CORPORATE GOVERNANCE AND SOCIO-ECONOMIC DEVELOPMENT IN NIGERIA: TRACING THE NEXUS. *

ABSTRACT

Countries need to be able to attract funding from investors in order to grow and expand its economies. Businesses need to be viable and strong so as to gain investor's confidence. Good corporate governance is a sine qua non to attracting equity capital that can contribute to domestic sustainable growth in a country. The paper seeks to analyze the nexus between corporate governance, socio-economic factors and development through a consistent literature review. An overview of corporate governance guidelines and codes of practice as it affects the economy was looked at. The doctrinal method of legal research was adopted. The paper found that socio-economic factors are also a major determinant of corporate governance, while aggregated corporate governance is a major determinant of economic growth of a country. The paper concluded by making recommendations amongst others that, though sound corporate governance practices are not sufficient on its own to stimulate and sustain economic growth, they contribute majorly to building a sustainable socio-economic development. Thus, the social economic factors, political and legal system of a country should be blended in introduction and adaptation of corporate governance codes.

Keywords: Corporate governance, corporate law, socio-economic, economic development

1.1 Introduction

In the wake of the mass corporate scandals involving forgery, dishonesty, financial scams, both at corporate levels and at the state levels in the past couple of years, the need for practicing ethical values and integrity has come to the fore. Corporate governance reforms have continued to attract global attention in the wake of various corporate scandals[1]. This is manifestly seen in the increasing legal reforms and continuous issuance of codes of corporate conduct in both developed and developing

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[1] J C Coffee, 'A Theory of Corporate Scandals: Why the USA and Europe Differ', *Oxford Review of Economic Policy*, (2005) 21.

countries[2]. Corporate governance is an area that has grown very rapidly in the last two decades. Businesses need to attract funding from investors in order to expand and grow. However, investor's decision to invest is dependent on financially sound, profitable and well managed business.

In order to make an informed decision on where to invest, investors look at the published annual reports and accounts of the business and other information that the company releases. It is expected that the annual report of accounts of companies will represent a true picture of the company's position per time. However, some reports do not represent the accurate picture and financial position of a company as a result of non-disclosure of certain issues. This accounts for the sudden collapse of some corporations despite having a seemingly fine annual report and accounts[3]. In more recent times, the "high-profile" mismanagement of large, multi-national private-sector corporations has brought heightened media attention to the whole issue of corporate governance[4]. Corporate collapses have had an adverse effect on many parties: shareholders who have lost their jobs, the security of their company pension, which has also disappeared overnight; vendors of goods and services of the failed company; and the overall negative impact on the nation. In essence, corporate failure or collapse affects us all and corporate governance is the only way to prevent such collapses from reoccurring again. Companies with a sound and efficient corporate governance structure should in addition have a balanced board comprised of independent and non-dependent directors with appropriate skills and requisite knowledge[5]. The concept of corporate governance is recognized as a foundational pillar for achieving economic growth through its contribution to improved firm performance.

Thus, as widespread corporate excesses became public knowledge and began to negatively affect our economy, calls were made in both the public and academia to tighten up the overall governance of businesses. Additionally, governments round the world have been concerned about developing international code on corporate governance. Global companies are also looking for first class regulating and legal systems, among other conditions. With the reduction in the trade barriers by countries, investors are willing to invest across the world. Now, they are able to

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[2] O. Daodu, F. Nakpodia & E. Adegbite, 'Institutional Perspective on Corporate Governance Reforms in Nigeria', (2020) Available at htpp://www.papers.ssrn.com. Accessed on 10th May, 2023.

[3] S. Arjoon, 'Corporate Governance: An Ethical Perspective', *Journal of Business Ethics*, (2005) 61.

[4] C. Mason, J. Kirkbride and D. Bryde, 'From Stakeholders to Institutions: The Changing Face of Social Enterprise Governance Theory', *Management Decision*, (2007) Vol. 45, No. 2.

[5] C. A. Mallon, *Corporate Governance,* (Oxford University Press: United Kingdom, 2018) p6.

access detailed information on investment opportunities in corporate easily on the internet[6] .

