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IMPACT OF CORPORATE GOVERNANCE REGULATION IN DEVELOPING COUNTRIES STOCK EXCHANGE: A CASE STUDY OF THE NIGERIAN STOCK EXCHANGE

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ABSTRACT

This study examined the impact of corporate governance regulations in developing countries Stock Exchange using Nigerian Stock Exchange as a case study. The paper highlighted the fact that even though most companies prepare an excellent annual report and accounts, still, if they have a weak system of corporate governance systems in their organisation, the probability of the enterprise going under is high. Many countries around the world have made efforts to forestall corporations operating within their economy collapsing by constituting various bodies and committees to fashion out the best corporate governance principles to adopt, which would be in tandem with their peculiar socio-economic makeup. In Nigeria, the Securities and Exchange Commission (SEC) in collaboration with the Corporate Affairs Commission was mandated to identify weaknesses in the current corporate governance practices. Finding from this study suggest that the Nigerian Stock Exchange has carried out their regulatory functions. While this is so, the management of the NSE must ensure that it has an arrangement for continual training of its supervisors to get them to gully knowledgeable about modern trends and new technologies to aid them efficiently discharge their duties.

Keyword: Corporate Governance, Regulation, Shareholder and Stakeholder Theories, Stock Exchange.

INTRODUCTION

This study aims to conduct a critical evaluation of the impact of corporate governance regulation in the Nigerian Stock Exchange. The importance of corporate governance success as well as for social welfare, cannot be overstated. In the last eighteen years, the global business community has been jolted by some high profile corporate collapses which have occurred even though the annual report and accounts appeared excellently prepared. Example of massive corporate failures resulting from weak systems of corporate governance has highlighted the need to improve and reform corporate governance at an international level in the wake of Enron, Parmalat. Royal Ahold and other similar cases, countries around the world have reacted quickly by pre-empting the same event domestically. Mallin (2004), as a speedy response to these corporate failures, the USA issued the Sarbanes- Oxley Act in July 2002, whereas in January 2003 the Higgs Report and the Smith Report were published in the UK, again in response to corporate governance failures. In South Africa, the first King Report (1994) was released to formalise an ongoing process of corporate governance reform. It was a code of corporate practice and conduct that was based on a broad consensus of the South African business community.

In Nigeria, the realization that companies perceived as adopting international best corporate governance practices is more likely to attract foreign investors than those whose practices are seen to be below international standards. Prompted, the Securities and Exchange Commission ('SEC' or the 'Commission'), the apex regulatory body in the Nigerian capital market to inaugurate the Commission on Corporate Governance of public companies in Nigeria (The committee) on 15 June 2001. Questions have been asked as to the possible cause of the corporate collapse and reasonable measures to forestall future occurrence. Amid the intricate web of corporate failures, can investors' confidence be restored? Hopefully, there is light at the end of the tunnel. The concept of corporate governance seems to be the much-needed panacea to corporate failures. The Cadbury Report (1992) defined corporate governance as a system by which companies are directed. A lack of effective corporate governance regulation implied that such collapses could occur; proper corporate control can help prevent such meltdowns happening again and can help restore investors' confidence.

BACKGROUND OF THE NIGERIAN STOCK EXCHANGE

The Nigerian Stock Exchange was established in 1960 as the Lagos Stock Exchange. In 1977 it became the Nigerian Stock Exchange, with Branches established in some of the major commercial cities of the country. At present, there are six branches of the Nigerian Stock Exchange. Each branch has a trading floor. The chapter in Lagos was opened in 1961; Kaduna, 1978; and Ibadan, 1990; Abuja,1999 and Yola, 2002. Lagos is the Head Office of the Exchange. The Exchange started operations in 1961 with 19 securities listed for trading. Currently, there are 450 securities listed on the Exchange, made up of 17 Government stocks, 52 Industrial Loan (Debenture /preference) stocks, and 381 Equity / ordinary shares of companies, all with a total market capitalisation of approximately N5.7 trillion as of August 31, 2007. This has double to the current market capitalisation of N11.2000 trillion in December 2018. Most of the listed companies have Foreign multinational affiliations and represent a cross-section of the economy, ranging from agriculture through manufacturing to services. The market has in place a tested network of Stockbrokerage Firms, Issuing Houses, practising corporate law Firms and over 50 quality Firms of auditors and reporting accountants (most with international links). Recently, public trust in the Nigerian stock market has grown tremendously, with about three million individual investors and hundreds of institutional investors (including foreigners who own about 47% of the quoted companies) using the facilities of the Exchange. Consequent upon the abrogation of the Exchange Control Act of 1962, and the Nigerian Enterprise Promotion Decree 1989, foreigners can now participate in the Nigerian capital market both as operators and investors. Also, there are no limits any more to the percentage of foreign holding in any company registered in Nigeria. Transactions in the stock market are guided by the following legislation, among others.

RESEARCH OBJECTIVE

This study will critically appraise the impact of corporate governance in the Nigerian Stock Exchange since its introduction in Nigeria since 2000 with a view:

- To evaluate how the Nigerian Stock Exchange has discharged its regulatory functions
- To appraise the extent companies operating in Nigerian and listed on the Nigerian Stock Exchange have attracted more foreign partnership since adopting the code of corporate governance.
- To critically evaluate whether the adoption of corporate governance has restored investors' confidence in listed companies operating in the Nigerian Stock Exchange.

