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Ph.D FINANCIAL MANAGEMENT

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AN INVESTIGATION INTO THE EFFECT OF CORPORATE GOVERNANCE REGULATION ON A DEVELOPING COUNTRY'S STOCK EXCHANGE – COMPARATIVE STUDY OF NIGERIAN STOCK EXCHANGE

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AN INVESTIGATION INTO THE EFFECT OF CORPORATE GOVERNANCE REGULATION ON A DEVELOPING COUNTRY'S STOCK EXCHANGE – COMPARATIVE STUDY OF NIGERIAN STOCK EXCHANGE

A Thesis submitted in partial fulfilment of the requirements of St Clements University for the **Degree of Doctor of Philosophy (Ph.D)**

By

Uchenna Ogbu
St Clements University

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"An Empirical Investigation into the effectiveness of corporate governance regulation on developing countries' Stock Exchange markets: A comparative study of the Nigerian Stock Exchange Market"

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Abstract

The focus of this research study was a comparative analysis of corporate governance regulation in the Nigerian stock exchange market. Grounded theory qualitative research methodology to analyse the data collected through survey questionnaires, semi-structured interview and secondary data from different stakeholders groups of the Nigerian Captial Market.The thesis contributes to knowledge in terms of effective corporate governance regulation in developing countries focusing on the Nigerian Stock Exchange. Through the process of grounded theory research approach, a substantive theory for corporate governance system for the capital market is developed. The data systematically collected and analysed using grounded theory coding methods of open coding, selective coding and axial coding resulted in core categories emerging from the data analysis. The application of grounded theory methodology to the models developed from the result of the core categories lead to the development of new substantive theory for corporate governance system. The set of statements generated from the models represents the substantive theory for corporate governance regulation for the capital market.

The statement of substantive theory developed from the thesis shows that:

(i) Accountability and transparency through regulation of the corporate governance System improves weak leadership of Nigerian regulatory authorities

(ii) The Nigerian Security and Exchange Commission playing a leading role leads to effective corporate governance practices that could reduce mismanagement of corporate wealth.

(iii) Central Bank reform reduces corruption, improves compliance with corporate governance codes and creates confidence that attracts foreign investments.

(iv) Engagement with shareholders and stakeholders through shareholders and stakeholders involvement increases transparency on daily transactions and creates investors' confidence in the capital market.

(v) Effective leadership of the Nigerian regulatory authorities through separation of the roles of chairman and chief executive officer produce effectiveness of boards of directors.

(vi) Independence of non-executive directors (NEDs) improves the effectiveness of the board of directors and its leadership policies on corporate social responsibility (CSR) produces shareholders' wealth.

(vii) The effectiveness of corporate governance regulation from the models of corporate governance leads to good Corporate Governance Codes for the Nigerian Stock Exchange Market.

(viii) The substantive theory developed can apply to the capital markets of other developing countries to improve the performance of their capital markets and for the benefit of the economy.

(ix) The substantive theory developed will improve the understanding of corporate governance regulation in developing countries' capital market.

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List of Abbreviations

ABI:	Association of British Insurers
ACIS:	Associate Institute of Chartered Secretaries
AGM:	Annual General Meeting
ANAN:	Association of National Accountants of Nigeria
BCCI:	Bank of Credit and Commerce International
CAC:	Corporate Affairs Commission
CAMA:	Companies and Allied Matters Act
CBN:	Central Banks of Nigeria
CC:	Combined Code
CEO:	Chief Executive Officer
CSR:	Corporate Social Responsibility
DG:	Director General
EFCC:	Economic and Financial Crime Commission
ECGF:	European Corporate Governance Forum
EU:	European Union
ETI:	Ecobank Transnational Incorporated
FATF:	Financial Action Task Force
FCT:	Federal Capital Territory
FDI:	Foreign Direct Investment
FIRS:	Federal Inland Revenue Service
FSA:	Financial Services Authority
FTSE-100:	Financial Times Stock Exchange (100 Companies)
FTSE-250:	Financial Times Stock Exchange (250 companies)
FG:	Federal Government
GCGC:	German Corporate Governance Code
GDP:	Goress Domstice Products
GSE:	Ghana Stock Exchange
GTM:	Grounded Theory Method
ICPC:	Independent Corrupt Practices Commission
ICAN:	Institute of Chartered Accountants of Nigeria
IOSCO:	International Organization of Securities Commissions
ICPC:	Independent Corrupt Practices Commission
IPA:	Investment Promotion Agencies

ISA:	Investment and Securities Act
IT:	Information Technology
JMC:	Joint Monitoring Committee
JSE:	Johannesburg Stock Exchange
MBN:	Mobil Oil Producing Nigeria
NAFDAC:	National Agency for Food Drugs Administration and Control
NBS:	National Bureau of Statistics
NCC:	Nigeria Communications Commission
NCS:	Nigerian Customs Service
NEC:	Nigerian Stock-Exchange Market
NED:	Non-Executive Directors
NEEDS:	Nigerian Enterprise E Development Strategy
NIS:	Nigerian Immigration Service
NIPC:	Nigerian Investment Promotion Commission
KYC:	Know-Your-Client
NSE:	Nigerian Stock Exchange
NSEC:	Nigerian Securities and Exchange Commission
NSEM:	Nigerian Stock Exchange Market
NYSE:	New York Stock Exchange
NNPC:	Nigerian National Petroleum Corporation
NOTAP:	National Office for Technology Acquisition and Promotion
OCED:	Organisation Economic Co-operation and Development
OTC:	Over-The Counter
OSIC:	One-Stop Investment Centre
OSS:	One Stop Shop
PIRC:	Pensions Investment Research Consultants Ltd
PLC:	Public Limited Liability
R&D:	Research and Development
ROSC:	Report on the observance of Standards and Codes
PIRC:	Pensions Investment Research Consultants Ltd
SDAG:	Sound Diffusion Action Group
SON:	Standards Organization of Nigeria
SEC:	Securities and Exchange Commission
SRO:	Self-regulatory Organization
SOX:	Sarbanes- Oxley

USA:	United States of America
UK:	United Kingdom
UKLA:	United Kingdom Listing Authority
UTC:	United Trading Company of Nigeria
VSAT:	Very Small Aperture Terminal

Chapter 1: Introduction

1.1 Introduction

The focus of this research study is an empirical investigation into the effect of corporate governance regulation on developing countries Stock Exchange Markets – a comparative case study of Nigerian Stock Exchange markets. The study used a grounded theory qualitative research methodology to analyse data systemically collected from different stakeholder groups from the Capital Markets under study. The data collected through survey questionnaire; semi-structured interview and focus group discussions were analysed in chapter four of the thesis employing grounded theory approach. Under this plan open coding, axial coding and selective coding analysis is used to identify categories that emerged from the data. Further study of these classes found a relationship between categories and sub-categories.

The results of the grounded theory study led to the development of substantive theory for corporate governance regulation in the countries, which are the subject of this study. A study by (Abor, 2007) on "corporate governance and financing decisions of Ghanaian listed firms stated that; the term corporate governance refers to "how companies ought to be run, directed and controlled." The issues on corporate governance have increased since the Cadbury report in 1992, which resulted in a combined code of best practice enabling companies to manage their affairs in order to meet shareholder interest and the needs of their stakeholders. Corporate governance debates seem to focus on the shareholder approach vs. stakeholder theory, and there has been much literature on this area over the years.

The Anglo-Saxon system of corporate governance based on the shareholder's model, which focus on protecting shareholders wealth, as the shareholders are the owners of the organisations their hold shares. The stakeholder model relates to the German system of corporate governance, which advocates the protection of the stakeholder needs as they contribute to the success of the organisation. Following the collapse of Enron and WorldCom in the USA in 2001, corporate governance continues to gain a high profile in both business press and academia. The banking problems with the liquidity crisis at Northern Rock bank in the UK, the rogue trader at Societe Generale, Bear Stearns and the financial problems facing major banks, referred to as the credit crunch points to the weakness of financial and corporate governance system.

1.2 Research background - the Nigerian Stock Exchange market

The Nigerian Stock Exchange market started as Lagos Stock Exchange in 1960 but became the Nigerian Stock Exchange in 1977. *(*http://www.nigerianstockexchange.com). The Exchange currently listed 288 securities of which 33 are government stocks, 47 industrial loans stocks and the rest equity/ ordinary shares of companies. (Okoye and Nwisienyi, 2013). The majority of the companies listed in the exchange have foreign / multinational affiliation and representatives *(http://www.nigerianstockexchange.info/facts_and_figures.php*). Some of the numerous functions of the Exchange include the registration of stock brokering companies, dealing members and individual stockbrokers. It also registers approved or authorised agents with whom stock brokering firms can share brokerage.

The Exchange provides capital market education to quoted companies and investors. It protects investors from abuses by capital market operators, such as stockbrokers, registrars issuing houses and fund managers. The exchange has adopted a zero tolerance to fraudulent practices in the capital market. Violators are punished severely to safeguard the integrity of the security's business. The exchange provides business and financial information through the daily official list.

Information about quoted companies and their performance is also provided to capital market operators to enable proper pricing of quoted securities. The Exchange has been in the vanguard of attracting foreign investments into the economy through various seminars, road shows and other international investment drives. The Exchange provides the All-Share Index is an economic indicator and a planning tool for the state to gauge the pulse of the economy at all time. (Abdullahi 1993).

1.3 The rationale of research

The purpose of this research study is to carry out an empirical investigation of corporate governance systems/regulation in the Nigerian Stock Exchange market. The aim of this research study is to determine the contributions of active corporate governance regulation in the Nigerian capital market. How effective is corporate governance in meeting the interests of shareholders taking into consideration the needs of the stakeholder groups in the Nigerian capital market? Nigeria has seen a revival of economic growth, rising investor confidence along with the rebuilding of state institutions. According to the IMF's database, the country's national output measured by GDP has doubled within four years from $55.65 be in 2003 to $114.36 be in 2006. Real GDP growth has averaged 7.2% per year over 2003 to 2006.

The IMF projected 6.4% growths increase in 2007 and 2008 with annual consumer price inflation falling to 8% down from 18% in 2001. Given that Nigeria is the most populous country in Africa by a wide margin with 140 m inhabitants, it is clear that the country's economy and capital markets hugely underdeveloped. In a research study on Ghanaian corporate governance system, examined "The relationship between corporate governance and capital structure decisions of listed firms in Ghana." (Abor 2007). The characteristics of corporate governance *(http://www.emeraldinsight.com/journals.htm?articleid=1593824&show=pdf_br)*

The variables the author used for the research studies from the organisation listed in the Ghana capital market include board size, board composition, CEO duality and tenure of the CEO.

The empirical results show statistically significant and positive associations between capital structure and board size, board composition and CEO duality. The result of this study indicates that Ghanaian listed firms pursue high debt policy with a larger board size, the higher percentage of outside or non-executive directors and CEO duality. The results of this study also indicate a negative (though statistically insignificant) relationship between the tenure of the CEO and capital structure suggesting that entrenched CEOs employ lower debt in order to reduce the performance pressures associated with high debt capital (http://www.emeraldinsight.com/journals.htm?articleid=1593824&show=pdf_br)

Metrick and Ishii (2002) view corporate governance from the perspective of the investor as "both the promise to repay a fair return on capital invested and commitment to operate a firm efficiently given investment. The result of the study suggests that the company's corporate governance reports have an impact on the ability to access the capital market. The importance of corporate governance success cannot overstate following corporate collapses from the Maxwell corporation in the 1990s to Enron and WorldCom in the 2000s. The financial meltdown, which in Nigeria lead to the failure of five of the country's 25 banks in 2010. These corporate failures occurred despite the fact that the annual report and accounts appeared excellently prepared has jolted the global business community. In the past 13 years, a number of high profile corporate collapses have occurred despite the fact that the annual report and accounts appeared excellently prepared has jolted the global business community. (http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.122.1657&rep=rep1&type=pdf_br).

According Mallin (2004) the corporate failures, results to SOX Act (Sarbanes-Oxley Act) in 200 in the US. While in the UK, the Higgs Report and the Smith Report were published in 2003, in response to the recent corporate governance failures. In South Africa, the first King Report (1994) was published in order to formalize an ongoing process of corporate governance reform. The report was a code of corporate practice and conduct based on a broad consensus of the South African business community. In Nigeria, companies need to adopt international corporate governance best practices in order to attract foreign investors.

The Securities and Exchange Commission (SEC) the regulatory body in the Nigerian capital market to inaugurates the Commission on corporate governance of public companies in Nigeria (the committee) on 15 June 2001.(http://www.ehow.com/about_7520967_mutual-funds-securities.html_br). Questions asked about the possible cause of corporate collapse and possible measures to forestall future occurrence. The concept of corporate governance is a much-needed solution to corporate failures. Cadbury Report (1992) describes corporate governance as

> "the systems by which companies are directed and controlled, boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place in the organization. The responsibilities of the board include setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meetings". (Para. 2.5).

(*http://www.ukessays.com/essays/accounting/signifying-approach-of-auditing-in-corporate-governance-and-csr-accounting-essay.php?cref=1*).

Corporate governance is also about guiding management through managing the affairs of the business that leads to the achievement of the companies' objectives whether those objectives are shareholders' or stakeholders' ones as far as management kept within the rule of the games (Friedman 1970). The Hampel Committee (1998) said, "Corporate governance must contribute both to business prosperity and accountability." A lack of adequate corporate governance regulation may lead to corporate failures. ***(http://www.dti.gov.uk)***

1.4 Establishing good corporate governance

Prior to independence, Nigeria was a British colony. It was, not surprising that the existing corporations had a system of control and other business legislation that were to all intents and purposes British. Nigeria gained her political independence from Britain in 1960. The need to transform all existing regulations to reflect the peculiarity of the economic conditions and social realities became inevitable. The following under listed principles apply:

- The importance of shareholders is paramount in the day-to-day activities of management, and their priority was the maximisation of shareholders' wealth.
- The capital market helps to align the interests of management and shareholders through share options.
- There is also a chain of responsibility - business executives are responsible to the board of directors who are in turn responsible to shareholders.
- Finally, the rights and responsibilities of key players in the corporate governance structure are embedded in the statute.