2.1 Definition of Corporate Governance:

There is no single definition of corporate governance rather it might be viewed from different angles. Corporate governance systems vary too, not only across countries but firms and industry sectors too. There is no "one fit" model of corporate governance. Corporate governance is the system of rules, practices and processes by which a company is directed and controlled[7]. A broader definition of corporate governance is provided by the organization for Economic Co-operation and Development (OECD) [8]it describes corporate governance as "a set of relationships between a company's board, its shareholders and other stakeholders[9]. It also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined[10]. Corporate governance has also been defined as a broad term for the methods, structure and processes of a company in which the business and affairs of the company are managed and directed[11]. Oman[12]defined corporate governance as a term that refers to the private and public institutions that include laws, regulations and business practices which governs the relationship between the corporate managers and the stakeholders. La Porta, Silanes and Shliefer view corporate governance as a set of mechanisms through which outside investors (shareholders) protect themselves from inside investors (managers)[13]. Garvey and Swan, asserts that "governance determines how the firm's top decision makers (executives) actually administer such contracts[14]. Kesho Prasad, defined corporate governance as the relationship that exists between the different participants and defining the direction and performance of a corporate firm[15]. The following bodies are the main actors in corporate governance: the CEO i.e. the management; the board of directors, the stakeholders. The other actors who

[6] K. Prasad, *Corporate Governance*, (PHI Learning Private Limited: New Delhi 2008) p 3.
[7] What is Corporate Governance? The Chartered Governance Institute UK & Ireland, Available at https://www.cgi.org.uk. Accessed on 9th May, 2023.
[8] Hereinafter referred to as OECD.
[9] Corporate Governance, OECD Available at https://www.oecd.org accessed on 9th May 2023.
[10] *Ibid*
[11] H. Khan, 'A Literature Review of Corporate Governance' *International Conference on E-business, Management and Economics*, (2011) 25(1), 1.
[12] P. C. Oman, 'Corporate Governance and National Development', An Outgrowth of the OECD Development Centre Experts Workshop in 2000 and Informal Policy Dialogue in 2001 sponsored in part by CIPE.
[13] R. La Porta, F. Lopez, D. Silanes, A. Shleifer & R. W. Vishny 'Investor Protection and Corporate Valuation', *The Journal of Finance*, (2002) Vol. 57, No. 3.
[14] H. Khan, *op cit* p2.
[15] K. Prasad, *Corporate Governance, op cit*, p1.

influence governance in corporations are the staff, suppliers, customers, creditors and the community[16]. Corporate governance refers to the way in which companies takes its decisions and controls the interests of all stakeholders like shareholders, employees, suppliers, customers' etc.[17]. Berle and Means[18] defined corporate governance as allocation of ownership, capital structure, managerial incentive schemes, takeovers, board of directors, pressure from institutional investors, product market competition, labour market competition, organizational structure, etc. can all be thought of as institutions that affect the process through which quasi-rents are distributed. Good corporate governance therefore embodies booth enterprise (performance) and accountability (conformance). Good corporate governance is fundamental and genuine as it provides the infrastructure to improve the quality of the decisions made by those who manage businesses. Good quality ethical decision-making builds sustainable businesses and enables them to create long-term value more effectively. Corporate governance has also been defined as holding the balance between economic and social goals and between individual and community goals. The aim is to align as nearly as possible the interests of individuals, corporations and society[19].

From the foregoing definitions, it is evident that corporations have an obligation to meet the needs of the economy in addition to those of the shareholders. Thus, government regulation and intervention of corporate activity is geared towards protecting the interest of the economy as a whole and at the same time fostering successful business efforts[20]. The government's role is to balance the needs of several parties and demand including: the employee, through the sustaining of a successful economy that provides jobs, but also through the establishment of regulations to ensure fair treatment, safe working environment and minimum pay; the consumer, through the fostering of a competitive market place that provides variety, but also against consumer fraud, hazardous products, and other consumer-related risk; the economy through the establishment of policies that encourage market growth and

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[16] *Ibid*

[17] E. Adegbite, 'Corporate Governance Regulation in Nigeria', *Corporate Governance*, (2012) Vol. 12 No. 2.

[18] A. A. Berle, G. C. Means, 'The Modern Corporation and Private Property', (Macmillian: Newyork, 1932).

[19] M. R. Iskander, N. Chamalou, 'Corporate Governance: A Framework for Implementation', The International Bank for Reconstruction and Development/The World bank Washington D.C, U.S.A 2000).