RESEARCH QUESTIONS

The following research questions will be evaluated in this study:

1. How has the Nigerian Stock Exchange been discharging its regulatory functions?
2. Can the adoption of corporate governance by companies operating in Nigeria and listed on the Nigerian Stock Exchange attract foreign partnership than before?

3. How has the practice of corporate governance by companies in Nigeria which are registered with the NSE restored investors' confidence in them?

RESEARCH HYPOTHESIS

The following research hypothesis was drawn from the questionnaire used in this study to be statistically tested for acceptance or otherwise:

Ho: The Nigerian Stock Exchange has discharged its regulatory functions.

Ho: Corporate governance aided companies listed on the Nigerian Stock Exchange attract foreign partnership than before.

Ho: Corporate governance has boosted investors' confidence in companies listed on the Nigerian Stock Exchange.

DEFINITIONS OF CORPORATE GOVERNANCE

Even though the concept of corporate governance has assumed global adaptation, yet there is none now, a generally accepted definition of the term corporate governance is usually defined according to which country is being considered. Solomon (2004) states that, in determining corporate governance, the practitioner, policymaker researcher or theorist might decide to treat the subject either narrowly or broadly. Solomon stated that;

> *"It seems that existing definitions of corporate governance fall along a spectrum, with 'narrow' views at one end and more inclusive, 'broad' views placed at the other. One approach toward corporate governance adopts a narrow view, where corporate is restricted to the relationship between a company and its shareholders. This is the traditional finance paradigm, expressed in 'agency theory'. At the other end of the spectrum, corporate governance may be seen as a web of relationships, not only between a company and its owners (shareholders) but also between a company and a broad range of other 'Stakeholders':*

employees, customers, suppliers, bondholders, to name but a few. (Solomon 2004:12)

Some published definitions of corporate governance adopt a different view of the subject and provide a consensus on the relative importance of the definitions. The Cadbury Report (2002) defines corporate governance from the narrowest viewpoint on the primary role of the concept. Trickers (1984) description approaches the issue from a broader definition that encompassed corporate accountability to a wide range of stakeholders and society. Parkinson (1994) sees it from a financial perspective involving only shareholders and company management. Further findings by such researchers as Keasey and Wright (1993) sees corporate governance mainly from the viewpoint of organisational success. La Porta et al. (1998) emphasizes a narrower shareholder-oriented definition which focuses specifically on the ability of a country's legal system to protect minority shareholder rights.

REVIEW OF RELATED LITERATURE

Over the last decades, the concept of corporate governance has assumed global dimensions and has been the subject of increasing attention from policymakers. Corporate governance was long ignored as a matter of potential importance for the development of a nation's economy. It remained virtually invisible as a development issue until examples of massive corporate collapses resulting from weak systems of corporate governance have highlighted the need to improve and reform corporate governance at an international level. Massive corporate failures like Enron, Parmalat, Royal Ahold and the East Asian Financial crises of the nineties followed closely by those in Russia and Brazil, drew attention to the problems of crony capitalism and their perceived relationship to poor local corporate governance practices in several emerging market economies. There is a need to strengthen these efforts. The Organization for Economic Co-operation and Development (OECD) work on corporate governance as a whole and, and development of centre research in developing countries all show that sound corporate governance is vital. Important-more so than is commonly perceived - for the success of long-term development efforts in those economies. It is important because virtually all developing, transition and emerging market countries are going through a complicated process of transformation in which governance plays a vital role. This transformation involves a profound change in both the economic and the political spheres of national governance. Economically, the movie is from relatively closed or inward-oriented and market-unfriendly systems to more open and market-friendly systems. In both, the move is towards more functionally rules-based systems of governance, away from policies that were non-transparent and unaccountable and often profoundly relationship-based.

THEORETICAL FRAMEWORK

The four major corporate governance models are outlined below to illustrate the effects of each model about the *shareholdership and stakeholdership* models of corporate governance. (Fera, 1997; Abor, 2007; Nwanji and Howell, 2007b; Roy, 2015; Mitlak, 2016; Patel, 2018;)

- *The Principal-Agent or Finance Model,* (Jensen and Meckling, 1976; Manne, 1965), states that the purpose of the corporation is the maximisation of shareholders profits, as the shareholders are the owners of the corporations and bear the highest risks. However, this model creates an agency problem.
- *The Myopic Market Model,* (Charkham, 1989; Sykes, 1994), also states that the purpose of the firm is the maximisation of shareholders profits. However, the model is concerned with

the pursuit of short-term market value at the expense of long-run goals.