Policies and corporate governance initiatives have highlighted the need of widening the corporate governance principles and ideas that focus not only on the interest of shareholders, but also on the needs of stakeholders of the organisation. Though the Nigerian capital market may lack the sophistication that is prevalent in other advanced countries' markets, certain mechanisms are in place to ensure effective governance of companies listed on the Exchange. The researcher identified four essential elements that could ensure the successful use of corporate governance principles by corporations listed on the Nigerian Stock Exchange. The government and the boards of directors of listed companies, the Corporate Affairs Commission. The Federal Government of Nigeria ensures the effective control of business enterprises in the country by the promulgation of laws affecting their management and control.

The government is responsible for the legal framework for corporate governance in Nigeria. The operational framework for successful use of corporate governance contained in the statute with the following underlying principles:

- The recognition of a business as a legal entity distinct from its owners;
- The unlimited life of a company because of the transferability of shares;
- An elected board oversees the running of the company's financial affairs and making appropriate returns; and
- Independent auditors are appointed by the shareholders through recommendations of the board of directors to report on the fairness and truth of the company's financial statements prepared by management

Researchers state that to have a level-playing ground for business; activities regulations must be effective, to deal with crimes and corruptions. Unfortunately in Nigeria, as in many developing countries of the world corruption is still endemic, and the crime wave is comparatively above average. The Federal Government of Nigeria is tackling the issues of crime and corruption by public officials head-long. The government has launched two companies specifically for crime detection and prevention and also the prosecution of offenders.

The board of directors is the heart and soul of any business. It is effective and is essential to the healthy functioning of the business. The Company ACT(1990) require the board of directors of companies registered to have at least two directors. This rule is not rigid and the composition of the board of directors of banks varies from bank to bank. Part of the responsibilities of the Board is reviewing and providing guidance for the organization's corporate. The Board also oversees major capital expenditures, acquisition and divestitures. The Corporate Affairs Commission (CAC) was established and empowered by section 1 of the Companies and Allied Matters Act 1990, (CAMA). It is responsible for controlling and supervision, formation, incorporation, registration, management and winding up of companies.

1.5 The gap in the knowledge

African countries have shown remarkable resilience over the past five years, with most-achieving growth figures. Higher commodity prices and greater foreign exchange inflows have sustained growth, which is likely to continue in the coming years**.** In the past five years, developing countries are restructuring and consolidating their business sectors to provide better conditions for investment in the private sector to aid economic developments. The major reforms in the market sectors in Nigeria and other African countries are the indications of economic growth in Africa. The Nigerian stock market leads the way in West Africa; South African Stock Market leads the way in South and Central Africa while the Egyptian Stock Market is a leader in North Africa.

1.6 The research questions

This research is an empirical investigation of corporate governance regulation in Nigerian Stock Market. The study seeks specifically to investigate and answer four main questions:

i. Does effective corporate governance regulation affect the Nigerian Stock Exchange?
ii. In the business sectors, does effective governance and leadership affect the services provided to their stakeholders?
iii. Is the corporate governance system efficient in the Nigerian Stock Exchange Market?
iv. How can management of the Nigerian Stock Exchange Market provide accountability to shareholders and stakeholders through effective corporate governance control?

1.7 The research objectives:

The aim of the research study is to investigate the effectiveness of corporate governance regulation in Nigerian Stock Exchange markets. The following individual objectives will use for the research:

- To evaluate corporate governance regulation in developing countries Stock Exchange Market
- To evaluate the effect of corporate governance regulation system in Nigerian Capital Market
- To examine the effectiveness of corporate governance regulation in meeting the interests shareholders.
- To analyse effectiveness of the regulatory bodies in Nigeria- the Security Exchange Commission (SEC) and the Central Bank of Nigeria (CBN).

1.8 Research paradigms

Focusing on corporate governance system in the Nigerian Stock Exchange market, the research study will determine what contributions if any, effective governance systems lead to active management of the business area. In terms of developing countries, accountability and responsibility are significant problems due to corruption and mismanagement of public finances. The leadership and management of this set of organisations are mostly government appointees and may not be the best people for the job. The purpose of the public organisations is to provide services to society and communities as the stakeholders. With no profit motivation, the public organisations are not managed as efficiently as the private sector organisations. Can a good governance system provide accountability by management of public financial sector organisations to stakeholders?

As stated by Hussey and Hussey (1997), personal research plan helps the researcher to determine which methodology to adopt and in turn determine the methods of collecting data. Any model adopted has implications for the methodology chosen and the outcome of the overall result of the study. "The term paradigm refers to the process of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge; in this context, about how research should be," (Collis and Hussey (2003: 12***).*** *(http://ro.uwe.ac.uk/RenderPages/Context6/Area1/Room3/Constellation24_br)* Paradigms offer a structure comprising an accepted set of theories, methods and ways of defining data (Bell, 1996, 2003). Phenomenological model selected for the study that is a qualitative research

method that employed inductive process. It is a concern with understanding human behaviour from the participant's frame of reference. It is a reaction to the positivist paradigm deductive approach of quantitative research process (Howell, 2004a; Collis and Hussey 2009***).***
(http://ro.uwe.ac.uk/RenderPages/Context6/Area1/Room3/Constellation24_br)

1.9 Computational framework for the research

Corporate governance is concern with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate responsibility Deakin and Hughes, 1997). According to Keasey et al, (1997), corporate governance includes the structures, processes, cultures and systems that engender the successful operation of the organisations. Corporate governance is access the relationship between shareholders and management in the process of managing the resource of the company to meet the interest of shareholders of the organisation. The process generates some organisational surplus and to set up a fair distribution between the shareholders, management and other stakeholders of the organisation, (Maati 1999). The Cadbury Committee defines a governance system as "the system by which companies are directed and controlled" (Cadbury 1992).
(http://psrcentre.org/images/extraimages/312018.pdf_br).

In terms of corporate governance in Nigeria, Yakasai (2002: 238) argues that

> "The peculiar and unstructured nature of the developing economies makes the running of many existing limited liability companies remarkably different from the governance processes of modern (PFC) and multinational corporations. The PFC is controlled (at least in principle) by the owners through shareholder democracy enshrined in the Annual General Meetings. The need to the understanding of the concepts, methods and problems of corporate governance, both from the perspective of those who direct or those concerned with returns and accountability is relevant to this study. Those concerned with corporate control encouraged the author to provide a menu of hypotheses of corporate governance and its relevance to Nigerian corporate bodies**."**

(http://onlinelibrary.wiley.com/doi/10.1111/1467-8683.00251/abstract_br)

Corporate governance in the banking industry as well as the problems and consequences of the quality of such governance and concludes by providing the recipes that would ensure good corporate governance in the private sector particularly in Nigerian banks in short and long-run. Okike (2007) claims that not much known about the state of, or the current framework for corporate governance in Nigeria. The author provided a comprehensive review of the state of corporate governance in Nigeria, asked whether the governance mechanisms in Nigeria are adequate in the face of the changes, challenges in the global market. The author said that;

"Whilst there is a case for adherence to global corporate governance standards, any Code of Best Practices adopted in Nigeria must reflect its peculiar socio-political and economic conditions, whilst at the same time providing the right assurance to prospective and existing," (2007, p. 173). (http://onlinelibrary.wiley.com/doi/10.1111/1467-8683.00251/abstract_br)

1.10 Grounded theory research on corporate governance

Howell (2000) undertook a comparative study and open coded member state's life insurance legislation and said that:

"Grounded theory aims to construct substantive theory through coding data. Substantive theory necessitates four central criteria. Fit, comprehension, generality and control: the theory should be induced from diverse data and be faithful to reality (it should fit). Secondly, the fit should be comprehensible, thirdly, the data should be complete and interpretations conceptually wide (there should be generality); and fourthly, in relation to generality, it should be made clear when conditions apply to particular situations and phenomena (there should be control)**,"** (p. 25). *(http://eprints.bournemouth.ac.uk/3057/1/271.pdf_br)*

Locke (2001, 1997) claimed that grounded theory has evolved and extended by its originators and other researchers who have taken up this style of inquiry. In addition, those substantive researchers who have found its guidance useful and who have adapted and incorporated it into their work have further interpreted its research methods. Howell (2000: 26) claims that: Grounded theory is an attempt to understand reality through social constructions and an attempt at objectivity through recognising the subjectivity of the researcher and researched in terms of their interpretative nature.

1.11 The structure of the thesis

Chapter 1: Introduction – This chapter outline the purpose of the research study and its focus on corporate governance theories and practices on the Nigerian Stock Exchange market. It discussed the research aims and objectives, the research questions and the experience of the study. The chapter also discusses the rationale for the study that is the theoretical framework on corporate governance theory and the shareholder and the stakeholder models. The corporate governance regulation on the Nigerian capital market. The outline of the research study and the summary of the chapter.

Chapter 2: Literature Review - The literature review details the evaluation of previous research on corporate governance and control. The evaluation of corporate governance research in developed countries and research studies on corporate governance and control in developing countries. It also focuses on what constitutes effective corporate governance. The Cadbury Report on the financial aspects of corporate governance in 1992 described

> "Corporate governance as a system by which companies are directed and control. The boards of directors are responsible for the governance of their companies. The shareholders job in corporate governance is to appoint the directors and auditors and to satisfy themselves that appropriate governance structure is in place in the organisations." (para. 5).

(http://www.corpgov.deloitte.com/site/CzEng/corporate-governance/_br)

The Organisation for Economic Co-operation and Development OECD (1999) principle of corporate governance defined it as concerned with both the internal aspects of the company such as internal controls and the external features such as an organisation's relationship with its shareholders and other stakeholder groups. According to Nwanji (2006) recent corporate governance goes beyond the traditional financial reports for shareholders and now starts with defining the objectives of the business before moving on to consider the wider implications for management, regulators and other stakeholders. In this chapter, a review of corporate governance regulation in Nigeria and Ghana shows that these countries introduced their corporate governance codes in line with the OECD's principles of corporate governance. Empirical evaluation of corporate governance rules and control in Nigeria, in particular, presented a detailed analysis of corporate governance practices in both the capital market and the banking sector.

Chapter 3: Corporate Governance Theory and Practices: Regulation of the Stock Exchange: evaluation of corporate governance theories and practices drawn from control, implementation and compliances from various countries including Nigeria and other developing countries. The evaluation of corporate governance theories and practices enable the study accessed formal and meso theories in relationship with corporate governance regulation in developing countries. As discussed, there are several corporate governance theories such as shareholder and stakeholder theories agency theories and business management theories. The control of the Nigerian Stock Exchange Market accessed how companies implement thesis control listed in the Stock Market. The chapter critically reviews the issues of corporate governance regulation and the problems faced by investors because of mismanagement and ineffective corporate control in Nigeria. In general terms to comply with the Exchange's listing rules, companies may pay any listing fees which may become payable to the Exchange because of increases in share capital. To adhere to any corporate disclosure policy requirements the Exchange may issue that to effect any corrections to the annual report and accounts as may be advised by the Exchange.

Chapter 4: Research Methodology and Methods - The qualitative research methodology used for this research study is the grounded theory approach. Data collected for this study through survey questionnaire, semi-structured interview and focus group discussions. The grounded theory approach is used to develop a substantive theory for corporate governance regulation in developing countries using Nigeria and Ghana capital markets as a case study. Glaser and Strauss (1967) first developed the Grounded Theory method. Since then, it has been used for qualitative research in organisations and management. Grounded theory use as a methodology for qualitative research and has spread across a number of domains; in sociology, nursing, education, psychology, political science and economics. Grounded theory approach methodology has been used in the study of European Integration and Political Science and on European Financial Services (Howell, 2000; 2002, 2004a). It is all so used for the study of corporate governance and business ethics in the UK (Nwanji, 2006). There are few methodological references on grounded theory approaches (Strauss and Corbin, 1996; Locke, 1997).

Chapter 5: Data Analysis and Presentation - The data collected through survey questionnaire was analysed using open coding to identify categories that emerged from the data. The data from the semi-structured interview were analysed using grounded theory coding procedures. Further analysis of categories through axial coding found relationships between categories and sub-categories. Core categories identified through selective coding. Grounded theory has never been used to develop a theory on corporate governance although it used in other areas of social research.

The data collected for this research were analysed using grounded theory coding process that reduced raw data into ideas that are designated to stand for classes. The categories developed and integrated into a theory (Howell, 2000; Nwanji, 2006). This process is achieved by coding data, writing memos and diagramming. In this project, data will be coded and analysed using three coding techniques of the grounded theory model; - open coding, axial coding and selective coding. (http://www.ftvs.cuni.cz/hendl/metodologie/priklad_projektu_2.htm_br)

- Open coding is the process of breaking down, examining, comparing and conceptualising and categorising data. The purpose of open coding is the development of categories.
- Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories and between categories and their sub-categories.
- Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships and filling in categories that need further development or refinement.

It is through this process that all the interpretive work done over the course of this research is integrated to form a grounded theory.

(http://www.ftvs.cuni.cz/hendl/metodologie/priklad_projektu_2.htm_br)

Chapter 6: Data Analysis and Application: Semi-structured Interview Analysis in this chapter dealt with the study of the semi-structured interview conducted for this study. The interviews conducted with various stakeholders of the Nigerian Stock Exchange and banking sector. The analysis was based on grounded theory coding techniques. The secondary data collected for this research from the regulators of the Nigerian capital market was also analysed in this chapter. The final core categories that emerged after axial coding analysis was used to develop a model for corporate governance system. The findings from both analyses discussed in Chapter 6 of the thesis as part of the information needed for development of a substantive theory on corporate governance.