[20] S. Anand, *Essentials of Corporate Governance*, (John Wiley & Sons Inc. New Jersey, 2008).

investment while preventing accounting fraud and other activities that can be economically damaging[21].

3.1 Corporate Governance and Socio-Economic Factors

Companies/corporations of every size are vital for the creation of wealth in modern societies. They are the main creators of economic value and employment. The way a company is built and governed is crucial to a country's economic development. Good corporate governance means more efficient utilization of resources, better access to capital, better and higher quality employment opportunities and better chance of developing in a sustainable way efficient domestic and regional capital markets. Corporate governance is also important for the effectiveness of public institutions; better-governed companies are less likely to bribe regulators and judges. One of the major aims of corporate governance is economic growth and social development. This is achieved via a corporation's productivity and efficiency. A corporation is an established institution and an integral part of the society. Several concepts apply to sound corporate governance, but best corporate governance practice can be achieved where there is:

i) **Transparency:** Honesty and willingness to disclose to individuals, groups and all interested parties, information that clearly indicates the position and performance of the company per time.

ii) **Accountability:** Directors responsibly to account to shareholders and stakeholders for the decisions taken over a given period.

iii) **Ethical Conduct:** This involves companies behaving in accordance with written and unwritten code of ethics and a set of moral values. Ethics is violated when the management does not share full, correct and right information with the board.

iv) **Independence**: The procedures and structures in the company should be such as to minimize or completely avoid potential conflict of interest.

v) **Fairness and Equity:** This envisages that all shareholders should receive equal consideration.

vi) **Remuneration:** This entails ensuring that employee' salaries and wages conforms to industry standards.

By its internal control mechanism, corporate governance helps to ensure that an adequate and appropriate control system exists in the company. This ensures that

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[21] *Ibid*

transactions are properly recorded; assets are safe guarded and not misappropriated. The directors are responsible for the implementation of an appropriate internal control mechanism. Every year, a company has an annual audit and a key aspect of the auditor's job is to access whether the internal controls are properly functional[22]. The directors are responsible for ensuring that there are risk assessment procedures in place to identify the risks that companies face in today's business environment.

The Board of Directors by their position is to ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives. When the salaries/ wages of a company's workers are fair and commensurate with the labour they put in the company, this will no doubt lead to a better standard of living for the employees/ workers as well as motivate them to achieve higher performance. Whereas the salaries of the employees/workers are poor, and not commensurate with the work they do, it leads to exploitation of the workers. Meetings are important platforms for the company and the board to engage shareholders to facilitate greater understanding of the company's business and performance. Meetings provide shareholders with an opportunity to exercise their ownership rights and express their concerns and views to the board on any area of concern. The Companies and Allied Matters Act has made provisions for different meetings of companies to wit; statutory, annual general meeting and extraordinary meetings. This is all geared towards establishing a system of regular dialogue and interaction with shareholders so as to balance their needs, interests and expectations with the objectives of the company Before now section 240(2) of CAMA[23] made provisions for general meeting to be held electronically only by private companies. However, with the coming into effect of Business Facilitation Act of 2023, all types of companies can now hold its general meeting electronically. This provision will in no small measure facilitate the decision making process as well as increase efficiency and participation of all stakeholders. Before now the only valid means of voting at any meeting of the company was by show of hands or poll. This method has affected shareholder participation as well as limited the growth of some companies as some foreign or institutional investors will not be willing to invest in Nigeria. It is pertinent to note that for the body of shareholders who are so wide spread and diversified, often across the globe; it may not be physically possible to oversee the management of activities. However, section 248(1) of CAMA[24] was amended by the Business Facilitation Act 2023, to include electronic voting as a valid way of voting at general meeting of companies. These provisions will attract quality foreign and local investors to invest in companies in Nigeria and ultimately improve the economy of the nation.