- *Executive Power Model,* (Hutton, 1995; Kay and Silberston, 1995), is concerned with the maximisation of corporate wealth but recognises the problem of the abuse of executive power for managers' self-interest.
- *The Stakeholder Model* (Freeman, 1984; Blair, 1985), leads to the maximisation of stakeholders' wealth but also creates an absence of stakeholders' involvement. (Jensen, 2001; Nwanji et al., 2017)

The first two can be grouped into the *shareholdership model.* The other two make up the *stakeholdership model,* two shareholdership models (the principal-agent or finance model, and myopic market model) are reviewed below to demonstrate why the shareholdership model of corporate governance is claimed to be the best way of meeting corporate business objectives to maximise shareholders' wealth. The current regulatory framework in the UK is derived from the shareholdership approach to corporate governance. The principal-agent or finance model (Manne, 1965; Jensen and Meckling, 1976; Baiman, 1990; Shleifer and Vishny, 1997; (Nwanji and Howell, 2007a). Dalton et al., 2003) states that the purpose of the corporation is the maximization of shareholders' profits as the shareholders are the owners of the corporations and bear the highest risks. This model is seen as the dominant view of the corporation. (Fama and Jensen, 1983a, 1983b). Keasey et al., (1997) state that the model sees a firm's existing corporate governance arrangements as the outcome of a bargaining process, which has been freely entered by corporate insiders and outsiders. If difficulties of corporate governance are not resolved these market failures in turn also have implications for corporate finance in that equity will be costly and often subject to quantitative restrictions (Davis, 2000; Jalan, 2006, Nwanji, 2016; Patel, 2018).

NSE PRACTICE OF CORPORATE GOVERNANCE

The Nigerian Stock Exchange (NSE) as a Self-Regulatory Organization (SRO) can only enforce a corporate governance regime within the broader framework as laid out by the Apex regulator – Securities and Exchange Commission (SEC). The larger companies listed on the Exchange, i.e., the Banks are also expected to comply with on stricter corporate governance code as laid out by the Central Bank of Nigeria (CBN). This code has the force of law behind it. This effectively means that there exist two tiers of corporate governance regimes that apply to the companies listed on the NSE, one voluntary and the other stator. NSE green Book (2002), in moving forward, the regulatory anchorites, i.e. SEC, CAC will have to take a closer look at the climate within which the corporate governance regime is operated and decide whether to adopt one backed by law. The CBN code on corporate governance is supported by the law and stipulates the minimum standards which banks must meet. Under the Sarbanes – Oxley Act, top executives are required to certify annual accounts or face $100,000 fine or 10 years imprisonment. In Nigeria, even under the stricter CBN code, failure to verify statements does not attract a criminal penalty. The Sarbanes Oxley Act provides some protection for whistleblowers, but in Nigeria, any whistleblower on malpractices stand a sure chance of being fired without reason. The Sarbanes – Oxley Act requires publicly quoted companies to adopt and report on compliance with codes of corporate governance or face sanctions as far as the role of the Nigerian Stock Exchange goes. It has to enforce a corporate governance regime within a broader framework as defined by the SEC/CAC code of best practices 2003; NSE, 2015).

THE SECURITIES AND EXCHANGE COMMISSION (SEC)

The Securities and Exchange Commission (SEC), which replaced the Capital issues Commission is the apex regulatory body for the capital market in Nigeria. It plays a crucial role in corporate governance about companies listed in the capital market. A series of reviews of the country's capital market and the financial system led to the promulgation of the Investments and Securities Decree NO. 45 1999. Yasaki (2001), SEC regulates the Securities market participants under the Investment and Securities Act of 1999 and the Securities and Exchange Commission Rules and Regulations (1999). SEC helps to protect the interest of investors against fraudulent and unwholesome practices of stockbroking and other intermediaries. (NSE, 2016). Okike (1999) stated that;

> *"The Commissions roles, amongst others, include keeping and maintaining Separate registers of foreign direct investment and foreign portfolio investments in Nigeria. It is also required to promote investors' education and the training of intermediaries in the securities industry. Being a member of the International Organization of Securities Commissions (IOSCO), the SEC is keen to promote high standards of regulation to maintain a sound and efficient securities market in Nigeria. Consequently, it has the Enforcement and Compliance Department, which is responsible for administering the Commission's Enforcement Program.*

The enforcement of investment rules creates the enabling environment to attract and stimulate investments in the nation's capital market by both local and foreign investors. The Federal Government of Nigeria has set up Investment Promotion Agencies (IPAs) or similar government institutions with the prime function of stimulating domestic and attracting foreign investment. (Okike, 2007).

RESEARCH METHODOLOGY/METHOD

The research paradigm is a case study approach of the corporate governance practice in the Nigerian Stock Exchange. Saunders et al., (2007) define methodology as the "the theory of how research should be undertaken including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted' (Saunders et al. 2003:602). Continuing, Saunders et al. (ibid) defines a method as the techniques and procedures used to obtain and analyse research data, including for example questionnaires, observation, interviews and statistical and non-analytical techniques (Saunders et al. 2003:602). McNeil (2005) defines methodology as 'the theoretical study of the logical basis of research, of collecting data, and of interpreting and analysing the findings' (McNeil 1990:6). While Bell (2007:5) states:

> *"Different styles, traditions or approaches use a different method of collecting data, but no particular purpose. Quantitative researchers collect facts and study the relationship of one set of circumstances to another. They measure, using scientific that are likely to produce quantified and, if possible, generalizable conclusions. Researchers adopting a qualitative perspective are more concerned to understand individuals' perception of the world*

