Press 2003) 38–39
[47] Chinyere O. Uche, Emmanuel Adegbite and Mike Jones, 'Institutional shareholder activism in Nigeria: An accountability perspective' (2016) *Accounting Forum* 40(2) 78-88
[48] CBN, *Annual Report and Financial Statements* (2020) 115.

Political influence reduces regulatory autonomy, especially for powerful companies or people.[49] Many authorities lack the financial, technological, or human resources for advanced monitoring.[50] This allows regulatory arbitrage, when corporations use regulatory disparities to avoid scrutiny.

4.6 Synthesis

Well-defined policies and inadequate implementation are common throughout governance frameworks. Nigeria's corporate governance landscape has evolved, although institutional and cultural barriers still inhibit governance procedures. Governance reforms need stronger enforcement, institutional capability, and a deep corporate commitment to ethics and transparency to succeed.

5. Persistent Challenges in Nigeria's Corporate Governance Landscape

Despite regulatory advances, Nigeria's corporate governance landscape is hampered by deep-rooted structural and institutional barriers that undermine governance frameworks and regulatory improvements.[51]Due to legislative fragmentation, poor enforcement, cultural and political-economic complexity, board professionalism, compliance weariness, and sector-wide governance failures, these difficulties persist.[52] Understanding

[49]Ngozi Mordi, 'Regulatory Capture and Corporate Governance in Nigeria' (2015) 9 *African Journal of Economic and Management Studies* 322.
[50] Emmanuel Adegbite, 'Corporate Governance Regulation in Nigeria' (2012) *Corporate Governance: The International Journal of Business in Society* 12(2) 257
[51] Ibid.
[52] Olatunde Julius Otusanya, 'Corporate Governance in Nigeria: The Status Quo and Imperatives for Reform' (2017) *Journal of Corporate and Commercial Law & Practice* 15(1) 10–14

these obstacles helps explain why Nigeria's governance system often fails to turn broad legislative frameworks into meaningful corporate accountability and performance.

5.1 Regulatory Fragmentation and Duplication

Nigeria's fragmented regulatory system is a problem. Governance codes from the Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), National Pension Commission (PENCOM), and Financial Reporting Council of Nigeria (FRCN) often overlap or contradict. Despite their good intentions, these policies have caused regulatory duplication, interpretation ambiguity, and compliance issues for companies in various sectors.[53] Despite the 2018 National Code of Corporate Governance (NCCG), sector-specific standards apply, creating an inconsistent and sometimes contradictory regulatory environment. This fragmentation hinders Nigeria's governance structure and allows compliance demands to vary.

5.2 Weak Enforcement and Regulatory Capture

Nigeria's corporate governance structure suffers from weak enforcement. Even while governance rules are robust in theory, enforcement authorities often lack the financial, technological, and human resources to monitor and ensure compliance.[54] These institutional weaknesses allow companies exploit regulatory discrepancies or avoid scrutiny. Genuine enforcement

[53] Olatunde Julius Otusanya, 'Corporate Governance in Nigeria: The Status Quo and Imperatives for Reform' (2017) *Journal of Corporate and Commercial Law & Practice* 15(1) 12–14.
[54] Emmanuel Adegbite, 'Corporate Governance Regulation in Nigeria' (2012) 12 *Corporate Governance: The International Journal of Business in Society* 257, 267–268.

efforts are also hampered by regulatory capture, where political, personal, or business interests influence regulators.[55] Prominent companies or politicians may avoid punishment, creating a perception of selective enforcement and weakening regulatory trust.

5.3 Cultural and Political–Economic Barriers

Nigeria's sociopolitical climate greatly impacts business governance. Corporate boards and management structures often reflect society's hierarchical decision-making, personal network dependence, and patronage-driven connections.[56] These dynamics may hinder autonomy, board monitoring, and ethical governance. Institutional theory states that governance solutions must address informal norms and power structures that influence firm activity beyond statutory legislation.[57] Informal institutions sometimes overshadow official governance mandates in Nigeria, resulting in notional compliance and governance issues.