Chapter 7: Developing Substantive Theory on Corporate Governance System. It is from these core categories on corporate governance regulation within the capital market of the country under study that the substantive theory for corporate governance developed. The substantive theory developed views corporate governance control on its contributions to the performance of shareholder's wealth in the Nigerian capital market. The problems faced by regulatory bodies such as the Security and Exchange Commission (SEC) in Nigeria presented the problems of lack of adequate corporate governance regulations. The issues of using corporate governance to meet the needs of all stakeholders within the Nigerian Stock Exchange discussed and evaluated. The effects of the global financial meltdown in 2008/09 and the near collapse of the Nigerian Capital Market resulted in the bailout, in 2010 of the banking institutions by the Central Bank of Nigeria (CBN, 2006). This chapter also discussed the effect of the bailout on corporate governance practices in the banking and financial sectors. (*http://www.trinidadexpress.com/business-magazine/How-is-Trinidad-and-Tobago-positioning-itself-222376091.html_b*)

Chapter 8: Conclusions and Recommendations: This section provides the evaluation of the result from the data analysis in chapters four and five of this thesis. The conclusions relate to the literature on corporate governance in the context of the whole thesis and state how the conclusions meet the research objectives and research questions. A set of models developed from the core categories that emerged from the grounded theory open coding, selective coding and axial coding analysis. A substantive theory for corporate governance system in the Nigerian Stock Exchange market developed as a model for improving corporate governance regulation. The findings from this research study will contribute to increasing understanding of the corporate governance regulation in Nigeria and other countries' capital markets in Africa. (*http://www.hioa.no/eng/content/download/24991/319274/file/Roland%20part%202.pdf_br*) A set of recommendations from the findings outlined and areas for future research presented while acknowledging the limitations of the study.

The statement of substantive theory developed from the thesis shows that:

i. Accountability and transparency through regulation of the corporate governance System improves weak leadership of Nigerian regulatory authorities

ii. The Nigerian Security and Exchange Commission playing a leading role leads to effective corporate governance practices that could reduce corruption and mismanagement of corporate wealth

iii. Central Bank of Nigeria reform to reduce corruption improves compliance with corporate governance codes and creates confidence that attracts foreign investments

iv. Engagements with shareholders and stakeholders through Shareholders and Stakeholders involvement increases transparency on daily transactions and creates investors' confidence in the capital market.

v. Effective leadership of the Nigerian regulatory authorities through separation of the roles of chairman and chief executive officer increases the effectiveness of boards of directors: (http://www.marketwatch.com/story/alere-announces-separation-of-chief-executive-officer-and-chairman-roles-and-review-of-strategy-2014-05-05_br)

vi. The independent non-executive directors (NEDs) improve ethe effectiveness of the leadership of the board of directors on issues of corporate social responsibility (CSR) and stakeholder's need which will create shareholders' wealth. (http://www.rutherfordchamber.com/_br)

1.12 Chapter conclusion

This chapter set out the focus of the research study on the effect of corporate governance regulation in the developing countries, in the Nigerian capital market. The aim and objective of the study had clearly formulated research questions. The rationale for the research study focused on corporate governance regulation in developing countries followed with the background for the study on corporate governance regulation in Nigerian capital market. The problems of ineffective corporate governance system and the mismanagement of shareholder's wealth presented. Each chapter of the thesis developed from the literature review of corporate governance research to the data collection and analysis using grounded theory approach. This resulted in the development of substantive theory on effective corporate governance regulation in Nigeria. The results from this study were evaluated in, the context of the literature, which resulted in the substantive theory on corporate governance regulation in the Nigerian capital market.

Chapter 2: Reviewing the Literature

2.1 Introduction

This research study investigates the effect of corporate governance regulation on developing countries' Stock Exchange using Nigerian Stock Exchange market as a case study. The term corporate governance refers to how companies ought to be directed and controlled. The issues on corporate governance have increased since the Cadbury report in 1992, which resulted in a Combined Code of Best Practice in the UK enabling companies to manage their affairs, in order to meet shareholders interests and the needs of their stakeholders. Corporate governance debates seem to focus on the shareholder approach vs. stakeholder theory, and there has been much literature on this area over the years. The Anglo-Saxon system of corporate governance is base on the shareholder model with a focus on protecting shareholders' wealth as the shareholders are the owners of the organisations through shareholdings. The stakeholder model relates to the German system of corporate governance, which advocates the protection of stakeholder needs as they contribute to the success of the organisation.

Following fraudulent activities relating to Maxwell Corporation, Polly Peck, BCCI and Baring Bank in the 1990s questions raised regarding unrestrained profit maximisation. Corporate failures such as these led to the Cadbury Committee Report (1992) and the introduction of Combined Codes of Corporate Governance. Indeed, discussion, debate and regulation intensified following the US cases of Enron, WorldCom and Arthur Andersen. With these corporate failures lead to the Sarbanes- Oxley (SOX) Act, 2002 in the US and further corporate governance codes of practice in the UK following Higgs and Smiths Committees Reports (2003). While the main objective of corporate governance is to guide boards of directors and management toward the best way of managing the affairs of their company, the noted corporate failures, meant that interest regarding stakeholdership increased in both the academic and corporate environments.

Following the collapse of Enron and WorldCom in 2001 in the USA, corporate governance continues to gain higher profile in both financial press and academia resulting to three reports in the UK:

(i) Derek Higgs' report (2003), which reviewed the role and effectiveness of Non-executive directors, (NEDs) and their responsibilities in corporate governance practice.

(ii) Robert Smith's report (2003), on audit committees and combined code guidance

(iii) The Turnbull ll Committee report (1999), on internal control and financial reporting, which has now been reviewed and updated in 2005. (Page and Spira 2005). (http://en.wikipedia.org/wiki/Review_of_the_role_and_effectiveness_of_non-executive_directors_br)

In 2008, there were further corporate failures this time in the banking and financial sectors first in the UK – (the Northern Rock's liquidity crisis). The rogue trader at Societe Generale, Bear Stearns and the global economic problems facing major banks known as 'credit crunch' point to a weakness in financial and corporate governance system. The global financial meltdown affected major banks and financial services in developed countries resulting to governments, through their central banks to bailout out those banks concerned in an effort to stop major global economic crisis.

2.2 Definitions of corporate governance

Corporate governance is concern with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997). According to Keasey et al. (1997), corporate governance includes the structures, processes, cultures, and systems that engender the successful operation of the organisations. Corporate governance is described as the whole set of measures taken by enterprise to favour the economic agents to take part in the productive process. In order to generate some organisational surplus, and to promote a fair distribution between the partners taking into consideration what they have brought to the organisation (Maati 1999). *(http://www.ifc.org/wps/wcm/connect/2768a80048a7e7cbad47ef6060ad5911/Kyereboah-Coleman%2B-%2BCorporate%2BGovernance.pdf?)*

The Cadbury Committee report of 1992 defines corporate governance as:

> "The systems by which companies are directed and controlled, boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place in the organisation. The responsibilities of the board include setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meetings," (Para. 2.5). *(http://www.corpgov.deloitte.com/site/CzEng/corporate-governance/_br)*

Corporate Governance in a Third World country with reference to Nigeria, Yakasai (2002) argues in the paper on the issue of power relation and sharing as the basis for instituting a corporate governance procedure that:

> "The unstructured nature of the developing economies makes the running of many existing limited liability companies remarkably different from the governance processes of modern Plc and multinational corporations which are controlled (at least in principle) by the owners through shareholder democracy enshrined in the Annual General Meetings. The need for an understanding of the concepts, processes and problems of corporate governance both from the perspective of those who direct, concern with returns and accountability. Moreover, those concerned with corporate regulation encouraged the author to provide a menu of hypotheses of corporate governance and its relevance to Nigerian corporate bodies," (p. 238). *(http://rcmss.com/2014/IJPAMR-VOl2-)*

Despite the fact that the concept of corporate governance has assumed global adaptation, yet there is no one accepted definition of the term corporate governance is define according to which country is being considered. Solomon (2004) states that, in defining corporate governance, the practitioner, policy maker researcher or theorist might decide to treat the subject either in a narrow or broad manner. According to Solomon:

> "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 corporation is restricted to the relationship between a company and its shareholders. 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 the 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 provides a consensus on the relative importance of the definitions. The Cadbury Report (1992) defines corporate governance from a narrowest viewpoint on the essential role of the concept. While Tricker (1984) definition of corporate governance is wider and 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 Keasey and Wright (1993) see corporate governance mainly from the viewpoint of corporate success.

The corporate governance handbook (GEE, 2003) emphasized the importance of shareholder's activism, as this allowed an evaluation of the institutional investors' views on their role in corporate governance. La Porta et al. (1999) emphasizes a narrower shareholder-oriented definition, which focuses the country's legal system to protect minority shareholder rights. The other is the definition oriented around corporate accountability to shareholders. *(http://media.johnwiley.com.au/product_data/excerpt/71/EHEP0016/EHEP001671.pdf_br)*

Nwanji and Howell (2004:1) stated that:

> "Corporate governance is an area that has been growing steadily in importance in the last decade. The Cadbury Report of 1992 on the Financial Aspects of Corporate Governance in the UK laid the foundations of corporate governance, not just in the UK, but also in countries all over the world, and many of them have incorporated its main principles into their corporate governance codes. The aim of corporate governance is to ensure that the boards of directors do their jobs correctly. It is also a guideline that directs the board of directors and managements through the best way of utilising the assets of the company to increase returns on shareholders' wealth."

Shareholder v Stakeholder: the issue of corporate governance has centred on shareholder v stakeholder who of the two models is best for corporations, and therefore the board should follow in managing the affairs of the company. Shareholder Theory: The Nobel Prize Economist, Friedman (1970), argued,

> "There is one and only one social responsibility of business. To use its resources to engage in activities designed to increase its profits, as long as it stays within the rule of the game, which is to say, engages in open and free competition, without deception or fraud."

In summary, corporate governance comprises a country's private and public institutions, both formal and informal, which together govern the relationship between the people who manage corporations (corporate insiders) and all others who invest resources in corporations in the country. Investors may include suppliers of equity finance (shareholders), suppliers of debt finance (creditors), suppliers of relatively firm-specific human capital (employees) and suppliers of other tangible and intangible assets that corporations may use to operate and grow. These institutions notably include the country's corporate laws, securities laws, accounting rules, accepted business practices and prevailing business ethics. **(**Oman et al. 2002). OECD. The author discusses corporate governance in the banking industry as well as the problems and consequences of the quality of such governance and concludes by providing the recipes that would ensure good corporate governance in the private sector, particularly in Nigerian banks in the short and long-run. *(http://www.oecd.org/social/poverty/28658158.pdf_br)*

Okike, (2007) claims that not much is known about the state of, or the current framework for, corporate governance in Nigeria. The author provided a comprehensive review of the state of corporate governance in Africa's most-populous country. The author addresses the issue of whether the governance mechanisms in Nigeria are adequate in the face of the changes and challenges in the global corporate scene and argues that:

> "whilst there is a case for adherence to global corporate governance standards, any Code of Best Practices adopted in Nigeria must reflect its peculiar socio-political and economic environment, whilst at the same time providing the right assurance to prospective and existing shareholders," (Okike, 2007: 173).

(http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8683.2007.00553.x/abstract_br)

2.3 Research background - Nigerian economy

According to the IMF's database, Nigeria has seen a revival of economic growth rising investors' confidence along with the rebuilding of state institutions. The country's national output, measured by GDP, has doubled within four years, from $55.65 be in 2003 to $114.36 be in 2006. Meanwhile, real GDP growth has averaged 7.2% a year over 2003-2006. The IMF projects 6.4% growth in 2007 and 2008 with annual consumer price inflation falling to 8% - down from 18% in 2001.

(*http://www.thefreelibrary.com/Global+investors+betting+on+a+resurgent+Nigeria%3a+Africans+countries...-a0162237534_br*) (2012).

In a paper that seeks to examine the relationship between corporate governance and the capital structure decisions of listed firms in Ghana, Abor (2007) employed multiple regression analysis to in estimating the relationship between the corporate governance characteristics and capital structure. The author's empirical results show that;

> "statistically significant and positive associations between capital structure and board size, board composition, and CEO duality. The results generally indicate that Ghanaian listed firms pursue high debt policy with larger board size, higher percentage of non-executive directors, and CEO duality. The results also show a negative (though statistically insignificant) relationship between the tenure of the CEO and capital structure, suggesting that, entrenched CEOs employ lower debt in order to reduce the performance pressures associated with high debt capital." (p. 83)

Ghanaian corporate governance system, Abor (2007) said:

> "The is a relationship between corporate governance and capital structure decisions of listed firms in the Ghana. The characteristics of corporate governance used for this study include board size, board composition, CEO duality and tenure of the CEO. The empirical results show statistically significant and positive associations between capital structure and board size, board composition, and CEO duality. These study results indicate that The Ghanaian registered firms pursue high debt policy with a larger board size, the higher percentage of outside or non-executive directors, and CEO duality. The results of this study also show a negative (though statistically insignificant) relationship between the tenure of the CEO and capital structure, suggesting that, entrenched CEOs. (*http://www.emeraldinsight.com/journals.htm?articleid=1593824&show=pdf_br*)

According to Abor (2007), the issue of corporate governance has important implications on the financing decision of the Ghanaian firms. In order to obtain more debt instrument, firms may have to increase their board size. Metrick and Ishii (2002) view corporate governance from the perspective of the investors as "they promise to repay a fair return on capital market and commit to run a firm efficiently given investment." They suggest that corporate governance impacts on a firm's ability to access the capital market. *(http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.122.1657&rep=rep1&type=pdf_br)*

Gap in the Knowledge - African countries have shown resilience over the past five years, as most-achieving growth figures. Higher commodity prices and foreign exchange inflows have sustained growth. Developing countries have been going through the process of restructuring and consolidation of their financial sectors that provide a better environment for investment in the private sector to aid economic developments. A major reform of the financial sector of banking, stock markets and insurance companies in countries such as Nigeria and Ghana are indications that economic development of developing countries, particularly in Africa can only take place with adequate and well-regulated stocks markets. The Nigerian stock market lead the way in West Africa and South African stock market lead the way in South and Central Africa while the Egyptian Stock market is a leader in North Africa.