Sources of Data

For this article, we used both primary and secondary data. *The primary sources of data* included questionnaires administered on some officials of the Nigerian Stock Exchange from the Lagos trading floor. The officials included staff of the Research Department of the Exchange, other senior officers and stockbrokers. Repeated visits at the offices of these officials, though highly tasking, made the collection of desired data possible. *Secondary data* was mainly sourced, through intensive research, from published and unpublished work of other authors and scholars on issues relating to the topic under study. The

Lagos zone of the Stock Exchange is the target population which is made up of several hundreds of people, including the officials of the NSE, brokers, dealers. It will not be economically feasible to include all the stakeholders in the sample. Therefore, a sample of eighty (80) persons was chosen using the Yaro Yamane's formula for determining sample size for the finite population. The formula is:

$$n = \frac{N}{1+Ne^2}$$

Where n = desired sample size
N = population size
e = maximum acceptable margin of error
1 = a theoretical constant.

The questionnaire used for this research was personally distributed to respondents over three weeks. This face-to-face encounter enabled the researcher to explain the purpose of the study, and for most of the respondents; they filled the questionnaire in the presence of the researcher. Some of the respondents had to be reassured that official permission was sought and granted by the authorities of the NSE before they could respond. This was particularly true of some staff of the Exchange. The researcher had to assure the respondents on confidentiality but not necessarily on anonymity. The date of the return of completed questionnaires was clearly emphasised. Ratings on some of the questions in the survey were graded using the Likert scales. The reason for adopting the Likert Scale is that others like Thurstone and Guttman require careful handling, but Likert is most straightforward attitude scale (Bell 1993). Respondents were asked to indicate the strength of agreement or disagreement with a given statement on the following five-point range:

Strongly Agree (SA)	(5)
Agree (A)	(4)
Undecided (U)	(3)

Disagree (D) (2)
Strongly Disagree (SD) (1)

DATA ANALYSIS AND PRESENTATION

Combinations of simple techniques were used in analysing data collected in this study. Firstly, in treating the differences between the scores assigned to each of the response received, the primary question borne in mind was: what is the impact of corporate governance on the Nigerian Stock Exchange? The Z-test statistics was employed to decide whether to accept or reject the stated hypothesis. To compute Z, the difference between the means was divided by the standard deviation, which gives:

Z = $\bar{x}$ μ
/ ox

Where $\bar{x}$ = Sample mean
μ = Population mean
ox = Standard deviation about the mean

This study also made use of a simple percentage in the analysis of some of the response received. The data collected from the population through sampling methods, and also analysis of the data collected based on the use of statistical tools was carried out on the data to aid the researchers affirming or disaffirming the hypothesis thus formulated in the course of carrying out this research. In presenting the data, percentages were used to present a clearer understanding of the pattern and direction of the responses generated from the respondents. The data are presented in tabular form below. However, not all data is contained in the questionnaire were tabulated to avoid cluttering the work. Only those data which helped in dealing with the objectives of the research were given prominence. In Table (1) below, the current status in the respondent's standing in the organisation was tabulated, using the percentage analysis.

Current status in Organization

Status	No. of Response	Percentage %
Top Level	23	28.75
Middle Level	44	55.00
Supervisory Level	13	16.25
Total	80	

Table (1):

In the table (1) above, 28.75% of the respondents were in the top-level management, while 55.0% of the respondents were in the middle-level cadre. In comparison, the supervisory level cadre represents 16.25% of the total respondents. It is therefore apparent that those in the middle-level management and top-level satisfies the criteria to respond to questions on the impact of corporate governance regulations on the Nigerian Stock Exchange. Table 2 below shows the percentage analysis of the length of service of respondents as at the time of conducting the study.

Length of Service

Period	No. of responses	Percentage (%)
5-9 years	0	0
10-14 years	28	35
15-19 years	39	48.75
Over 20 years	13	16.25
Total	**80**	**100**

Table (2)

Table (2) above reveals that 39 of the respondents have put in between 15 to 19 years of service and that this is 48.75%. Respondents who have worked for between 10 to 14 years represent 35% of the entire respondents. 16.25% of the respondents have been in the industry for twenty (20) years and above.

Perception of the role of NSE over the organization

Perception	No. of Responses	Percentage (%)
Examination	31	38.75
Regulatory	39	48.75
Officious	10	12.5
Total	80	100

Table (3)

A critical look at Table 3 above shows that 31 of the respondents who are 38.75% of the respondents consider the role of the Nigerian Stock Exchange over their organisations as of Examination. While 39 or 48.75% of the respondents believe the part of NSE over their organisation as regulatory, 10 or 12.5% of the respondents sees the Nigerian Stock Exchange as being officious in the discharge of their position.

Separation of the Function of Chairman and Chief Executive

Response	No. of Response	Percentage (%)
Top Level	80	100
Middle	0	0
No comments	0	0
Total	**80**	**100**

Table (4)

Table (4) above shows 80 or 100% of the respondents affirm that the same person does not perform the function of the chairman and chief executive in their organisation. This is in line with the tenets of good corporate governance practices. No response was recorded for 'No'.