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[22] See Section 377 of the Companies and Allied Matters Act 2020. Hereinafter, referred to as CAMA 2020.
[23] CAMA 2020.
[24] *Ibid*

Corporate governance encourages both transparency and accountability, which investors are increasingly looking for in both corporate management and corporate performance. According to International Finance Corporation, good corporate governance facilitates access to capital (equity and debt capital) that consequently provides long term competiveness for the company. Businesses that actively promote good corporate governance practice and that apply highest governance standards tend to attract more investors willing to provide capital at a lower cost, as a risk inherent to share investment is maximally reduced[25]. The initiatives for self-governance at corporate level should include the following characteristic activities; make rules, regulations and procedures transparent; establish good information sharing system which should be well organized up to date, accurate content-wise internally and externally, benchmark and initiate business processes re-engineering, develop methods for continuous learning from experiences at internal and international levels, establish rules on accountability etc.[26]Developed and developing countries that have introduced corporate governance codes, attract foreign direct investment at more favourable rates. These codes emphasized the importance of transparency and accountability. It is pertinent to note that foreign direct investment inflows have been one of the major development options developing countries rely to drive their economies to a sustainable growth trajectory[27].

Corporate governance helps the company to keep strategic interface with the external constituents like the State, the regulatory bodies, communities and the environment. Corporate bodies must clearly articulate in its policies and activities, their prime duty towards protecting the society and conserving the environment against the organizations hazardous operations[28]. They use the natural resources of the community where they carry out the operations. Companies are no doubt, a source of strength for the society, because they provide opportunities for employment, they compensate handsomely for the jobs done and thereby contribute to the society's purchasing power[29]. Health and well-being of a company has direct bearing on the social life of a nation. The illustrative instances are the increasing threats to environment due to construction of big dams, displacement and migration of local population due to industrialization, etc. The cost of rehabilitation and settling of the displaced population is quite huge. As such, companies must take into account the resultant effects of their actions on the local environment. Companies need to be transparent on issues on safety and environmental protection/conservation.

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[25] M. Skare, T. Hasic, *op cit*.
[26] K. Prasad, *op cit*, p 186.
[27] K. B. Ajide, 'Determinants of Economic Growth in Nigeria', *CBN Journal of Applied Statistics* (2014) Vol. 5 No. 2
[28] K. Prasad, *op cit*.
[29] *Ibid*

Corporate governance has effects on the economic performance of a company as there are potential principal-agent problem between managers and owners of the company.[30] For example, where a manager uses his position to advance his personal interest, instead of those of the shareholders. Also, the pursuit of excessive growth by managers produces conflict between them and their shareholders over dividend and investment policies[31]. Growth maximizing managers invest too much out too little dividend. Investment here may not be purchase of plant and equipment but may be unprofitable diversification and wealth destroying mergers. Thus, the conflict between managers and shareholders over dividends and investments underlines the importance of legal institutions or framework in aligning shareholders and manager's interest. Principles of good corporate governance ensure that the company is managed in the best interest of the shareholders and the other stakeholders. The rights of the shareholders are emphasized and the shareholders especially the institutional investors will be more proactive rather than playing a passive shareholder role.

Corporate governance helps to prevent any single individual from having too powerful influence on a company. Corporate governance ensures that the composition of the board is made up of seasoned personalities with experience that cuts across board[32]. The need for a strong board is one of the significant tenets of good governance. Arbitrariness in decision making can be reduced, or even eliminated, through decisions and inputs of independent directors who have the integrity and professionalism. Independent directors are independent in the sense that they will be free from management, firm's business or have linkage whatsoever which would affect independent assessment. It is pertinent to note that CAMA 2020 introduced the concept of independent directors for the first time in our company law[33]. It provided that every public company must have atleast three independent directors. However, the new Business Facilitation (Miscellaneous provisions) Act[34] has revised the provisions of CAMA. It is to the effect that the minimum number of independent directors of a public company would no longer be three but one-third of the Board. The independent directors are meant to guarantee accountability and design

[30] Dennis C. Muller, The Economic and Politics of Corporate Governance in the European Union, European Corporate Governance Institute (2005), Available at https://www.ecgi.global.com. Accessed on 10th May 2023.

[31] E. F. Perez Carrillo, 'Corporate Governance: Shareholder's Interests and other Stakeholders' Interest', *SSRN Electronic Journal (2007)* 4(4).

[32] C. J. Kock, J. Santalo and L. Diestre, 'Corporate Governance and the Environment: What Type of Governance Creates Greener Companies', *Journal of Management Studies, (2012) Vol. 49 No. 3.*

[33] N. C. Uzoka, 'An Overview of the Companies and Allied Matters Act 2020: Prospects and Challenges', (2020) *NAUJCPL* Vol. 7 (2). See also Section 273 of CAMA 2020.