2.4 Rationale of the research and objectives

The purpose of this investigate is to conduct empirical investigation of corporate governance systems/regulation in the Nigerian Stock Exchange Market. The aim is to determine what contributions, if any effective corporate governance systems deliver in order to meet the interests of shareholders while taking into consideration stakeholders needs. Howell (2000) stated that:

> "Grounded theory aims to construct substantive theory through coding data. Substantive theory necessitates four central criteria. Fit, comprehension, generality and control: the theory is induced from diverse data and be faithful to reality (it should fit). Secondly the fit should be comprehensible. Thirdly the data should be comprehensive and interpretations conceptually wide (there should be generality) and fourthly in relation to generality it should be made clear when conditions apply to particular situations and phenomena (there should be control)," (p. 25). *(http://eprints.bournemouth.ac.uk/3057/1/271.pdf_br)*

Locke (2001, 1997) claimed that grounded theory has evolved and extended by its originators, and other researchers who have taken up this style of inquiry. In addition, those substantive researchers who have found its guidance useful and who have adapted and incorporated it into their work have further interpreted its research practices. For example, Howell (2000: 25) claims that: “Grounded theory is an attempt to understand reality through social constructions and an attempt at objectivity through recognising the subjectivity of the researcher and researched in terms of their interpretative nature.”

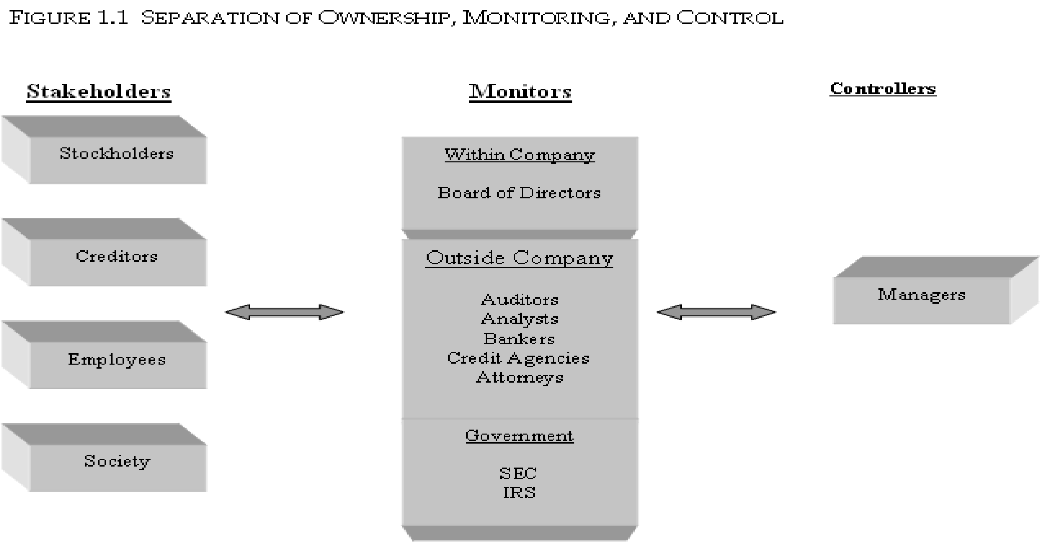
2.5 The research questions for the study

The research is an empirical investigation of corporate governance regulation in Nigerian Stock Market. This study seeks specifically to investigate and answer four main questions:

a. How does corporate governance regulation affect the Nigerian Stock Exchange?
b. How does the governance and leadership of financial sector organisations affect the services they provide to their stakeholders?
c. How effective is the corporate governance system within the Nigerian stock market?
d. Can corporate governance in the financial sector organisations provide accountability by management to Shareholders and stakeholders?

2.6 Integrated systems of governance

Figure 2.1



The source: *(Henry R. Cheeseman, Pearson Prentice-Hall 2006)*

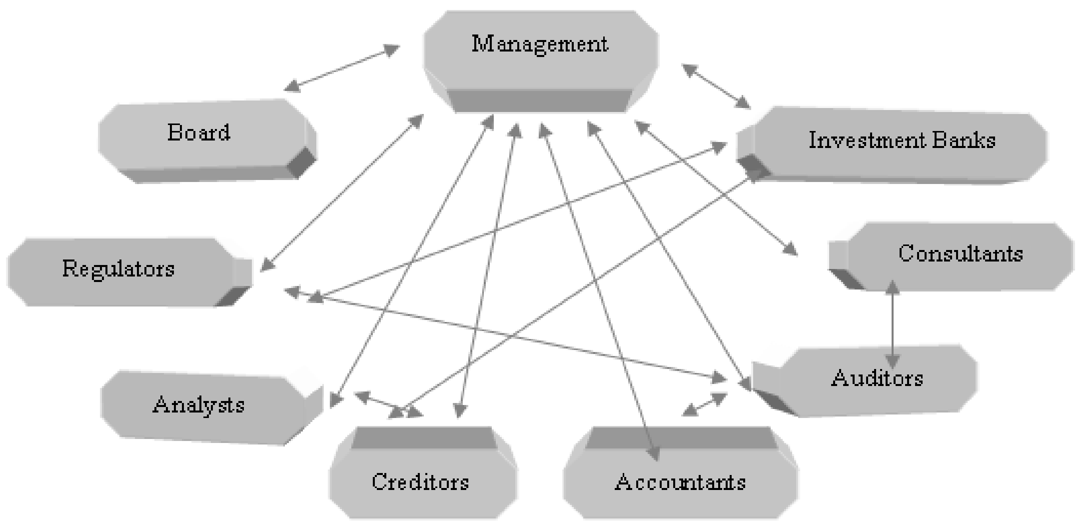
The issue of corporate governance centred on shareholder v stakeholder and which of the two models is best for corporations. Therefore, the board should follow in managing the affairs of the company. Ever since Friedman (1970) view that the modern corporation has no social responsibility to society only to its shareholders who are the owners of the business, interest on shareholder value has increased. Influences such as globalisation of capital markets, increase in institutional investors, greater shareholders activism, stakeholder's expectations and growing importance of corporate governance issues have been stated as factors (Omran et al, 2002; Mills 1998, Fera 1997).

The shareholder model refers to corporate governance as where the board of directors is accountable to shareholders on how they have managed the company's affairs. Accountability is about how those entrusted with the day-to- day management of the company's affairs are held to account to shareholders and other providers of finance on their stewardship. The second aspect is how the company communicates that accountability to the wider world: to shareholders; to potential investors; to employees; to regulators; and to other groups with a legitimate interest in its affairs. (Nwanji and Howell, 2004, 2007). PricewaterhouseCoopers 2003). (http://www.alcostoresinc.com/inv_corporate_governance.aspx_br)

Freeman (1984: 25) stated "a stakeholder in an organisation is any group or individual who can affect or is affected by the achievement of the organisation's objectives." In addition, Phillips (2003) argued that the stakeholdership involved a theory of organisational management and ethics, which was distinct because it addressed morals and values as explicit central features of organisational management. He also pointed out that: "Managing for stakeholders involved attention to more than simply maximising shareholder wealth. Attention to the interests and well-being of those who can assist or hinder the achievements of organisation's objectives is the central admonition of the theory" (Phillips 2003:16).
(http://www.managementjournals.com/journals/ig/vol1/21-1-1-1.pdf_br)

Figure 2.2

FIGURE 1.2 INTERLINKING RELATIONSHIPS AMONG BUSINESS PARTICIPANTS



The source: *(Henry R. Cheeseman, Pearson Prentice-Hall 2006)*

Inside monitors-board of directors

- ❖ Oversee the management and are supposed to represent shareholders' interests.
- ❖ Evaluates management and design compensation contracts to tie management's salaries to the firm's performance.

Principal-agent problem

- ❖ Principal-agent problem represents the conflict of interest between the principal and the agent.
- ❖ Primary principal-agent problem in corporations: Principal = Shareholders
- ❖ Agent = Officers If shareholders cannot effectively monitor the officers' behavior, then officers may be tempted to use firm's assets for their personal use.
- ❖ Related principal-agent problems: Shareholders controlling Directors controlling Officers

Solutions to Principal-agent problem

- ❖ Incentive - aligning executive incentives with shareholder desires. (e.g. stock, restricted stock, and stock options).
- ❖ Monitoring - setting up mechanisms for monitoring the behavior of managers

2.7 Corporate governance research

The concept of corporate governance has assumed global dimensions that have been the subject of increasing attention from policymakers. Corporate governance is not a matter of importance for the development of the economy of the nation. 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. BSR (2003) (http://www.bsr.org/BSRResources/WhitePaperDetail.cfm?DocumentID=48809).

Massive corporate failures like Enron, Parmalat, Royal Ahold and the East Asian Financial crises of the nineties followed closely by those from Russia and Brazil drew attention to the problems of crony capitalism. Their perceived relationship to poor local corporate governance practices in several emerging market economies. There is a need to strengthen those efforts. The Organization for Economic Co-operation and Development (OECD) work on corporate governance as a whole and, development centre research in developing countries all show that sound corporate governance is vitally 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 painful process of transformation in which governance plays a key role. This transformation involves deep change in both the economic and the political spheres of national governance. *(http://www.oecd.org/social/poverty/28658158.pdf_br)*. Economically, the move 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 systems that were non-transparent and unaccountable and often heavily, relationship based. Combined Codes on corporate governance (1998) - the Combined Code was first published in 1998 by the Hampel Committee and was a combination of two previous Codes - The Cadbury Report of 1992 and the Greenbury Report of (1995).

The report provides various monitoring devices designed to improve corporate governance of firms in the UK when their implementation came into effect or force. External control mechanisms are more effective even though they are overall more expensive than internal control mechanisms. *(www.oecd.org/social/poverty/28658158.pdf_br)*. The Combined Code came into force in 2003 and was applicable for reporting years beginning on or after 1

November 2003. The overriding principle of the Combined Code is that Public Companies must "comply or explain" for financial years ending on or after 31st October 2004. Companies were encouraged to state in their annual reports if they had applied the principles of the code and whether the company complied with the recommendations of the Combined Code laid out as an addendum to the Listing Rules.

In order to prevent a mere 'box-ticking' exercise or 'yes or no' answers, the companies were asked in the Code to 'explain' why in where they did not comply with the provisions of the Combined Code. The Code added as an appendix to the UK Listing Rules and compliance was not mandatory, but disclosure relating to compliance with the Code was mandatory. Companies were to state the progress made by their boards since publication of the 2003 Annual Report. Its enforceability is thus left to the Company Secretary as well as the Board as statutory authority, which enforces the Listing Rules, cannot enforce it. combined codes on corporate governance (2003) - The Combined Code of 2003 was a combination of the Higgs Report in 2003, which was a review on the effectiveness of non-executive directors by Derek Higgs and the Smith Report in 2003, which was a review of the Audit Committee. 21 additional principles added to the 2003 combined system in contrast with the previous code brought into effect in 1998, which had only 14 principles. *(http://www.newsandstar.co.uk/news/1.207486_br)*

It placed a greater burden of disclosure on companies. Transparency by companies is encouraged, they have to write a narrative, and detailed statements in enough details result to higher standards of governance. The Combined Code principles of 'comply or explain' enhance board effectiveness and improve investors' confidence to the stock market. According to MacNeil and Li, (2005), the 'Comply or Explain' principle adopted in the UK's Combined Code on corporate governance has been in operation for more than 12 years. In their paper, the authors focus on the two aspects of this regime. The first is the nature of the explanations given by companies with an established record of non-compliance, or 'serial non-compliers.' The second is the role of the market in permitting deviations from the Combined Code. In particular, they consider the significance of share price performance as a factor that is relevant in justifying non-compliance. The extent to which investors appear to rely on this indicator rather than engage in the more difficult task of judging the relative merits of the Code provisions against alternatives.
(*http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID726664_code282794.pdf?abstractid=726664&rulid=32977&mirid=1_br*

The approach differs from much of the research linking corporate governance with financial performance in that it focuses on the potential influence of financial performance as measured by share price) on governance structure rather than vice versa. MacNeil and Li (2005) study of FTSE 100 serial non-compliers suggests that there is a prima facie link between share price performance and investors' tolerance of non-compliance with the Combined Code. The second issue they examined is the link between the principle of "comply and explain" and the self-regulatory status of the Code. The authors conclude that the benefits of flexibility usually associated with the self-regulatory status of the code overstated and that the system could integrate into mainstream company law. There are both legal and regulatory provisions to ensure compliance.

Copp (2006), in his paper was also of the view that the ‘comply or explain’ regime in theory fails to be classify as a mandatory rule. Moreover, therefore, is not only potentially inefficient but also most suitable for the imposition of non-efficiency objectives. Alternatively, it might be argued to be little more than another mandatory disclosure ruling is simplistic. The intention behind mandatory disclosure rules is to influence behaviour not by directly prescribing a particular form of conduct, but by letting other interested parties pass judgment on existing behaviour. Such rules can often be efficiency enhancing where they reduce information asymmetry or reduce transmission costs relating to measurement by providing comparable information. In contrast, the Combined Code prescribes very detailed behaviour. For example, the creation of audit, remuneration and nomination committees. If the rules are mandatory basis, there is a substantial risk that they might have been contracted thus increasing transaction costs. The ‘comply or explain’ rule however ensures that such strategic behaviour should be unnecessary since the markets may make a judgment as to the significance of the disclosure (Copp 2006).