The Sex of Respondent

Gender	No. of Response	Percentage (%)
Male	50	
Female	30	
Total	80	100

Table (5)
7.5% of the respondents. From Table (5) above 50 or 62.5% of the respondents are male while the female is made up of 30 or 3

HYPOTHESIS TESTING

The following hypothesis stated below were earlier proposed for statistical testing in chapter one. They are as follows:
Ho: The Nigerian Stock Exchange has discharged its regulatory functions
Ho: Corporate governance aided companies listed on the Nigerian Stock Exchange to attract
international partnership than before.
Ho: Corporate governance has boosted investors' confidence in companies listed on the
Nigerian Stock Exchange.
Success in testing this hypothesis would mean the efficient and critical attainment of this study's research objective. They administered questionnaires included a set of questions which had direct relevance to the suggestion above. These were questions number eight (8), nine (9), and tin (10).

Questions (8): **The Nigerian Stock Exchange has Discharged its Regulatory Functions**

Response	x	f	fx	$(x-\bar{x})$	$(x-\bar{x})^2$	$(\bar{x}-x)^2$
Strongly Agree	5	54	270	0.4	0.16	8.64
Agree	4	22	88	-0.6	0.36	7.92
Undecided	3	2	6	-1.6	2.56	5.12
Disagree	2	2	4	-2.6	6.76	13.52
Strongly Disagree	1	-	-	-	-	-
		$\sum f = 80$	$\sum fx = 368$			$\sum f(x-\bar{x})^2 = 35.2$

Table (6):

$$\text{Sample Mean, } \bar{x}, \text{ is } = \frac{\sum fx}{F} = \frac{368}{80} = 4.6$$

$$\text{Variance, } \acute{O}^2 = \frac{\sum f(x-\bar{x})^2}{n}$$

$$= \frac{35.2}{80} = 0.44$$

Standard Deviation $= \sqrt{\acute{o}^2} = \sqrt{0.44}$

Thus, standard deviation, = 0.6633

The population mean is 6.8, which was obtained from the figures from the NSE, determined by the average of those respondents in support of the statement that the NSE has discharged their regulatory function. The test statistics for the normal distribution is

$$\text{Zcal} = \frac{\bar{x} - \mu}{\acute{o} / n}$$

$$\text{But } \acute{o} / n = \frac{0.6633}{80} = 0.0082$$

$$\text{Therefore, } \frac{\bar{x} - \mu}{\acute{o} / n}$$

$$= \frac{4.6-6.8}{0.0082} = \frac{-2.2}{0.0082} = -268.292$$

Note: Ztab at 95% confidence interval = 1.02

Applicable Hypothesis:

Ho: The Nigerian Stock Exchange have discharged their regulatory functions

Ha: The Nigerian Stock Exchange has not discharged their regulatory functions.

Decision:

Reject Ho if Zcal > Ztab, otherwise accept Ho.

Thus, Zcal = -268.1.02

Ztab = 1.02

Since {Zcal = -268.2926 < Ztab = 1.02}we accept Ho and conclude that the Nigerian Stock Exchange have discharged their regulatory functions.

Question 9

Corporate governance aided companies listed on the NSE to attract foreign partnership than before.

	x	f	fx	$(x-\bar{x})$	$(x-\bar{x})^2$	$f(x-\bar{x})^2$
Strongly Agree	5	58	290	0.4	0.16	9.28
Agree	4	14	56	-0.6	0.36	5.04
Undecided	3	6	18	-1.6	2.56	15.36
Disagree	2	2	4	-2.6	6.76	13.52
Strongly Disagree	1	-	-	-	-	-
		$\sum f$ = 80	$\sum fx$=368			$\sum f(x-\bar{x})^2$=43.2

Table (7):

$$\text{Mean, } X = \frac{\sum fx}{\sum f} = \frac{368}{80} = 4.6$$

$$\text{Variance, } \acute{O}^2 = \frac{\sum f(x-\bar{x})^2}{\sum f} = \frac{43.2}{80} = 0.54$$

$$\text{Standard deviation, } \acute{O}, = \sqrt{\acute{O}^2}$$

$$\sqrt{0.54} = 0.7348$$

In this case, the population mean is 6.95, which is the average of the respondents that agree with the notion that corporate governance aided companies listed on the NSE attract foreign partnership than before.

$$\text{Therefore, } \frac{\bar{x} - \mu}{\acute{o} / n} \quad \frac{0.7348}{80} = 0.009185$$

$$= \quad \underline{4.6 - 6.95} \qquad \underline{-2.35}$$

0.009185 = 0.009185

= - 255.8519; Z0.05

But $\acute{o} / n$ =

Thus, Zcal = $\dfrac{\bar{x} - \mu}{\acute{o} / n}$

Applicable hypothesis:

Ho: Corporate governance aided companies listed on the Nigerian Stock Exchange attract foreign partnership than before.

H1: Corporate governance did not help companies listed on the Nigerian Stock Exchange attract international collaboration than before.

Decision: Reject Ho if Zcal > Ztab, otherwise accept Ho.

Thus, Zcal = -255.8519

Ztab = -1.02

Since {Zcal = -255.8519 <Ztab = 1.02} we accept Ho and conclude that corporate governance aided companies listed on the Nigerian Stock Exchange attract foreign partnership than before.