[34] N. C. Uzoka & O. C. Aduma, 'Ease of Doing Business: A Critical Examination of the Business (Miscellaneous Provisions) Facilitation Act 2023', (2023) *NAUJILJ* 14(1).

purposeful, well considered plans for translation into action independently. Many professionally managed companies invite people (post retirement) of eminence to join the board of the company. These persons have achieved distinction in their lives by virtue of significant contributions in service in government jobs or private organizations, consultancy and academics. The board becomes stronger with the presence of such distinctive persons. Thus, incidents of fraud, misuse of funds and cheating can be eliminated. In addition, the independent directors may not blindly accept the views or proposals of the management and their reliability level is certainly higher.

Corporate governance encompasses the exercise of ethical and effective leadership by the governing body towards the achievement of ethical culture, good performance, effective control and legitimacy[35]. The King IV report also highlighted ethical leadership which is exemplified by integrity, competence, responsibility and transparency[36]. It involves the anticipation and prevention of the negative consequences of a company's activities and outputs on the economy, society and the environment. It is pertinent to note that effective leadership is result-driven which is achieved through strategic objectives. Corporate governance contributes to economic prosperity through its implications to firm performance and value creation. Under CAMA a director has duty of care, loyalty and fiduciary duty towards the company[37]. Section 309 (2)[38] is to this effect that a director may when acting within his authority and powers of the company be regarded as agent of the company. The management of companies' lies in the hands of managers who are not owners of the company, thus there is bound to be conflict of interest between the owners and manager (principal and agent). As such the need to manage the conflicts of interest so as to safeguard investor's resources against expropriation by insiders and those in control of the company gives rise to the need for sound corporate governance of companies.

Good corporate governance practice contributes to a better reputation of a company. Public confidence in the company is likely to ensure greater confidence in company's products and services which consequently leads to greater profit. Moreover, good reputation and company's goodwill often play a significant role in the assessment of the company's value. In addition, the presence of effective corporate governance system, within an individual company and across the economy as a whole, helps to provide a degree of confidence that is necessary for proper functioning of market

[35] M. Matashu, W. S. Musroto, "Corporate Governance as the Driver of Economic Growth in Sub-Sahara African Countries", *International Journal of Business and Economic Sciences Applied Research* (2008) Vo. 15 No. 1
[36] *Ibid.*
[37] See Sections 305, 306, 308 and 309 of CAMA 2020.
[38] CAMA 2020.

economy. As a result, the cost of capital is lower, and firms are encouraged to use resources more efficiently, thereby underpinning economic growth[39].

4.1. Corporate Governance Codes

Good governance is absolutely inevitable for effective economic performance and also for the company's ability to access low cost capital. The beginning of the new millennium has witnessed global movement on good governance which resulted in a number of corporate guidelines/codes on the best practices on governance[40]. Corporate governance codes are relatively recent in modern business. Most of the prominent examples only took shape from the late 1990s[41]. It is a set of principles for the best practice in corporate governance. A cross between a guidebook and a rulebook; it usually recommends how directors and executives should handle governance. The guidelines focused on improving the competence of the board of directors for assigning accountability to the managers/management. The global movement has underlined the significance that the world attaches to corporate governance and the role of the board of directors in monitoring governance of management activities. Effective governance is contingent upon security regulations, market trends, company law of the country, audit and account rules, legal atmosphere etc. Good corporate governance is a pre-requisite for attracting patient equity capital that can contribute to domestic sustainable economic growth. Investors are willing to pay a substantial premium for good corporate governance, especially in non-OECD economies[42].

Corporate governance is a process, not a state. It is constantly evolving and this has led to the introduction of international and national codes of best practices. These guidelines reflect the role which good governance can play in promoting economic growth and business integrity[43]. The Corporate governance framework is to encourage the efficient use of resources. The major aim is to align as nearly as possible the interest of individuals, of corporations and of society. The incentive to corporations and to those who own and manage them to adopt internationally accepted corporate governance standards. These standards will assist them to achieve their aims and to attract investment. The incentive for their adoption by government

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[39] P. Aghion, E. Caroli, C. Garcia-Penalosa, 'Inequality and Economic Growth: The Perspective of the New Growth Theories', *Journal of Economic Literature* (1999) vol.37(4).
[40] K. Prasad, *op cit,* p 168.
[41] D. Byrne, 'What is a Corporate Governance Code? Available at htpps://www.thecorporategovernanceinstitute.com. Accessed on 10th May, 2023.
[42] Why Good Corporate Governance is Crucial to Development, Available at https://www.oecd.org. Accessed on 13th May, 2023.
[43] Stijn Claesseus, 'Corporate Governance and Development – An update', (2016) Available at https://www.academia.edu. Accessed on 10th May, 2023.

is that these standards will strengthen their economies and encourage business probity.