Political intervention is a major obstacle. Board and CEO appointments in state-owned or politically associated firms are often based on political patronage.[58] This reduces corporate boards' autonomy and independent examination, notably in energy, transportation, and financial services. Political personalities' tendency to influence regulatory choices makes governance and openness harder.

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[55] Ngozi Mordi, 'Regulatory Capture and Corporate Governance in Nigeria' (2015) 9 *African Journal of Economic and Management Studies* 322.
[56] Adegbite (n61)
[57] W Richard Scott, *Institutions and Organizations* (Sage 2014).
[58] Emmanuel Adegbite, 'Corporate Governance and Accountability in State-Owned Enterprises in Nigeria' (2018) *Journal of Business Ethics* 153(2) 473–486

5.4 Boardroom Professionalism and Skill Gaps

The proficiency of board members varies greatly among Nigerian companies. Despite governance legislation emphasising director competency and continual education, some boards lack the expertise to manage complex organisational risks or understand technical financial data. In non-financial sectors, audit committee members and boards sometimes lack financial or risk-management skills for effective monitoring.[59] Boards with many insiders or long-term management affiliates lack diversity and monitoring. Board evaluation approaches, albeit more necessary, are not always rigorous. Some organisations perform superficial appraisals that miss board performance or governance issues.[60] These limits maintain a culture of structural conformance without the practical skills to enforce accountability.

5.5 Compliance Fatigue and Cosmetic Compliance

The availability of several governance standards has caused compliance fatigue among Nigerian businesses, especially those in regulated sectors. Companies often prioritise compliance with governance laws over internalising governance concepts or integrating them into corporate culture. The practice of 'box-ticking' or 'cosmetic compliance' undermines governance change.[61]

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[59] Esitime Okon Essien, Eno Gregory Ukpong, and Ibok Nkanikpo, 'Audit Committee Effectiveness and Financial Reporting Quality of Listed Non-Financial Firms in Sub-Saharan Africa' (2024) *Journal of Business and African Economy* 10(4) 24-56.

[60] Stephen Okafor and Chijioke Mbachu, 'Board Evaluation Practices and Corporate Governance Effectiveness in Nigeria' (2020) *Nigerian Journal of Management Sciences* 8(1*)* 112–121.

[61] Ibrahim Bello, 'Disclosure Practices and Corporate Transparency in Nigeria' (2020) 4 *Nigerian Journal of Commercial Law* 88.

The NCCG 2018 and Nigeria's ISSB compliance highlight formulaic sustainability reporting without verified indicators or independent verification. Many companies produce generic ESG reports that misrepresent operational performance and governance.[62] In domains with conflicts of interest, inadequate disclosure of beneficial ownership, related-party transactions, and political exposure reduces openness and accountability.[63]

5.6 Institutional Barriers to Shareholder Enforcement

Nigerian shareholders face many practical challenges in asserting their rights. CAMA 2020 strengthened derivative action rules and the unjust prejudice remedies, but litigation remains expensive, lengthy, and complicated. Retail investors may lack the technical skills to spot governance issues or analyse complex financial statements. Institutional investors can trigger action, but political or business interests might weaken their independence. Therefore, shareholder enforcement measures are rarely used, allowing managerial or board negligence to go unpunished. Recent court decisions, such as *Agip (Nigeria) Ltd v Agip Petroli International*,[64] show a growing willingness to recognise shareholder interests and remedy mismanagement. These advances are undercut by lengthy litigation and inconsistent judicial enforcement of corporate governance requirements.

[62] Ebubechukwu Udo Ngwobia and Onwuka Okwara Onwuka, 'Sustainability Reporting in Nigeria: Trends, Drivers and Challenges' (2025) *Journal of Business and Administrative Studies* 11(5) 27–43.
[63] Naheem Mustapha, 'Beneficial Ownership Disclosure Under CAMA 2020: Balancing Transparency and Privacy' (2025) SSRN Paper https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5272728.
[64] (2010) 5 NWLR (Pt 1187) 348 (SC).