Question **(10)**

Corporate governance has boosted investors' confidence in companies listed on the Nigerian Stock Exchange.

	x	f	fx	$(x-\bar{x})$	$(x-\bar{x})^2$	$f(x-\bar{x})^2$
Strongly Agree	5	62	310	0.35	0.1225	7.595
Agree	4	10	40	-0.65	0.4225	4.225
Undecided	3	6	18	-1.65	2.7225	16.335
Disagree	2	2	4	-2.65	7.0225	14.045
Strongly Disagree	1	-	-	-	-	-
		f= 80	*fx=372*			$\sum f(x-\bar{x})^2$=42.2

Table (8)

Mean, f= $\underline{\sum fx}$ = $\underline{372}$

$\sum f$ 80 $= \underline{4.65}$

Variance, $\acute{O}^2$ $= \dfrac{\sum f(x-\bar{x})^2}{n} = \dfrac{42.2}{80} = \underline{0.5275}$

From the figures obtained at the NSE, the average number of those that agreed that corporate governance had boosted investors' confidence in companies listed on the NSE, is 7.02.

Therefore,

$$Zcal = \frac{\bar{x} - \mu}{\acute{o} / n}$$

And $\acute{o} / n = \dfrac{0.7263}{80} = 0.009079$

Thus,

$$\frac{\bar{x} - \mu}{o / n} = \frac{4.65 - 7.02}{0.009079} = \frac{-2.37}{0.009079} = -261.04$$

Note: Ztab at 95% confidence interval = 1.02

Applicable Hypothesis:

Ho: Corporate governance has boosted investors' confidence in companies listed on the NSE.

HA: Corporate governance has not boosted investors' confidence in companies listed on the NSE.

Decision:

Reject Ho if Zcal > Ztab, otherwise accept Ho

Thus, Zcal = - 261.04

Ztab = 1.02

Since{Zcal = - 261.04 < Ztab = 1.02 } we accept Ho and conclude that corporate governance has boosted investors' confidence in companies listed on the NSE.

Market Capitalization of Quoted Companies

From the figures in Table (9) below which shows the market capitalisation of quoted companies in Nigeria, the different listings column shows that in 2002, the sum of N24.8 billion was invested by foreigners in companies in Nigeria. In 2003 and 2004, it decreased by 4.9% and was N23.6 billion respectively. In 2005, it increased by more than one thousand four hundred per cent (1493%) and was N376.5 billion. However, in 2006, the figure declined by 58% to become N156.6 billion. This decline in 2006 was attributed to pre-election uncertainties as for the country prepared for her presidential and other general elections in 2006/2007

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MARKET CAPITALIZATION OF QUOTED COMPANIES ON NSE

(NAIRA THOUSAND)					
	2002	2003	2004	2005	2006
CATEGORY	**2014**	**2015**	**2016**	**2017**	**2018**
AGRICULTURE	4,804,636.1	9,686,308.9	9,635,637.9	11,739,218.9	15,964,0
FINANCIAL	245,269,413.6	374,061, 528.0	691,984,793.6	1,250,169,733.4	2,198,156,5
Banking	233,472,483,9	354.146.7781.7	662.712.599.6	1,212,128.545.2	2.142.745.7
Managed funds	3,856.914.0	4,388.,248.4	4,388.,248.4	3.641,101.6	3.018.1
Insurance	7,938,015.7	15,526,498.0	25,080,352	34,400.080.7	52,392,6
MANUFACTURING	317,372,824.4	618,775,120.3	782,787,140.8	853,692,366.7	1,186,991.0
Breweries	146,244,217.8	340,052,128.9	409,434,954,5	409,434,954,5	4444,302,9
Building Materials	39,412,068.9	53,542,528.7	48,631,315.1	114,692,868.2	358,477.2
Chemical & Paints	1,929,218.3	2,99,190,819.8	4,463,018.4	14,786,121.8	7,979.7
Food/Brewery/Tobacco	110,463,307.6	1999,190,558.3	239,295,129.6	294,572,835.7	336,926.5
Industrial & Domestic	5,092,615.3	5,311,818.1	5,500,070.7	6,377.718.3	6,561.5
Packaging	2,971,919.0	3,488,186.9	3,107,523.6	4,585,159.3	4,073.3
Health Care	6,71,919.0	10,159,484.2	11.611,259.0	16, 024,860.4	26,490.0
Textiles	4,270,787.9	4,039,595.4	294,2901.7	321,7848.5	2,179.3
COMMERCIALS	143,429,3007	281,695,691.8	393,609,908.2	377,047.745.0	612,322.3
Automobiles & Tyres	2.212,275.0	2,435,792.5	3.204,885.0	5,294,090.0	10,956.0
Conglomerates	69,672,183.2	69,672,183.2	92,014,199.7	123,218,419.5	333.671
Commercial / Services	302,901.0	337,540.9	105,000.0	100,000.0	80
Compt./Office Equip.	408,191.4	351,630.8	656,686.1	459,859.6	999
Footwear	78,393.6	72,560.7	121,130.3	96,395.4	220
Machinery Marketing	54,642.5	45,516.5	49,728.5	39,900.5	38
Petroleum Marketing	70,700,713.9	192,692,961.1	297,458, 096.6	247,839,080.0	266,355