Companies listed on the London Stock Exchange should comply with audit committee requirement in the combined Code of Best Practice in 1998. Higgs Committees and Smiths Committees Reports of 2003 reinforce comply and explain regime in the new Combined Codes in 2003. It requires the board to establish an audit committee of at least three members who should all be independent non-executive directors, and at least one member of the audit committee should have significant, recent and relevant financial experience. Other persons, such as the finance director or chief internal auditor of a company expect to attend but not to be members of the committee. *(http://www.re-assurance.co.uk/resource-centre/governmental-legislation--guidelines/corporate-governance-code/_br*).

The committee's main purpose is to provide an independent point of reference on issues facing the board, but not to be involved with day-to-day management. If corporate governance is to contribute to business prosperity and accountability, then the company will need effective internal control and financial reporting system, which an independent audit committee will help to achieve. The Turnbull Guideline (1999; Page and Spira, 2005) stated the committee is responsible for the company's system of internal control. It should set appropriate policies on internal control and seek regular assurance that will enable it to satisfy it that the system is functioning effectively. The board must further ensure that 'the system of internal control is effective in managing risks in a manner that it has approved' (Para. 16.32). Internal Control - European Corporate Governance (http://www.ecgi.org/codes/documents/turnbul.pdf_br)

The failures of companies like the BCCI (1980s) Maxwell Corporation (1994) and Barings Bank (1997) were due to lack of adequate internal controls and unethical business practices of the board of directors and managements of those companies. Even though the companies had external auditors and audited accounts satisfied as showing 'true and fair' view of the financial position of the company's affairs in each of the years leading to their collapse, people wondered why the auditors did not discover the problems on time. The recent failure of two USA public corporations – Enron and WorldCom in 2001 highlight the complexity of effective financial control from complex business operations for such corporations. The cases, unfortunately, confirmed the belief that a company's boards of directors who are determined to act and exhibit unethical behaviour towards their company can do so without detection by the audit committee or the auditors.

In the USA following the collapse, the US Congress passed the Sarbanes-Oxley Act (SOX) in July 2002 which set strict limitations on the auditor provision of non-audit services to the same company they audit. Opponents claimed that some non-audit work is inadequate or inappropriate; current attitudes are in danger of banning appropriate work that the auditor is best place to perform, and that can benefit the client because of the breadth of the auditor's skills and his knowledge of the client. The big four Accountancy firms in the UK have now sold their non-audit arms or management consultants firms to non-audit firms. Non-audit services provide to audit clients particularly within FTSE-100 to FTSE-250 companies have a limit. Individual auditors are now required to rotate the time they spend on each audit to every five years.

Comply or Explain as a Disclosure Obligation - the essence of 'comply or explain' is that it is a disclosure obligation. In this sense, comply or explain is comparable to the many other disclosure obligations contained in company law and listing rules whose objective is to inform investors. This section considers first the nature of the disclosure obligation and second the manner in which it complies or explains will operate as a mechanism that will encourage movement towards optimal governance practices. The Listing Rules and disclosure: The Combined Code of corporate governance does not form part of the Listing Rules in the UK. The effect is that the Combined Code does not have the same legal status as the Listing Rules, in contrast and can be enforce under statutory authority.

The UKLA Listing Rules do however require that in the case of a company incorporated in the United Kingdom, the following additional items should be part of its Annual Report and Accounts:

- A statement of how it has applied the principles set out in Section 1 of the Combined Code, in a manner that would enable shareholders to evaluate how the principles applied.

2.8 Case study research on corporate governance

Case Studies use the analysis of compliance or non-compliance with the Combined Code on corporations. Pass (2006) also used case study in the analysis of the non-compliance with main provisions of the Combined Code on corporate governance from 50 companies randomly selected from the FTSE-250 companies. Sneller and Langendijk (2007) in their paper, investigate the costs of compliance with the new Combined Code (2003) in the UK and the Sarbanes-Oxley Act (2002) (SOX) in the US. The authors used the European division of a US-listed company as a case study. The divisional project approach describes and costs of compliance present in two categories: assessment costs, mainly hours spent by internal staff; and attestation costs, mainly audit fees. In 2002, the US Congress approved the Sarbanes-Oxley Act (SOX). Section 404 requires companies to assess their internal controls and acquire an attestation of this assessment from their external auditor. Sneller and Langendijk, (2007) said that:

> "The case study shows that the hours spent on assessment are approximately 12 times higher than the initial estimate made by the SEC in 2002 and that the realised other expenses are approximately 1.4 times higher than this estimate. Furthermore, a year on year increases of 50 percent of the company's audit fee in the first year of Section 404 compliance. Companies can reduce the costs of

> compliance by implementing programmed controls, using auditors from countries with lower rates, remediating material weaknesses only, focusing on the internal control system rather than on individual controls, and by encouraging the auditor to rely on the company's assessment," (p. 101). (http://www.ingentaconnect.com/content/bpl/corg/2007/00000015/00000002/art00001_br)

In an industrial relations dispute, Anderson et al. (2007:102) used case study methods to examine the issue in the face of declining prominence and influence under industrial relations laws regulating Australian workplaces. The authors claim that:

> "The Australian trade unions appear increasingly to be directing their attention to corporate law as a mechanism for pursuing union and employee voice. Within Business organisation undertakes an examination of four recent union shareholder campaigns, the circumstances in which they undertake the objectives of the union shareholder strategies and the outcomes of the campaigns."

Their research also considered whether union shareholder activism is merely a new strategy for pursuing conventional industrial aims or whether it potentially represents a move by unions to identify themselves as "insiders" with a dual interest in the profitability and governance of the corporation as both shareholders and stakeholders.
(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=954815_br)

Anderson et al. (2007:102) claims that:

> "Australian trade unions enjoyed a prominent role and influence in the regulation of Australian workplaces. The compulsory arbitration of industrial disputes to all intents and purposes guaranteed union's recognition by employers, access to worksites and preferential treatment for their members. The system was predicated on the legitimacy of adversarial bargaining, direct action between the parties and the control of industry through a series of national and industry-based awards with which unions and employers were legally bound to comply."

According to Anderson et al. (2007), the case studies give an opportunity to investigate the circumstances in which unions may seek to exploit a shareholder strategy, and what the objectives of such a plan might base on the four instances of union-based shareholder campaigns in major Australian business corporations. In the conclusion, the authors considered whether union shareholder activism is a mere substitute for adversarial bargaining or whether it potentially represents a re-situation of union objectives. They stated that the brevity of the paper allows only for a summary of their data in each case. In another case study research, Melis (2005) discusses to what extent Parmalat's failure can be consider a particularly Italian case. The main characteristics of Parmalat's corporate governance structure compare and contrast with those prevailing among Italian listed companies as well as with the highest corporate governance standards in Italy.

Melis (2005) stated that:

> "Empirical evidence seems to confirm the lack of a monitoring structure in making corporate insiders accountable in the presence of corporate governance system characterised by a controlling shareholder. The role of the ownership and control structure (with particular regard to the controlling shareholder's position) and of the board of statutory auditors have Italian traits and might suggest that the Parmalat case is a particularly Italian scandal. However, Italian corporate governance standards were not completely at fault in the Parmalat case. Parmalat's corporate governance structure failed to comply with some of the key existing Italian corporate governance standards of best practice, such as the presence of independent directors and the composition of the internal control committee. Besides, the role of the external auditor as well as the internal control committee as non-effective monitors seems to put Parmalat into the global argument case, not very different, mutatis mutandis, from other corporate scandals." (p. 478). *(http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8683.2004.00443.x/abstract_br)*

Chen (2005) uses an in-depth case study in southern Jiangsu to document the last wave of privatisation of Chinese rural enterprises. It shows that throughout the economic reforms, particularly at the village level, local cadres and corporate leaders dominated the publicly owned enterprises, from which they benefited disproportionately. The author claims the same local institutions, which based on village cadres' social networks that controlled the entire process of privatisation, leaving nothing to the free market or open competition. Those who positioned themselves in the village administration and enterprises are the same group of particular families and individuals who run the private corporations today. It shows that workers and ordinary villagers have disenfranchised in this property rights transformation. *(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=645429_br)*

In a case study of the combined code on corporate governance, Brennan, and McDermott, (2004) examines the issue of independence of boards of directors and non-executive directors of companies NEDs listed on the Irish Stock Exchange. Based on information published in annual reports, the study found that most Irish listed companies were complying with the Combined Code's recommendations for a balanced board structure, albeit with only 60% having majority-independent boards. The study also found a lack of consistency in interpreting the definition of "independence," lack of disclosure of information and, by applying criteria regarded as prerequisite to independence of NEDs, certain situations that imposed upon their independence. Using a case study analysis Turnbull, (1995), outlines the 38 years evolution of Mondragon structures. (Hoskins, 2004).

Stakeholder co-operatives formed around the town of Mondragon in the Basque region of Spain, which have had an outstanding success on a number of measures in comparison with other forms of firms. The control architecture within and between Mondragon firms contains a number of innovations and lessons for developing the theory and practice of corporate governance.

Turnbull, (1995) stated that:

> "The control and incentive structure of Mondragon firms was custom designed according to the nature of both their activities and their principal stakeholders. The resulting unique control arrangements and outstanding performance supports the hypothesis that the structure of governance is a determinant of sustainable competitive advantages. The evolution of Mondragon firms also illustrates the need to consider corporate design as a variable at any one time or over time. The Mondragon experience illustrates how the social research approach of 'action science' can be used to create competitive enterprises. Moreover, recommends this approach for developing the theory and practice of corporate governance." (p. 167). *(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=6455_br)*

TESCO Plc is one of Britain's leading food retailers with 430 stores throughout England, Scotland and Wales and an additional 98 in France operated by Chateau. Tesco serves over eight million customers each week. In 1994, the Group sales increased by 13.8% to £9.2 billion; profit before tax was £528 million and dividends per share rose by 9.2% to 7.75 p. This extract from the Tesco 1994 annual report and accounts is included to illustrate the corporate governance information now provided in the UK, following the Cadbury report recommendations. The statements chose at random and were not intended to show good or bad practice. *(http://onlinelibrary.wiley.com/resolve/doi?DOI=10.1111/j.1467-8683.1995.tb00102.x_br)*

Bonvin, (2007) claims that:

> "The paper assesses the impact of the rhetoric of corporate social responsibility (CSR) in the case of companies undergoing restructuring. An extensive definition of CSR adopt here is one that encompasses the social and environmental impact of the company's practices, as well as the extent to which workers' rights and security are being guaranteed and promoted by the firm. In this view then, compliance with legal requirements or philanthropic use of the firm's resources is not enough to qualify a company or its managers as socially responsible. Moreover, the responsibility of the firm is not to make a profit at all costs, but to combine as far as possible economics performance and concern for social justice and

> environmental sustainability. CSR's defenders argue that the firm is the most-appropriate locus to achieve such a purpose and that the firm's actors (that is to say, managers, workers and/or their representatives, shareholders and other stakeholders) should accordingly give sufficient margin for manoeuvre to make this possible. Hence, firms should not be conceiving only as objects of control, but also as partners in the regulation of the labour market, and labour law and social security provisions should adapt. As a result." (p. 36).

In conclusion, the author summarises the main lessons about the impact of CSR in the Swiss context in addition, to the managerial capacity of those who lead and direct the firm. The case illustrates that the conviction can be manipulated (even in this case, as in the first phase discussed above, the company seems to be highly successful), and that it is strongly dependent on fluctuations in the economic context. The evidence offers clear limit to the managerial perspective on CSR, even in the presence of managers who are willing to implement the vision contained in this view. It also shows unambiguously that an insistence on the firm's prerogatives may often act as an obstacle against the emergence of a reflexive law approach, in which all stakeholders take part in the management of employment issues within the firm. In this paper, a model of inter-organisational network governance constructed using the case of TCG, a successful computer supplies group in Australia. *http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8683.1994.tb00049.x/abstract_br)*

The governance structure is model as 'ten-rules' which enable the organization to function and grow. Mathews, (1994) said that:

> "Corporate governance structures and processes have in the main concerned themselves with the issues of control and management of corporate entities, since these seen as a primary form in which economic activity takes place. However, increasingly it is being recognise that economic activity (e.g. R&D, new product development, marketing, and even production) can conduct more efficiently through inter-organisational networks, involving consortia, joint ventures and clusters of various kinds. Study of the governance of such inter-organisational networks is still at a rudimentary stage and will have to build on judiciously chosen case studies." (p. 14).

MOL (1998) published a case study analysis to provide insights into a real governance situation. The authors described the governance structure of the leading company in Eastern Europe and described the information provided by its supervisory board. The case is base on material in the public domain mainly the 1996 annual report and provides without commentary or comment. The authors stated that:

> "All too quickly we tend to interpret governance situations in companies around the world in the light of our experience and make assumptions about the underlying power base, the behaviour of management, the attitudes of directors, the perceptions of the shareholders based on values, beliefs and expectations. In fact, they can be strikingly different. In future case studies we intend to invite the board chairman or other key players in the case to provide commentary," (p. 112).