5.7 Sector-Wide Corporate Failures as Evidence of Systemic Weakness

Nigeria's corporate governance challenges are systemic, as shown by repeated governance failures across numerous sectors. Despite strict regulation, financial misstatements, insider malfeasance, and internal control failures have plagued the banking sector.[65] Due to poor risk-management systems, manufacturing and service organisations have encountered asset misappropriation, operational inefficiencies, and governance failures.[66] Sectoral failures suggest corporate misbehaviour and regulatory detection and enforcement system deficiencies.

6.0 Conclusion

In the last 20 years, statutory reforms, governance laws, and international norms have changed Nigeria's corporate governance system. These developments show that transparency, accountability, and ethical leadership are crucial to firm value and economic stability. This paper shows that structural and institutional barriers prevent these reforms from achieving meaningful governance effects.

Nigeria has governance difficulties beyond regulatory design, including fragmented supervision frameworks, regulatory capacity restrictions,

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[65] Obumneme Eugene Chukwuma, Shaibu Alhassan Abdulkarim and Musa Abdullahi Abdullahi, 'Corporate Governance Attributes and the Likelihood of Fraud on Financial Statements of Listed Deposit Money Banks in Nigeria' (2025) *FUDMA Journal of Accounting and Finance Research* 3(2) 140.

[66] Ibid.

cultural and political-economic influences on board conduct, and insufficient organisational commitment to meaningful compliance. Despite apparent improvements, superficial compliance, insufficient board professionalism, resource constraints, and inadequate enforcement undermine governance mechanisms like board structures, risk-management frameworks, disclosure practices, and shareholder rights.[67] These constraints explain why governance failures occur across industries notwithstanding formal legislation.

Reforms must be thorough and multifaceted. Significant corporate governance change requires improving statutory and regulatory clarity, institutional capacity, fully independent and competent boards, and an ethical leadership and accountability culture. Nigeria's progressive adoption of sustainability and ESG elements, especially through ISSB alignment, opens new options for long-term value generation in firm strategy.[68] However, this improvement requires strict enforcement, monitoring, and stakeholder engagement.

Improved corporate governance in Nigeria involves more than modest regulatory changes. It demands a fundamental shift towards honesty, transparency, and accountability beyond formal compliance. Nigeria can construct a strong governance structure that boosts investor confidence, corporate performance, and sustainable economic development alone with this novel technique.

[67] Emmanuel Adegbite, 'Corporate Governance Regulation in Nigeria' (2012) 12 *Corporate Governance: The International Journal of Business in Society* 257, 266–269.
[68] IFRS Foundation, *ISSB Standards and Adoption Initiatives* (2023).

7.0 Recommendations

Nigeria's corporate governance concerns demonstrate the need for comprehensive structural and institutional reforms. Governance standards must be implemented in multiple ways to be effective and long-lasting, notwithstanding regulatory advances. Legislative, institutional, and practice-oriented reforms must increase accountability, regulatory consistency, and governance culture based on professionalism, ethics, and stakeholder involvement.

7.1 Legal and Regulatory Reforms

One of Nigeria's main reform priorities is government unification. For regulated industries, various sector-specific codes with uneven standards, redundancies, and inequalities make compliance complex and interpretive unpredictable. The National Code of Corporate Governance (NCCG) 2018 provides coherence but has not replaced sectoral codes, generating regulatory redundancy. A solid legal framework for national government may reduce fragmentation and increase governance standards.[69]

Additionally, legislative improvements must improve CAMA 2020 and sectoral legislation enforcement. CAMA codified derivative actions and broadened remedies for unfairly damaging conduct in Nigeria's business law, although procedural complexity and judicial delays hinder implementation.[70] Enforcement efficiency could be improved by adding

[69] Olatunde Julius Otusanya, 'Corporate Governance in Nigeria: The Status Quo and Imperatives for Reform' (2017) 15 *Journal of Corporate and Commercial Law & Practice* 1, 12–14.

[70] Chibuzo Onwuzuruoha and Omoniyi Bukola Akinola, 'Minority Shareholders' Protection under CAMA 2020' (2024) *COOU Journal of Private and Public Law* 11, 14–16.

corporate governance courts or expedited commercial divisions. Governance violation fines should be changed to promote deterrent, along with regulatory clarity about enforcement results. The law must reflect modern governance considerations including sustainability, digital compliance, and cybersecurity. Through government support for ESG disclosures and third-party assurance, Nigeria's progressive alignment with the International Sustainability Standards Board (ISSB) framework may improve transparency and reduce boilerplate reporting.[71] In line with worldwide fiduciary duty trends, reforms must clarify directors' climate-related and non-financial hazard duties.