SERVICES	11,848,759.7	17,046,854.8	24,287,555.1	30,844,248.5	57,050
Construction	6,017,844.1	5,8994,369.5	5,024,845.8	10,161,295.4	16,602
Real Estate	4,000,000.0	6,660,000.0	8,900,000.0	9,625,000.0	15,180
Eng. & Technology	523,949.6	320,24.3	428, 721.3	338,248.7	346
Airlines	538,000.0	3,200,000.0	2,602,000.0	2,034,000.0	5,679.0
Printing & Publication	768,9666.0	972,240.0	884,508.0	974,640.0	2,020.0
Hotel & Tourism	---	---	6,44,408.0	6,125,037.6	5,818.7
Maritime	---	---	---	1,586.026.8	1,586.026.8
The foreign listing	24,874,821.0	23,632,494.9	23,632,494.9	376,568,759.1	156,649.0
TOTAL	**747,599,755.5**	**1,324,897,998.7**	**1,925,937,530.5**	**2,900,062,071.**	**5,120,943.2**

Table (9): *(Source: The Nigerian Stock Exchange, (2018)*

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Evidence of Investors' Confidence in the Nigerian Stock Exchange.

In the mid-1990s, the Nigerian banking sector suffered a series of setbacks as some banks out rightly went under owing to lots of reasons mostly bordering on corruption and insider abuse. The few remaining ones had to contend with runs on them by their panicky depositors and shareholders. In those days, very little if any was known about corporate governance and its tenets. Moreover, worse still, Nigeria was under the rulership of the military junta that had to all intents and purposes, turned the country into a pariah state. Other sectors of the economy suffered as well as there was massive capacity underutilization in the manufacturing industry. The unemployment rate soared, and there was widespread disaffection among the citizenry.

The following information is a verbatim report from the Annual Report & Accounts 2017 of one of the listed banks in the Nigerian Stock Exchange-The Intercontinental Bank Plc:

> *"The bank's ordinary share capital was first listed on the Nigerian Stock Exchange in 2002 at N4.00 per share. By 2004, we undertook our first initial public offer (IPO) at N6.00 per share, which was a 50% growth over the initial listing price. In 2006, we undertook a public offer at N13.50 per share, a 125% growth over the IPO price and 158% over the initial price. Needless to say that each of these public offers was highly oversubscribed. As at 28 February 2007, the share closed at N20.99 per share, a 55% increase over the public offer price and 425% leap over the initial listing price in 2002. The growth potentials in the bank's equity price still look very promising."*

(Source: Intercontinental Bank Plc – (Annual Report and Accounts 2007:10)

Also on page 19 of the same Annual Report & Accounts 2017, the Chairman of the Board of Intercontinental Bank Plc in his statement captioned "INTERNATIONAL ALLIANCES" Stated as follows:

> *"Given our formidable profile and impeccable financial credentials, we were approached in the past year by several leading names in the international financial community for various forms of operational relationship, especially with the CBN'S directive for Nigerian banks to enter into technical partnerships with international banks for managing the country's foreign reserves and cutting – edge skills transfer. Knowing the wide-ranging implications of such relationships, particularly for maximising shareholder – value, we adopted a most careful approach in devising our strategy for international financial collaboration, and I am delighted to report the outcome of our efforts to our valued shareholders. In June 2006, we initiated a technical partnership agreement with BNP Paribas, one of the top ten global banks, to manage Nigeria's foreign reserves and mutually – beneficial business relationship. Also in March 2007, we reached an agreement with a consortium of five international financial Investors-Vectis Capital Emerging Market Partners Africa Fund II, AIG Global Emerging Markets Fund II, Rand Merchant Bank and RICO for the investment of $161 million (N20.25 billion) in our bank's cumulative irredeemable convertible equity. This, inflow, combined with our public offering results, has endowed us with the financial strength needed to establish a leading presence for our bank not just in Nigeria, but internationally."*

(Source: Intercontinental Bank Plc, Annual Report & Accounts 2007:19)

DISCUSSIONS OF DATA ANALYSIS

The data collected from the questionnaires were presented and analysed while using the percentage analysis for some and the Z. test statistics for others, especially questions 8, 9 and ten respectively as is contained in the questionnaires. However, the researchers deem it unnecessary for discussion all results. Below is devoted to identifying elements that are key and which align more closely with the research objectives. The focus of data analysis carried out in this study has further buttressed the fact that good corporate governance is an essential growth factor in both public and private organisations. This import is premised on its purpose in ensuring transparency and due diligence within these organisations. It is critical to improving public confidence in government operations and, shareholders' solidarity for their management. This is one topic that will continue to receive increasing attention from the media, the public and governments. In this study, we examined the impact of corporate governance regulations in developing countries Stock Exchange – A Case Study of the Nigerian Stock Exchange. This study delved into the general overview of the global concept in corporate governance and attempted to unravel why there is still more member of high profile corporate collapses which have occurred even though the annual report and accounts appeared excellently prepared. The research highlighted the fact that also though most companies make an excellent yearly report and accounts, still, if they have a weak system of corporate governance systems in their organisation, the probability of the enterprise going under is high. Many countries around the world have made efforts to forestall corporations operating within their economy collapsing by constituting various bodies and committees to fashion out the best corporate governance principles to adopt, which would be in tandem with their peculiar socio-economic makeup. In Nigeria, the Securities and Exchange Commission (SEC) in collaboration with the Corporate Affairs Commission was mandated to identify weaknesses in the current corporate governance practices.