4.1.1. The Nigerian Code of Corporate Governance 2018[44]

The Nigeria Code of Corporate governance came into effect in 2018. The aim of the code is to institutionalize corporate governance best practices in Nigerian companies. The code is also designed to promote public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment. It is pertinent to note that before the coming into effect of the above mentioned code, and in response to challenges emanating from different sectors, a number of industry regulators developed corporate governance codes for companies operating in their sectors. The sector based codes are:

(a) Code of Corporate governance for Banks and Discount Houses in Nigeria 2014 issued by the Central Bank of Nigeria (this replaced the CBN 2006 code).
(b) Code of Corporate governance for public companies in Nigeria 2011 issued by the Securities and Exchange Commission (this replaced the SEC 2003 code)
(c) Code of Corporate Governance for Telecommunication Industry 2016, issued by the Nigerian Communications Commission (this replaced the NCC 2014 code).
(d) Code of Corporate Governance for Insurance Industry in Nigeria 2009 issued by National Insurance Commission.
(e) Code of Corporate Governance for Licensed Pension Fund Operators 2008 issued by the National Pension Commission.

Although the Nigerian Code of Corporate Governance does not void sector specific codes of corporate governance, one can conclude that where standards as prescribed in the sector related code concerning any issue covered by the code is lower than that specified under the Code, companies affected must adhere to the higher standard of the Code, and where standards as prescribed in the sector related code are higher than the provisions in Code, those higher standards must be followed, the Code after all, only sets minimum standards. The implementation of the Nigerian Code of Corporate Governance 2018 is monitored by the Financial Reporting Council of Nigeria through the sectoral regulators and registered exchanges that are empowered to impose appropriate sanctions based on the specific deviation noted and the company in question[45]. The code by institutionalizing high corporate governance standards, will

[44] The Nigerian Code of Corporate Governance 2018. Available at https://www.ecgi.global/node/7902. Accessed on 10th May, 2023.
[45] *Ibid*

rebuild public trust and confidence in the Nigerian economy, thus facilitating increased trade and investment.

4.2 OECD Principles of Corporate Governance

This is an international standard code for corporate governance. The principles help policy makers evaluate and improve the legal, regulations and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability. The OECD Principles of Corporate Governance was issued in 1999 and endorsed by G20 leaders in 2015, the principles are currently being reviewed and revised principles will be issued later this year 2023.[46] The OECD principles are widely accepted across Asia, Latin America, Eurasia, South East Europe and Russia. The OECD Principles of Corporate Governance have been used to tackle a broad set of relevant issues common to all, such as the need for transparent reporting, informed shareholders and accountable boards[47]. It is important to note that the preamble to the OECD principles of Corporate Governance provides that the principles are non-binding and do not aim at detailed prescriptions for national legislation. Rather, their purpose is to serve as a guide and reference point for countries and policy makers. They are to examine and develop their legal and regulatory frameworks for corporate governance that reflect their own economic, social, legal and cultural circumstances and by market participants as they develop their own practices[48].

4.3 The Global Corporate Governance Forum

The Global Corporate Governance Forum is a multi-door trust fund co-founded by the World Bank Group and the OECD in 1999 to promote global, regional and local initiatives that aim to improve the institutional framework and practices of corporate governance[49]. Despite the diversity of corporate governance systems and codes, the globalization of markets is providing a degree of convergence in actual operations and governance practices[50]. Strengthening corporate governance is an essential part of

[46] G20/OECD principles of Corporate Governance, Available at https://www.oecd.org accessed on 12th May, 2023.
[47] B. Witherell, the Revised OECD principles of Corporate Governance: A management Roadmap for Healthy, well-Governed Companies: Available at https://www.oecd.org. accessed on 12th May 2023.
[48] *Ibid.*
[49] S. Claesseus and B. B. Yurtoglu, 'Corporate Governance and Development: An Update', (2016) Available at https;//www.academia.edu. Accessed on 10th May, 2023.
[50] Mr. Iskander, N. Chamloau, 'Corporate Governance: A Framework for Implementation. An Overview (2000) The International Bank for reconstruction and Development/ The World Bank

creating the necessary climate for investment and economic development. Sound corporate governance practices can inspire investor and lender confidence and spur both domestic and foreign investment[51].