7.2 Institutional Reforms

Institutional capacity is a major governance issue in Nigeria. Many authorities lack the financial, technological, and human resources for improved oversight and swift enforcement.[72] This gap must be closed through regulatory capacity-building, which includes digital monitoring tools, advanced data analytics, and regulator training in risk assessment, forensic accounting, and corporate investigation.

Interagency cooperation must improve. The growth of regulatory bodies has produced jurisdictional redundancy and inconsistent enforcement. A centralised Corporate Governance Oversight Council, possibly under the Financial Reporting Council of Nigeria, might coordinate regulatory operations, unify standards, and enforce consistent governance interpretation to reduce fragmentation. Political independence and openness are essential for a functioning institution.

[71] IFRS Foundation, *ISSB Standards and Adoption Initiatives* (2023).

[72] Emmanuel Adegbite, 'Corporate Governance Regulation in Nigeria' (2012) 12 *Corporate Governance: The International Journal of Business in Society* 257, 267–268.

Institutional integrity requires regulatory capture mitigation. Political appointments and regulatory decisions damage oversight agencies' credibility and independence.[73] Legal protections, clear nomination procedures, and independent criteria in regulatory governance frameworks would help institutional neutrality and efficacy.

7.3 Practice-Oriented Reforms Within Companies

Corporate governance reform must transcend laws and permeate corporate behaviour. Nigerian companies need stricter, evidence-based governance. Boards must prioritise competence, diversity, and meritocratic independent monitoring. Beyond formal compliance, boards must prioritise professional development in financial literacy, risk management, sustainability reporting, and digital governance. Board evaluation must be improved. Many companies do perfunctory assessments that don't discover governance issues nor improve board efficacy.[74] Effective, external reviews can improve openness and ensure board renewal, committee organisation, and leadership succession meet strategic needs.

Risk management should be better integrated into business processes. Comprehensive enterprise risk-management systems must accurately portray organisational reality and foresee cyberattacks, technology disruptions, and climate vulnerability. Internal audit requires budget, managerial independence, and expertise. Good government requires

[73] Ngozi Mordi, 'Regulatory Capture and Corporate Governance in Nigeria' (2015) 9 *African Journal of Economic and Management Studies* 322.

[74] Stephen Okafor and Chijioke Mbachu, 'Board Evaluation Practices and Corporate Governance Effectiveness in Nigeria' (2020) 8 *Nigerian Journal of Management Sciences* 112, 118–121.

transparency. Organisations must disclose related-party transactions, beneficial ownership, political exposure, risk exposures, and independent verification when available and follow global ESG reporting best practices. Disclosure boosts investor confidence and market discipline, especially in public enterprises.

7.4 Strengthening Shareholder Engagement and Activism

CAMA 2020 expanded shareholder rights, but enforcement is difficult. Political influence, conflicts of interest, and investor education must be addressed to encourage shareholder activism, especially among institutional investors. [75] Regulatory frameworks should encourage institutional investors to disclose stewardship, participate in boards and management, and exercise voting rights transparently. Additionally, alternative dispute resolution (ADR) techniques may provide faster and cheaper shareholder dispute settlement than lengthy and expensive litigation remedies. Corporate governance mediation panels or ombudsman systems would reduce litigation and improve access to justice.

7.5 Future Pathways: Toward a Governance Culture

Culture-based governance replaces rule-based compliance for effective change. To foster governance, companies must value ethics, transparency, accountability, and stakeholder engagement. Not simply law, this shift requires continual training, leadership commitment, market impact, and civil society engagement. International cooperation offers future potential. Global governance frameworks, regional governance networks, and cross-border regulatory alliances can strengthen Nigeria's domestic practices.

[75] Chukwuemeka O Uche, 'Institutional Shareholder Activism in Nigeria' (2016) 16 *International Review of Financial Analysis* 680, 681–683.