CONCLUSIONS

In drawing up their corporate governance code the concerned country or organisation should endeavour to spell out the role of the members of the board of directors, the role of other stakeholders, the rights and limitations of shareholders and strict adherence to existing accounting rules by their accountants and auditors. Any organisation that carries out its normal business activities in observance with international best practices is bound to attract more investors and foreign patronage than those without regards to ethical and generally accepted corporate governance principles. In the same way, countries especially in Sub-Saharan Africa, Nigeria, in particular, must realise that no foreigner will be willing to invest a dime if the general perception is that there is pervasive corruption in the political life. Every country ready to attract foreign investors must have a zero-tolerance attitude to the issue of corruption in their system.

This study has as one of its findings the fact that respondents agree that the Nigerian Stock Exchange has carried out their regulatory functions. While this is so, the management of the NSE must ensure that it has an arrangement for continual training of its supervisors to get them to gully knowledgeable about modern trends and new technologies to aid them efficiently discharge their duties. The proportion and calibre of the non-executive members of the board are essential in maintaining standards of corporate governance. Non-executive directors should be in the majority, such that their views will carry weight in board decisions. To bring an independent perspective to bear, the non-executive directors have to be genuinely independent. They should also not be connected to any tax-exempt entity that is receiving significant amounts of money from the corporation. Let it be up to the board to apply these broad criteria to specific cases. The recommendations of the corporate governance code seek to guide the directors and to increase their effectiveness. Under the Companies and Allied Matters Act, the directors are the trustees of the company's assets and are responsible for any improprieties. This position applies to both the executive and non-executive directors. All directors, therefore, whether or not they have executive responsibilities, have a monitoring role and are responsible for ensuring that the necessary controls over the activities of their companies are in place. Shareholders are responsible for electing board members, and it is in the interest to ensure that the boards of their companies are constituted adequately with the right mix of executive and non-executive directors and not dominated by any one individual or group of individuals. The effectiveness of non-executive directors depends to a great extent on the quality and timeliness of the information that they receive. Boards should regularly review the form, content and scope of the information that is provided to all directors. (Cadbury Report, 1992).

The Findings of this Study

The findings of this study suggest that corporate governance aided listed companies on the Nigerian Stock Exchange attract more foreign partnership than before. The mass of secondary data presented in chapter five supported this assertion. Therefore, it behoves the board, management, and other stakeholders of corporations in Nigeria to make integrity and dedication their watchword. They should also endeavour to have a thorough understanding of their business, its products and services; reasonable knowledge of the risks facing the company and the essential controls the company has in place. The finding also bears directly with the research objective is the fact that the adoption of corporate governance has restored the confidence of investors in companies listed on the Nigerian Stock Exchange. This assertion is in complete agreement with the notion that corporations that adopt and implement corporate governance codes are likely to attract credible investors into its fold. This is in recognition of the fact that effective governance will improve the company's performance. The effectiveness of the boards of directors such companies depend on its corporate and statutory responsibilities. This will affect the performance of the economy. A sound system of corporate governance is imperative to ensure that managers and directors of enterprises carry out their duties within framework accountability and transparency.

RECOMMENDATIONS

Conducting this research has no doubt raised many issues. However, the most important of them are addressed below:

- There is an acute scarcity of materials-books, magazines, journals or even seminar papers on the topic of corporate governance in both public and private libraries in the country. Also, when these materials are found, they are usually of foreign authorship with little or scanty reference to the situation in the Nigerian economy.
- Corporate governance principle is being globally acclaimed as the panacea to corporate failures. However, it is not enough to establish a code of Best practices for corporate governance; equally important is the need to enforce compliance with company legislation by the regulatory authorities. All infringements must be sanctioned.
- The adoption of corporate governance, though well-intentioned, will still not be successful if there is a prevalent incidence of corruption in our public life. All hands must be on deck to support the Federal Government in its fight against corruption. The two anti-corruption agencies like the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences (ICPC) and the Nigerian Police must be well funded, equipped and trained to be able to wage war against crime and uproot corruption from the polity.
- This research recommends concerted efforts by the government, apex regulatory authorities in the nation's capital market and other concerned stakeholders to always ensure

that our corporate governance legislation does not become obsolete or ineffective. This they can achieve by being in regular contact with their counterparts abroad by attending or sponsoring their members to international seminars and workshops to keep abreast of current ideas and resolutions on the topic.

- Finally, this research recommends that the government of the day must design programs that revive a strong spirit of patriotism and national pride among the citizenry. Nigerians would do things right when they perceive that their interests are cared for by the government in power.

Limitations of the study

This study was restricted to the activities in the Lagos office of the Nigerian Stock Exchange due to the similarities in operations and low volume of transactions obtainable at the other trading floors across the country. The acute dearth of literature with local content and perspective on the topic of corporate governance severely hindered the progress of this study. Therefore, heavy reliance was mainly on seminar papers, articles and books by foreign authors with different perspective and scenario.

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