> The forum is aimed at building a consensus in favour of appropriate policy, regulatory and institutional reforms; coordinate and disseminate corporate governance activities; promote institutional development and human capacity building in the associated fields of corporate governance; training various professions and the other agents who are essential to bringing about a culture of compliance. The Forum has been involved in projects in more than 70 countries, bringing to bear its global network of experts seeking to advance corporate governance reforms and best practices through its regional corporate governance partners.

The OECD and the World Bank jointly advocated for the cause for enhancement of the global corporate governance forum (GCGF) on the ground that it (GCGF) was absolutely essential in the best interests of strengthening the long-term economic well-being of the economies and the international financial systems. The forum believed that better governance is basically a process where both the private and the government bodies should work jointly[52]. The forum, however, joined in by a Private Sector Advisory Group (PSAG) which consisted of managers, directors, investors, bank and trade union representatives around the world. The PSAG advices the GCGF forum on all its programs of activities and it worked as a major link with private sector bodies of the major economies. Senior members of the PSAG enabled the group to play a pivotal role worldwide with the private bodies and to influence the savior government officers and the regulatory authorities.

The GCGF was also supported by a strong Investor Responsibilities Task Force (IRTF) which planned to generate valuable $ 3 trillion worth business by improving governance standards in the emerging markets[53]. The IRTF is designed to play a leader's role in the capital market. It insured countries/companies the reward of high investments provided there was improvement in governance. It encouraged investors to focus on issues related to corporate governance so that flow of funds to countries/companies could be speeded up. In its all-out efforts to encourage the reform agenda in countries/companies the IRTF wrote to equity search firms (which covered emerging economics) and asked them to use governance consideration as a factor in their financial analytical reporting. The GCGF's efforts to give a boost to corporate governance may be summarized as follows:

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[51] Global Corporate Governance Forum, Available at https://www/eldis.org. Accessed on 12th May, 2023.
[52] K. Prasad, *op cit*.
[53] G20/OECD Principles of Corporate Governance, *op cit*.

a. "Centers of excellence" were set up all over Africa in collaboration with Common Wealth Association of Corporate governance.
b. Formation of "Regional Round Tables" for bringing together the lead players in the private and public sector organizations. Such round tables were organized in South Korea and Russia.
c. Establishment of partnership with private and regional sector groups, for instance, the Asia Corporate Governance Committee through participation in projects.
d. Projects sponsored for supporting and involving the role of the media in governance, highlighting its role as a watchdog[54].

Another important area of the Forum's work is the development of training resources to help boards more effectively address conflicts through privately-facilitated mediation without resorting to the courts[55]. Litigation is the most frequent means sought for redressing the mistakes and punishing the wrong doers. But that means tying up boards in length, costly legal strategies and maneuvers that distract directors from dealing with the many urgent issues erupting from the financial crises. The forum is also involved in code development to promote good governance practices. The forum has been instrumental in advancing corporate governance codes worldwide by providing technical assistance. The Forum provides practical insights into the successes and weaknesses of code drafting while building the business case for such codes, which helps business leaders recognize the value of codes beyond simply being used as a regulating instrument.

5.0 Effects of Corporate Governance failure

Consequences of poor corporate governance can be seen not only at the company level but also at macro/systemic levels. Poor governance is reflected by the following indicators:

At Company level

a) **Loss of stakeholders, stakeholders and financiers confidence and trust:** When a company deviates from its corporate governance strategy or fails to implement corporate governance principles, it sends signal that the company cannot be trusted[56]. This erodes any confidence that the stakeholders and shareholders had in the company and leads them to feel misled. The

[54] *Ibid*
[55] Global Corporate Governance Forum, *op cit.*
[56] F. Danha, The Failure of Corporate Governance and Its Impact on Business. Available at https://www.thehumancapitalhub.com Accessed on 14th May, 2023.

shareholders and stakeholders may exit to avoid any potential loss of their investment in the company.

b) Difficulty raising capital: Not adhering to a company's corporate governance strategies is an impediment for inflow of capital both locally and internationally. Investors are scared away[57]. This leads to under development and low foreign investment[58].

c) Under valuation of a company's shares: Not confirming to good corporate governance principles may lead to under valuation of the company's shares at the capital market.

d) Poor quality of management: This is reflected in overall poor results of the company.