In a case study of the Supervisory Board of Thyssen Krupp AG and German Corporate Governance Code Commission. Cromme (2005) claimed that; the term corporate governance, and all that it implies is now in everyday use in Germany. Changes in Germany has experienced in recent years, in international business, international finance and German industrial structures. This contribution deals with recent changes in the German system of corporate governance. After a short historical review, the major elements of the international context that form the background for changes in Germany discuss. It follows with an explanation of the German Corporate Governance Code and concludes with a prospectus for further possible developments and a summary of key points. (p. 362). *(http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8683.2005.00430.x/abstract_br).*

2.9 Comply and explain rules of the combined code

According to the authors, governments advocate flexible regulation wherever possible to encourage innovation and economic growth but success depends crucially on regulates' attitudes to compliance. It seeks to improve understanding of the basis on which compliance decisions are made in a corporate context by examining conformance with the principle of 'Comply or Explain,' an essential feature of systems of corporate governance. There are of course; strong reasons to conform to prevailing norms, e.g. to maintain the confidence of investors, but non-conformance does occur. Why do decision-makers consider it essence to conform on some issues in some circumstances, yet not in others? What is the rationale, and to what extent are such decisions internal and strategic, or externally grounded in local culture and traditions? ECGF (2006). (http://www.eciia.org/news/2006/20060306a.php).

To answer such questions, Goncharov, et al. (2006) interviews and compares the responses of senior managers in both the UK and Germany - countries with similar code of corporate governance but different political and legal traditions and corporate structures. (Sanderson 2006; Roberts and Seidl 2007). Alves and Mendes, (2004) stated that several supervisory authorities and governmental working groups issued corporate governance best practice codes for listed companies during the nineties. Using a unique database, the authors analyse the relationship between the level of compliance of the Code of Best Practice issued by the Portuguese Securities Market Commission and the returns of the concerned companies.

The recommendations on the structure and functioning of the Executive Board deserve a particular attention. However, globally, the Portuguese' Code of Best Practice does not have a systematic effect on firm returns. Kole and Lehn (1997) claimed that radical changes over the last decade have focused the spotlight on the principles by which enterprise are governed and advanced. The nineteenth-century legal basis of the Anglo-American governance model appears ill match not only to the realities of the 21st century economy but to a variety of board and company structures composed to create long-term value for shareholders. Plender (2003),

(http://www.corporate_governance_policy_and_company_performance_the_portuguese_case_br)

Kole and Lehn (1997) argue that:

> "There is an assumption within the literature that corporate governance research has adopted a Darwinian view; companies survive because they have optimal governance structures, and diminish because they fail to adapt to the changing environment and requirements. However, for practitioners and scholars alike, corporate governance and board performance are inextricably linked but little understood; Forbes and Milliken state that "understanding the nature of effective board functioning is among the most-important areas of management research," (p. 502).

(http://www.cefage.uevora.pt/en/producao_cientifica/artigos/artigos_publicados_em_revistas_cientificas_seleccionadas_indexadas_no_ranking_do_cefage_ue/corporate_governance_policy_and_company_performance_the_portuguese_case_br)

(McNulty et al., 2005), suggested that qualitative primary research on the dynamics of governance relationships is a necessity, support this. In order to review board performance, and understand more about its link to corporate performance need to know more about behavioural dynamics, the relationships between executive and non-executive directors, and the conduct of the individuals.

2.10 Issues associated with case study research

Darke et al (1998) stated that the organizational and social issues associated with the development, implementation and use of computer-based information systems have increasingly attracted the attention of information systems researchers' interest in qualitative research methods such as action research. The authors claim that Case Study Research and ethnography that focus on understanding social phenomena in their natural setting has consequently grown. Case study research is the most widely used qualitative research method in information systems research and is well suited to understanding the interactions between information technology-related innovations and organizational contexts. Although case study research is useful as a means of studying information systems development and use in the field, there can be practical difficulties associated with attempting to undertake a case study as rigorous and effective method of research. *(http://onlinelibrary.wiley.com/doi/10.1046/j.1365-2575.1998.00040.x/abstract_br)*.

The authors' paper addresses a number of these difficulties and offers some practical guidelines for successfully completing Case Study research. The authors focused on the pragmatics of conducting case study research from the discussions at a panel session conducted at the eighth Australasian Conference on Information Systems, (ACIS 97) from the authors' practical experiences and the case study research literature. This article notes that much case study research focusing on educational inequalities is evaluative in nature, in the sense that it draws value conclusions. Moreover, the evaluative character of these conclusions is often implicated. *(http://onlinelibrary.wiley.com/doi/10.1111/1467-8527.t01-1-00144/abstract)*

According to Fisher and Ziviani, (2004) explanatory case study methodology has been used to research complex systems in the fields of business, public policy and urban planning to name a few. While some have suggested that this might be a useful way to progress complex research issues in health science research, there has been little evidence of this happening to date. Foster et al. (19) argue that:

> "Practical evaluation of this kind is inappropriate in research reports. The legitimate role that values can play in case study research, notably in providing the basis for identifying relevant topics for inquiry and in selecting explanations from among causal factors. Moreover, outline the obligations associated with this position that the non-evaluative character of the conclusions of the research must be emphasising that the value assumptions used to frame descriptions and explanations must be made explicit." (p. 115)

The authors conclude by briefly examining the implications of their argument for educational evaluation, for action research, and for the notion of internal critique that is central to critical research. Using a Case Study approach to describing and analyse the approach taken by four well-known Swedish companies to management control following takeover, Nilsson, (2002) suggested that:

> "Two factors which can explain how the management control systems design and used after an acquisition were the corporate strategy of the acquirer and the

business strategies of the acquired company. The case study shows how these forces could impose mutually inconsistent requirements on the management control system of the acquired firm, and also how these inconsistencies resolved." (p. 71).

In another case study analysis Sikka, (2003: 203), stated that protest groups and political activism are a common feature of modern societies. In the pursuit of rights, justice and fairness, loosely organised protest groups frequently mount resistance to challenge contemporary power relations. Using a case study analysis, the author claimed that:

"In contrast, little is known about the activities of any protest groups challenging the hegemony of the UK accountancy firms who enjoy a statutory monopoly of the external audit function. Against the background of the contested terrain of auditor/accountant liability to third parties, this paper examines the formation and the activities of the Sound Diffusion Action Group (SDAG), which mobilised a group of small UK investors to seek compensation from an accountancy firm for alleged failures. Despite having little financial and legal resource, the SDAG organised nearly 2,000 Court cases to secure compensation. The SDAG's tactics, modes of organisation and engagement, offer some reflections on how ordinary people develop strategies to resist significant organisations. The case study also offers some reflections upon the state - profession relationship."
(http://onlinelibrary.wiley.com/doi/10.1111/1467-6303.00102/abstract_br)

According to Warren, (2007) shareholders are sometimes considering to be in moral terms, the owners of the company. They are after all the carriers of the residual liabilities and bear a higher proportion of the financial risk. However, in company law, the shareholders' responsibility is limited and in economic terms, shareholders are only liable up to the fully paid value of the share certificate they own. Moreover, when the shares are sold the responsibility and risk transfer to the new bearer of the shares. Whether this gap in moral and legal perceptions can be judged to be satisfactory in business ethics terms is a moot point and will be partly explored in this case study which seeks to analyse the shareholder's responsibility towards a firm in which they own shares.

In this case, study, the company chosen as a vehicle to explore these issues is that of Turner and Newall Ltd; a company that subjected its employees, communities and customers to significant health hazard – asbestosis. The paper used the Turner and Newall archive materials to illustrate the moral hazards that can arise for shareholders. In particular, it examined the ethical responsibilities of shareholders towards those stakeholders who were exposing to the dangers of asbestos. Warren, (2007) claim that:

"This case is a significant test of the veracity of the legal system of company control and exposes the ineffectiveness of that system in accountability terms. The case study also deals with specific issues that arose in the asbestos crisis, as well as with more general issues in our present system of corporate governance and shareholder responsibilities," (p. 14).

Spath and Pine (2004) discuss the case study approach to programme evaluation in the human services and its multiple benefits to the evaluator and to the various stakeholders in the programme evaluated. Of particular importance is the use of the Case Study to examine programme processes, which then inform the design of the outcome study of programme effects. Following a brief overview of the case study approach in research and its applications, the authors delineate its benefits and illustrate these using the evaluation of a model programme designed to reunify families separated by a child's placement in foster care.

2.11 Chapter conclusion

This chapter two dealt with the critical review of existing literature with citation of a variety of different sources. It dealt with the origin of the concept of corporate governance and the purpose it tends to serve. The theoretical framework underlying the concept dealt with as well as the role of the various supervisory authorities/agencies. It attempts to be a forerunner to the next chapter (3) where the methodology and other issues with the study of the organization related. This Chapter also reviews research on corporate governance using case study approach. It has examined the use of Case Studies methodology as a qualitative research for the study of management and social issues and problems. The chapter also examined the use of case study analysis to corporate governance delegations in both the UK Combined Code on corporate governance and other countries corporate governance regulations, such as Germany, Europe and the USA. It reviews corporate governance research in the banking and other financial services in Nigeria. Case studies relating to corporate governance research analysed. The previous research studies review here is in the context of the research questions for the thesis. The next chapter will deal with the evaluation of corporate governance theories and practices. *(http://community.cimaglobal.com/blogs/gillian-lees-blog/corporate-governance-questions-you-think-about_br).*

Chapter 3: Corporate Governance Theory and Practice: Regulation of the Stock Exchange

3.1 Introduction

This chapter evaluates corporate governance theories and practices drawn from theoretical, empirical, regulation, implementation and compliances from different countries including Nigeria and other developing countries. Understanding the purpose of corporate governance is perhaps more fundamental to understanding the meaning of corporate governance than any list of actors and institutions. That purpose in any country is threefold: It facilitates and stimulates the performance of corporations by creating and maintaining incentives that motivate corporate insiders to maximize a firm's operational efficiency, return on assets and long-term productivity growth. It limits insider's abuse of power over corporate resources. Such abuse takes the form of insiders' asset stripping or otherwise siphoning off corporate resources for their private use and/or their causing significant wastage of corporate – controlled resources (the so-called agency problems) which are otherwise likely to result from insiders self-serving behaviour.

It provides the means to monitor managers' behaviour to ensure corporate accountability and provide for reasonably cost-effective protection of investors and society's interests vis-à-vis corporate insiders (OECD Report 23). The institutions of corporate governance serve both to determine what society considers to be the acceptable standards of corporate behaviour and to ensure that corporations comply with those standards. Morck (1996) states that corporate governance is a critical determinant of corporations' growth, development and success in this era of globalization and international competition. Authors such as Mallin (2004), Sarra (2003) and Solomon (2004) have made similar findings. Their findings on the concept of corporate governance in corporations view within the financial community in a broader, stakeholder-oriented approach to corporate governance. They opine that companies are accountable to the whole of society, future generations and the natural world.

The concepts of corporate governance seem to suggest that it has a mechanism to address weaknesses in the system. In addition, it seems to have attracted international applicability and respectability (OECD 1999; La Porta et al, 1999) and most interestingly, some links have been established with its effectiveness in relation to its protection of minority shareholders and economic performance as explained by Johnson (1999, p 1),

> “The effectiveness of protection for minority shareholders explain the extent of depreciation and stock market decline better than do standard macroeconomic measures ...we find that corporate governance provide at least as convincing an explanation.” (*http://www.barnesandnoble.com/w/corporate-governance-and-accountability-jill-solomon/1119390211?ean=9780470843659_br*)

In other words, corporate governance theory analysis was just as supportive as any other macroeconomic explanation that put forward; the evidence showed that corporate governance factor had a direct correlation to stock market fluctuations (ibid). Research has proven that a fall in stock market prices is directly related to lack of corporate governance. In addition, when depreciation takes place because of poor governance, usually the minority shareholders withstand the worst of the losses (La Porta et al., 1999). An example is the Russian economy where a number of firms and banks collapsed, and minority shareholders got nothing. Therefore, the literature suggests that corporate governance has made an impact and has earned a certain level of confidence internationally and seems to be held in high esteem as a regulator without legislation.

It proves for this proposal that it has the potential to address weaknesses in existing provisions for minority shareholder protection. Further, explore in the next section. Implicit in this model is the belief that individual entrepreneur’s profit maximisation does maximise the overall economic welfare of society Smith (1775) hence its appropriateness for measuring business objectives.

3.2 Different stakeholders of an organisation

According to this classical approach, the objective of the firm should be to maximize the shareholder's wealth subject to a number of constraints, (Evan, and Freeman, 1974.) The authors are of the view that many benefits represent in the business and that the importance attached to each interest depends on the political system, the attitudes of the community at a time and the bargaining power of the interests at the time. The theory of business finance is base on the assumption that the company should seek to maximize the wealth of the shareholder, but in practice it is recognised that companies do not always make decisions based on this assumption. There is a diversion of interests however in every company. It is trite fact that companies exist within society and owe certain responsibilities to that society or environment in which it operates. In every company, there are people who have an interest or concern in the business. These people are referred to as stakeholders, and they include shareholders, customers, suppliers, the local community in which the company operates and the environment.

Long-term finance - a company can raise long-term finance through a number of ways:

- Through in issue of shares or equity from the Stock Market where both current and new shareholders may take up the offer.
- Through borrowing from Financial Institutions where the company can raise money to finance long-term projects.
- Through the profit of the company made from carrying out its business

Each of the above ways of raising finance will affect the stakeholders of the company in deferent ways, and the company will have to balance the needs of its various stakeholders in order to meet its business objectives. The issue of shares will result to the payment of dividends to both the current and the new shareholders. It means that the company will have less profit to save for future investments and may affect the wages of its workers in terms of increase in wages. Borrowing from financial Institutions will result to increase in interest payments, which again will affect both profit and dividend to shareholders. If the company uses its profit to finance projects, it means that both shareholders' dividend payment and an increase in employee wages will be affected. (Evan, and Freeman, 1974)

Each of these conflicts will affect the company's business if not properly managed by manager. Due to the divergence of ownership and management, control and investment is normally in different hands. The principal-agent relationship brings this about. The managers may not always act in the best interests of the shareholder/owner but his own best interests and may be for their financial benefit. While the owner may want enormous and quick yield in his investment, the manager is more interested in job security, salaries, pensions, executive lifestyles all at the company expense. These are referred to as 'agency costs.' The manager knows that in the event of a takeover of the company, they are at a risk of losing their jobs and will do anything to avoid such takeover while the shareholders will favour a takeover of the company because it will bring about a significant rise in the price of their shares or stock.

An attempt is made at goal congruence by diverging shares in the management through share options, but this does not always yield the required results as the options scheme is usually short term as opposed to the shareholders long-term objectives. Jensen (2001), in his article, the eclipse of the public corporation argues that in certain industries, the clear separation of ownership and control has worked against efficiency and growth. He points out that managers have been putting their interests first in the past 10 to 20 years and that severance agreement contracts and other perks have shown that managers are not taking the investor seriously.

According to Sun (2002), the debate on the conflict between the stakeholders follows the four major corporate governance models:

i. **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 they - the shareholders are the owners of the company and bear the highest risks but have created an agency problem.
ii. **The myopic market model** (Charkham, 1989; Sykes, 1994) with the purpose also for the maximisation of shareholder's profits but is a concern with short-term market value.
iii. **Executive power model** (Hutton, 1995; Kay and Silberston, 1995) which leads to the maximisation of corporate wealth as a whole but creates the problem of abuse of executive problem for their self-interest.

iv. **The stakeholder model,** (Freeman 1984; Blair 1995) which leads to the maximisation of stakeholders' wealth but also creates absence of stakeholders' involvement.

The first two models can be group into the shareholder model and focus on maximisation of shareholders' wealth. The last two models makeup the Stakeholder Model and are focused on maximisation of stakeholder or corporate wealth. Freeman (1984) stated that: "A stakeholder in an organisation is (by definition) any group or individual who can affect or is affected by the achievement of the organisation's objectives." The author argues that no one group prevails to the extent that they exclude the interests of any other group. When a company thus wants to raise long-term finance, all these stakeholders will be affected.

Friedman (1970) said that:

> "there is one and only one social responsibility of business – to use its resources and to engage in activities designed to increase its profits as long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud," (p. 7)

The shareholder is the principal owner of the company and bears all the risk if the company is not doing well. Shareholders bear more risk than other stakeholders. They also benefit more than other stakeholders do when a company is doing well through the payment of dividends and capital gains in the event of selling their shares in the company.

Stakeholder theory: The proponents stated "the very purpose of the firm is … to serve as a vehicle for co-ordination of stakeholders' interests" (Blair 1995; Evan and Freeman 1974; Sherwin 1983). The method is base on the assumption that an organisation, as opposed to an individual, possesses moral status and therefore has to act in a morally responsible manner. Corporate governance is also about guiding management through the most-acceptable way of achieving their companies' objectives whether those objectives are shareholders or stakeholders as long as management keeps within the rule of the game (Friedman 1970).

Hampel Committee Report (1998: 3) stated "Corporate governance must contribute both to business prosperity and accountability." As the OECD declares, boards should treat all the corporation's shareowners equitably and should ensure that the rights of all investors "including minority and foreign shareholders" are protected. Corporate Governance is a generic term describing the ways in which responsibilities distributed among the various corporate bodies according to the rules, processes or laws they are subject to.

According to Michie and Oughton (2005:518):

> "Corporate governance in the UK is regulated by Company Law and codes of corporate governance such as The Combined Code and The OECD Principles. The UK is seen internationally as the birthplace and frontrunner of modern corporate governance. In the UK, although compliance with company law is obligatory, compliance with best practice codes of corporate governance such as the Combined Code is voluntary, and companies listed on the London Stock Exchange must either comply with the code or else, explain any instance of non-compliance in their Annual Report. The rationale for this self-regulatory process is that good corporate governance brings benefits to companies in terms of engendering the trust of investors and improving corporate performance. Firms will, therefore, find it in their own best interests to comply with the code unless there is a good reason not to do so which can be explained to shareholders in the company's statement of compliance. Since the Combined Code was first introduced in 1998, the degree of compliance as measured by the proportion of companies adopting best practice has increased tremendously and represents an improvement in governance standards."
> (http://onlinelibrary.wiley.com/resolve/doi?DOI=10.1111/j.1467-8683.2005.00446.x_br)

A company that did not comply with the Code provisions or complied with only some of the provisions or (in the case of provisions whose requirements are of a continuing nature) complied for only part of the accounting period must specify the Code provisions with which it has not complied. The company is required where relevant to state what time such non-compliance continued and give reasons for any non-compliance. The statement required by paragraph (i) is referred to as the 'appliance' statement. While the statement required by paragraph (ii) refer to as the 'compliance' statement. The Listing Rules require not just disclosure that has or has not been complied with but a reasoned explanation of non-compliance in respect of each instance of non-compliance. This approach forms the basis of the "comply or explain" principle because without adequate explanation in the event of non-compliance there can be no possibility of the market evaluating whether or not it is justify.

However, it could be asked why the disclosure the best way to pursue this objective? Particularly when there is already a well-developed body of law (in the form of fiduciary duty) that has as one of its primary objectives controlling the (inevitable) "principal-agent" conflicts that arise in companies. One answer is that the fiduciary duty appearing from reported cases as strictly formulated duty is essentially an ex-post standard. The courts applied this by assessing the conduct of directors and others who may find themselves in circumstances in which their personal interest conflicts with that of their company (Hansmann and Kraakman, 2004).

According to the authors:

> “The essence of any ex-post standard is that its precise content in any given circumstances remains subject to some uncertainty until there has been an adjudication. By way of contrast, the relatively precise requirements of the Combined Code can be considered an example of ex - ante rules. They attempt to control "principal-agent" issues ex-ante by creating board structures and procedures that will minimise the likelihood of any question of breach of fiduciary duty arising. As rules, they are more precise than the more broadly formulated standard of fiduciary duty (albeit narrower in scope), with the result that they direct companies and directors more clearly towards compliant conduct.” (Hansmann and Kraakman, 2004:22).

The role of Capital Market in assessing the adequacy of the company’s corporate governance practices through the 'comply or explain' principle is the base on the assumption that the market will monitor compliance with the code and will either. (a) Penalise non-compliance through lowering share prices (Easterbrook and Fischel 1996) or (b) Accept (for whatever reason) that non-compliance is justify in the circumstances (Anand, 2005). Companies have an incentive to comply because the code (at least in the United Kingdom) represents the view of institutional investors as to best practice and therefore the onus is on a non-compliant company to justify its position. A decision to comply is likely to carry benefits for a company's share price (Mallin, 2001). A decision not to comply will reflect both the cost (in the broad sense) associated with compliance as well as the credibility of the sanctions that are likely to be impose. The high cost of compliance may well create an expectation within a company that investors may not be happy.

3.3 Monitoring compliance

The disclosure obligation contained in the Listing Rules provides a mechanism whereby outsiders such as investors and analysts can observe and monitor compliance with the Combined Code. However, this is not to say that compliance is an objective matter on which all observers should agree. There is, for example, considerable divergence between the percentages of the companies who consider themselves to be fully compliant (47 per cent) with the Code and those whom Pensions Investment Research Consultants Ltd (PIRC, 2004) regard as fully compliant (34 per cent). Moreover, not all aspects of the Code are capable of independent verification. This point carries implications for the operation of the "comply or explain" principle.

A company that believes that it complies with the Code but in reality does not, will not provide a non-compliant statement and therefore the market will not be called to exercise judgment in relation to that issue - at least not immediately. However, it seems likely that the market will discover covert non-compliance over time. The main effect of differing views of compliance between companies and outsiders is to delay rather than to prevent a finding of non-compliance.

Disclosing non-compliance - Two views relate to the scale of non-compliance with the Combined Code. One view is that the non-compliance is a substantial problem because less than half of companies are fully compliant with the Code. According to PIRC 2004 report (covering FTSE All Share companies) only 34 per cent of companies were fully compliant. It suggests two possibilities, - the first is that the 'comply or explain' principle is working well and delivering flexibility to listed companies in respect of their governance practices. It infers that the market was performing the substantial task of judging the merits of the (many) instances of non-compliance. A second and more disturbing possibility is that the market is not particularly concerned about non-compliance and that there are no credible sanctions.

An alternative view of the scale of non-compliance is that in respect of any particular provision of the Combined Code, non-compliance is relatively low. According to PIRC's 2004 Review, there is no provision in respect of which compliance falls below 80 percent and there are several in respect of which it is quite close to 100 per cent. On this view there remains a number of problematic issues (such as a full independent remuneration committee, directors' contracts to be one year or less), but not a systemic problem of non-compliance. A research report from the accounting firm Grant Thornton’s (2003) on FTSE 350 companies suggested that the scale of compliance with the Combined Code on corporate governance is higher which suggests that 54% of companies were fully compliant.

Reporting Non-compliance **-** The objective of the "comply or explain" approach is to allow investors to make an informed assessment of whether non-compliance justify in the particular circumstances. An assessment that it is justified would presumably follow by acceptance of the governance arrangements put in place by the relevant company (no action) whereas an assessment that it was not justified would ultimately lead to calls (backed by votes at shareholders' meetings) for the company to "fall into line". Applying this rationalisation of the process by which comply or explain rules operate to the disclosure made by companies is not straightforward however. The main reason is that non-compliance disclosures made by companies are often extremely brief and uninformative. PIRC (2004) commented that:

> "Whilst in our experience explanations for areas of non-compliance have improved, they still tend often to represent little more than a statement of the board's disagreement with a provision's appropriateness for the company that is an unacceptable response in our view," (p. 9).

- They either report no more than the fact of non-compliance or present reasons that are so sparse as to give rise to serious doubt over whether investors could engage in the sort of assessment referred to here. A good example is WM Morrison Supermarkets PLC, which has a long record of non-compliance. Its statements regarding failure to appoint non-executive directors have been as following:

- 1994 to 1995 – The company does not have any non-executive directors. Whilst there are no immediate plans to alter the board structure, the directors will be mindful of the code of best practice in this regard and will review the situation from time to time.

- 1996 – The company does not have any non-executive directors (as required by paragraph 1.3 and section 2 of the code) as the board is currently of the opinion that there is no commercial benefit in appointing them. Whilst there are no immediate plans to alter the board structure, the directors will be mindful of the code of best practice in this regard and will review the situation from time to time

- 1997 to 1998 – The Company does not have any non-executive directors (as required by paragraph 1.3 and section 2 of the code) as the board is currently of the opinion that there is no commercial benefit in appointing them. The directors are mindful of the code of best practice in this regard and will review the situation from time to time.

- 1999, 2000, 2001, 2002, 2003 – The board is made up entirely of executive directors as the board is currently of the opinion that there is no commercial benefit in the appointment of non-executive directors.

- 2004– The company does not have any non-executive directors on the board (A.2.1, A.3.1, A.3.2, A.6.1). The directors are mindful of the provisions of the Combined Code in this regard and regularly review the situation. Since the takeover of Safeway in 2004, Morrison has appointed two independent non-executive directors. This process of "falling into line" can be linked with underperformance in the share price since the completion of the takeover.

These statements provide very little in the way of reasoned explanations for non-compliance with the central provisions of the Code regarding the balance of the board of directors as between executives and non-executives. The reference to commercial benefit is a rather opaque comment and seems overly dismissive of the accountability objective of the Code provisions. If the objective is to communicate that financial performance of the company is likely to be better without non-executive directors, the basis for such a belief is made clear. In short, an investor faced with disclosure of non-compliance in this form would be unable to engage in any serious evaluation and therefore be faced with either accepting the judgment of the board or concluding that non-compliance was unjustified. Moreover, given the restrictions imposed by the law relating to insider dealing and market abuse, it is unlikely that an investor or analyst would be able to gain access to non-public information that would provide the basis for a reasoned assessment of non-compliance.

European Forum Clarifies 'Comply or Explain' Principle - The European Corporate Governance Forum (ECGF) that examines best practices in Member States on corporate governance has issued a public statement clarifying the 'comply or explain' principle that obliges companies to justify any deviation from corporate governance codes. Internal Market and Services Commissioner McCreevy (2006:2) said:

> "The principle of 'comply or explain' is a central element of EU corporate governance. So it is important to have a common understanding of the principle's scope and of the conditions that need to be put in place for it to work effectively. I welcome the Forum's findings that will help everyone to approach these questions in the right way."

> The comply or explain principle forms the basis of the European code-based approach to corporate governance. It provides for more flexible and efficient market-led regulation. However, there is an agreement that 'comply or explain' can work only if its surrounding regulatory framework ensures that companies respect the obligation to give reasons for deviations from the applicable corporate governance codes. The forum has, therefore, undertaken to define in more detail the advantages and the limits of the 'comply or explain' principle from a European perspective. As a first step, it has now adopted a standard statement on the fundamental, principles that guide the system of 'comply or explain.' *(http://www.eciia.org/news/2006/20060306a.php).*

Compliance with the German Corporate Governance Codes - Since 2002, company law requires listed German corporations to declare their degree of conformity to the German Corporate Governance Code (GCGC). Cioffi (2002) examines whether there is a pricing effect connected to the declared degree of compliance for a sample of (big) publicly traded German companies listed in the DAX 30 and MDAX. The author finds that the degree of compliance with the Code is value-relevant after controlling for endogeneity bias. It shows that the capital markets find the rules in the code meaningful and that there is capital market pressure to adopt the Code regulation.

The findings also suggest that the capital market fills a possible power vacuum resulting from the withdrawal of commercial banks from their (former) influential role in the German insider control corporate governance model. Insider control and extensive stakeholder orientation are hallmarks of the traditional German corporate governance model, (Franks and Mayer 1994; Schmidt 2003). Until recently, banks, stockholders and employees (or their representatives) formed a governing coalition (Hackethal et al, 2005).