At the macro level, poor corporate governance leads to:

a) Stagnation and slow growth of capital market due to the public not ready to risk their money.
b) Poor employment generation
c) Low gross domestic product growth
d) Low efforts for alleviation of poverty/corporate social responsibility
e) Stagnant, stunted individual growth of employees
f) Low human development indicators[59]

In today's economies, interest in corporate governance goes beyond that of shareholders in the performance of individual company. As businesses play a pivotal role in a country's economy, good corporate governance is a significant segment of economic growth. As can be gleaned from the above corporate governance cannot succeed in the absence of corresponding macro-economic and public reforms. Good business needs hassle free environment, strong legal system and at macro level, the right structure where business can flourish. Countries with better corporate governance achieve higher income growth rates, same as countries with a larger share of socially responsible firms[60].

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[57] F. Ajogwu, The Cost/Consequences of Bad Corporate Governance (2019) https://ssm.com/abstract=3391316 Accessed on 14th May, 2023.

[58] F. Bran, D Bodislaw, C. V. Radulescu, I. Ioan, 'Corporate Governance Intervention for a Sustainable Socio-Economic Model', *Revista de cercetare si interventie sociala*, (2014) vol. 46. Available at htpps://www.scopus.com. Accessed on 13th May, 2023.

[59] K. Prasad, *op cit*.

[60] M. Skare, T. Hasic, 'Corporate Governance, Firm Performance, and Economic Growth - Theoretical Analysis', *Journal of Business Economics and Management,* (2016) Vol. 17(1).

6.1 Conclusion

One thing is quite clear from the foregoing, that there is unanimity in the corporate world that the practices and the structure of the board are fundamental to assign corporate accountability of the management to the board and the board to the shareholders. Each company in line with its own objectives and mission is expected to develop its own culture in line with the codes and guidelines on corporate governance. This paper investigated the influence of corporate governance on the socio-economic development of a nation. The finding highlights the positive influence of corporate governance on the socio-economic factors. The results further indicate that the social and economic wellbeing of a country increases when the use of corporate governance best practices increases. In addition, it was found that corporate governance has a higher impact on the low income countries like Nigeria, than in high income countries.

Further, it was discovered that corporate governance exerts a significant positive influence on the socio-economic development goals in a country irrespective of their development level. This means that increasing the quality of corporate governance provides higher quality of social economic benefits in the form of health care, employment, education, security services.

It is important to note that investors are very concerned about sustainability as well as long-term value creation. Director or board of director’s performance should be accessed using both financial and non-financial performance criteria, including where appropriate, environmental, social and governance factors.

7.1 Recommendations

Social and economic development of a nation can be greatly enhanced through improved effective composite corporate governance. From the foregoing, it is clear that corporate governance has a significant contribution to economic growth of a nation. The establishment of an institutionally-based corporate governance regulatory model/ body is a necessary prerequisite to the development of effective corporate governance reforms which can tackle the myriad of governance challenges confronting corporations in Nigeria. Having a body dedicated solely to seeing that all companies irrespective of the sector comply and imbibe best corporate governance practices.

A continuous reviewing, monitoring, implementing and strengthening corporate governance practices every year is necessary to promote socio-economic development. Companies must be dynamic and continuously consider changes in their policies and organizational structure in order to enhance performance while accountable. It is therefore, recommended that countries aiming at promoting growth in their social and economic level should concentrate on strengthening corporate governance practices this together with other factors like political stability control of corruption, sound legal framework, government effectiveness will foster rapid and sustainable economic development.

Since a business environment consistent with economic freedom can foster economic development in order to attract inflows of foreign direct investment, caution must be applied in order not to shut out or discourage indigenous manufacturers or investors. Our laws, codes and regulations should be such that will encourage indigenous companies as well enhance ease of doing business in Nigeria. Hostile and too stringent laws will lead to winding up of companies. There is also an urgent need for regulatory stability; companies become fatigue as a result of complex regulations that change all the time.