> "Parallel to the integration and internationalisation of financial markets, mistrust arose based on the peculiarities of the German corporate governance system such as co-determination, supervisory boards and the governance role of banks. The effectiveness of the system's strong reliance on monitoring by banks as particularly problematic," (Cioffi, 2002:359).

According to Goncharov et al, (2006) several accounting scandals finally triggered legal reforms such as the 'Law for the Strengthening of Control and Transparency' (KonTraG) from 1998 extending the role of the supervisory board the 'Law on Transparency and Disclosure' (TransPuG). Others included sanctioning inter alias a corporate governance code or the 'Accounting Enforcement Act' (BilKoG) from 2002 to 2004 and established additional outside supervision of company accounts. These moves to improve transparency and investor protection enhanced the position of outsiders such as smaller investors, who did not have any significant influence in the traditional system of German corporate governance (Kothari and Zimmerman 1995). Vitols, (2005: 386) stated that;

> “The withdrawal of big commercial banks from their former influential governance role may instigate further change. The financial architecture of German firms made the system of governance extensively bank- and not market-based. The retreat of banks may thus leave a "control vacuum" should legal reforms such as the strengthening of supervisory boards and improvements in transparency and investor protection prove to be ineffective.”

Hackethal et al. (2005) doubt that the capital market plays a disciplining role. If their view holds, the German system of corporate governance will be in poorer shape than before with bank control gone and no other effectual mechanism in place. In their research (Cromme, 2005: 364) examined the German corporate governance code with its essential function of creating transparency and argued that:

> “There are signs the capital market plays a disciplining role in German corporate governance. Analysing the relationship between market-based business valuations and company data find that the capital market prices the extent of compliance to the German Corporate Governance Code. It shows that fears of a "control vacuum" are exaggerated – and it indicates success in the move towards a more market-based system of corporate governance in Germany.”

3.4 Non-Executive Directors (NEDs)

Non-executive directors have a wider role in the new Combined Code for corporate governance in the UK following Higgs Committee Report in 2003. The report stated that as members of a unitary board, all directors are responsible for the collective decisions of the board. In addition to the above requirements for all directors, the role of the non-executive director has other essential elements including:

- Providing entrepreneurial leadership of the company within the framework of prudent and effective controls that enable risk to be assessed and managed;
- Setting the company’s strategic aims, ensuring that the necessary financial and human resources are in place for the company to meet its objectives and review management performance and
- Setting the company’s values and standards and ensuring that its obligations to its shareholders and others are understood and met.

They also include challenging and helping to develop the company’s strategy and to scrutinise the performance of management in meeting agreed goals, objectives and monitored the reporting of performance. For the company’s risk, Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. Non-Executive Directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and where necessary removing executive directors, as well as succession planning.

Higgs Report stated that:

> "Non-executive directors should constantly seek to establish and maintain confidence in the conduct of the company. They should be independent on judgment and have an enquiring mind. To be effective NEDs need to build recognition by executive of their participation in order to promote openness and trust. To be effective NEDs need to be well informed about the company and the external environment in which it operates, with an active command of issues relevant to the business. A non-executive director should insist on a comprehensive, formal and tailored induction. An effective induction need not be restricted to the boardroom, so consideration should be given to visiting sites, meeting senior, and middle management. Once in post, an effective NED should seek continually to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed relevant." (2003 p. 63).

The system recommends that to avoid any conflict of interest between Non-Executive Directors and the company they are appointed their service contracts should not exceed three years without shareholders' approval. Their total emoluments and those of the chairman and the highest paid UK director should be fully disclosed and split into their salary and performance related elements. These conditions were set to enable NEDs to be independent and not to compromise their independence because of financial reward. Firms must comply with the code of best practice or show reasons why they have chosen an alternative approach to best practice. They are required to follow the principles entrenched in the code of best practice or explain why they have not complied with it. They are required to write a company statement showing where they have practiced 'best practice' and where they have departed or deviated from the voluntary requirement.

Each company is not only different from each other, but they are also equally unique and separate entities from one another. The circumstances surrounding each group can be said to be different, unique and continually changing. The Combined Code was made flexible and voluntary to accommodate their various individual circumstances. A fundamental dilemma of corporate governance is that companies with larger shareholders tend to have an increased managerial discretion and greater scope for abuse. Rake (2004) is of the view that the deliberate elastic philosophy of the voluntary disclosure of the principles will not work in an environment where investors or quasi-regulatory bodies are simply telling companies to comply.

The author adds further that; “A principled rather than legislative governance framework will always require the commitment of institutional shareholders to devote the time necessary to access every company’s explanation, suggesting that there should be a fair balance between compliance and strategy.” (Keenan (2004: 172) is of the view that a significant number of FTSE 100 companies in the UK are already in compliance with many of the recommendations of the Higgs Report. Some areas of weakness relate to the poor utilisation of nominating committees, the lack of performance evaluation of the board and its members and the paucity of non-executive induction programmes and continuing education. The Higgs Report recommended revising the Combined Code in order to strengthen compliance in the areas of shortfall mentioned stated above.

Most of the criticism levelled at the Higgs Review concerns the role of the person appointed as the senior non-executive director. Many FTSE 200 companies have already appointed one non-executive director so the controversy boiling up around the Higgs Review is the role of such a figure, especially vis-à-vis the chairman. The recommended role of the senior non-executive as one of meeting with large shareholders has caused the most outcry. Dewing and Russell (2004: 107-8)   posit in their work that:

> “The FSMA 2000 is an elaborate and detailed piece of legislation and the FSA is a large and powerful institution. The FSA could involve in the regulation of corporate governance since regulation of financial services firms might be used as a model for corporate governance regulation. The FSA, in its role as the UK Listing Authority (UKLA), could assume responsibilities for active monitoring of, and enforcing compliance with, corporate governance codes. Indeed, firms and individuals in the financial services industry are already subject to considerable corporate governance constraints, although not discuss in such terms.”

To illustrate the governance nature of the arrangements, statements on high-level standards from the FSA Handbook of Rules and Guidance include a Statement of “Principles for Businesses” applicable to authorised firms.   This work will look at the impact of the ‘comply or explain’ principle on companies. Has the compliance had any effect on the companies? Has their explanation on non-compliance had any effect on the companies and their governance? How will it affect the companies in the near future? Who makes sure the company complies? (Dewing and Russell 2006). The Association of British Insurers (ABI’s) Institutional Voting Service (IVIS) in 2005 conducted research into compliance (based on companies’ assessment) with the Higgs Code. Based on 336 annual reports analysed in 2005, key findings include:

i. 45% of FTSE 100 companies and 30% of All Share companies have reported that they comply fully with the new Code. It compares with compliance rates of 70 % and 57 % respectively with the old Code last year.

ii. Of the FTSE 100 companies that do not fully comply, 12% confirmed they were introducing measures to bring them into full compliance.
iii. While 21% said, their reason for non-compliance was that they did not yet meet the Code's provision requiring that half the Directors excluding the chairman should be independent non-executives.
iv. Only 12% of the non-compliant All Share companies failed to conduct a Board performance evaluation, and only 12% of companies in the same group still have no Senior Independent Directors. Ever since the introduction of the Comply or Explain rules, there has been a keen desire on the part of the boards and companies as a whole to adhere to compliance with the Code as well as try to stick close to as much as 100% compliance.

3.5 Theoretical frameworks for corporate governance

Solomon (2004) is of the view that the stock market provides the means for companies to raise capital by selling shares to both individual and institutional investors who become shareholders. The shares bought by the investors become financial securities traded on the stock market. Company's shares are usually offered to willing investors through private placements or public offer. Either way, this represents the only time the company receives any funds as its shares are being sold for the first time. From a theoretical viewpoint, an investor does not jeopardise his entire wealth in buying the shares of a particular company.

Rather, he has succeeded in becoming a part owner of the investee company without necessarily having a hand in the day-today running of the company. Company directors to whom funds are entrust perform the task of running the company. Before the development of capital markets, companies mainly relied on borrowed finance from wealthy individuals. The same people who owned them ran the companies. There was a need for meaningful growth in the economy as economic activities evolved as well as the need for companies expansion.

In other to achieve this, different investors had to provide money for companies. This development gave birth to the principle of limited liability which means that investor/shareholders are not responsible for the debts of the companies in which they invest. Limited liability encouraged investors to buy shares as they only stand to lose their investment, not their entire wealth in an instance where the company collapsed. Limited liability is the salient feature of today's stock markets which have encouraged investors to buy shares thereby ensuring a steady flow of external finance for companies (Solomon 2004).

3.6 Theoretical issues on corporate governance: the agency theory

Simply put, the agency theory deals with the operational relationship existing between one parties, the principal, whom delegates work to another party referred to as an agent. The works of Berle and Means (1932), Prias (1976) and Ross (1973) discussed the extent to which there was a dispersion of shareholding, which consequently led to the separation of ownership and control particularly in the USA. In discussing the theory further, Jensen and Meckling (1976) defined the managers of the company as the agents and the shareholders as the principal. According to them, there exists only one shareholder, versus the managers. In other words, a shareholder who is the owner or principal of the company delegates the day-to-day decision-making in the company to the directors, who are the shareholder's agents.
(http://www.iiste.org/Journals/index.php/RJFA/article/download/13582/14333_br)

However, one problem often associated with this system of corporate ownership is that agents do not necessarily make decisions in the best interests of the principal (Solomon 2004:14). Moreover, according to the studies by Mallin (2004), it is useful to be aware that the agency relationship can also cover various other relationships including that of company and creditor and employer and employee. The emphasis nowadays is on shareholders, and particularly on institutional shareholders to act more like owners and not just as shareholders. The need for active shareholders who act as owners has come about because there have been numerous cases of corporate excesses and abuses. The perceived overpayment of directors for poor performance, corporate collapses and scandals lead to corporate pension funds being wiped out and shareholders losing their investment. The call for improved transparency and disclosure embodied in corporate governance codes and International Accounting Standards should improve the information asymmetry situation so that investors are better informed about the company's activities and strategies.

3.7 Transaction cost theory

Cyert and March (1963) tries to see the film not as an impersonal economic unit in the world of perfect markets and equilibrium but as an organisation comprising people with differing views and objectives. Transaction cost theory is because firms have become so large that they in effect, substitute for the market in determining the allocation of resources. Indeed, companies are so large and so complex that price movements outside companies direct production and the markets co-ordinate transactions. Coase (1937) is of the view that within companies, such market transactions are removed and management co-ordinates and controls production. Williamson (1984) states that transaction cost theory views the firm as a nexus of contracts.

Essentially, Mallin (2004) sees the latter mean that there is a connected group or series of agreements among the various players arising from the contract. It is seemingly impossible to have a contract that perfectly aligns the interests of principal and agent in a corporate control situation. As firms have grown in size, whether caused by the desire to achieve economies of scale, by technological advances or by the fact that natural monopolies have evolved, they increasingly require more capital. Such capital needs to from the capital markets from a wider shareholder base. Mallin (2004) observes that Williamson (1984) work stated that all changes that improved managerial technique will tend to increase the size of the firm.

Williamson (1984) provides a justification for the growth of large firms and conglomerates that essentially provide their internal capital market. He states that the costs of any misaligned actions may be reduced by judicious choice of governance structure rather than merely realigning incentives and pricing them out. Solomon (2004) states that traditional economics considers all economics agents to be rational and profit maximisation to be the primary objective of business. Conversely, transaction cost economics attempts to incorporate human behaviour in a more realistic way. In this paradigm, managers and other economic agents practice bounded rationality that defined by Simon (1957) as behaviour that was intentionally rational, but only limitedly so.

Hart (1995) states that there are a number of costs to contract between principal and agent which include the cost of thinking about and providing for all the different eventualities that may occur during the course of the contract. The cost of negotiating with others and the costs of writing the contract in an appropriate way so that it is legally enforceable. These costs tend to mean that contracts are apt to be incomplete in some way, and so contracts will tend to be revised as and when any omissions or required changes come to light.

3.8 The stakeholder theory

Studies by Pearce (1982), Freeman (1984), Hill and Jones (1992) give a definition of stakeholder theory that stipulates that companies are so large and their impact on society so pervasive that they should discharge accountability to many more sectors of society than solely their shareholders should. Solomon (2004) is of the opinion that there are many ways of defining stakeholder theory and stakeholders depending on the user's disciplinary perspective. One commonality charactering all definitions of stakeholders is to acknowledge their involvement in an exchange relationship. Companies do not only affect stakeholders, but they in turn affect companies in some way. Mallin (2004) states that shareholders and stakeholders may favour different corporate governance structures and also monitoring mechanisms.

Jensen (2001) said that traditional stakeholder theory argues that the managers of the firm should take account of the interests of all stakeholders in a firm but because theorist refuses to say how the trade-offs against the interest of each of these stakeholders groups. There are no defined measurable objectives, and this leaves managers unaccountable for their actions. Jensen, therefore, advocates enlightened value maximisation that he says is identical to enlighten value stakeholder theory (Mallin 2004: 14).

Jensen (1993: 831) states that

> " The enlightened value maximisation utilises much of the structure of the stakeholder theory but accepts maximisation of the long run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders…and, therefore, solves the problems that arise from multiple objectives that accompany traditional stakeholder theory."

3.9 The effects of corporate governance on development

Corporate governance is often thought to be important for companies with publicly traded shares that seek to raise capital from outside equity investors. The Organisation for Economic Co-operation and Development (OECD 2004) is of the view that well-governed companies should be able to raise such finance at significantly lower cost. While companies that are poorly governed will have risk-premium added to the funds for those investors expected to invest in such companies at all. In developing countries, the widespread preponderance of smaller firms that do not have listed shares and of large family-owned, state-owned and/or foreign-owned companies whose shares are also not widely traded locally is an important reason the potential importance of corporate governance was long ignore. Perceptions that corporate governance are of little importance for countries that do not have many companies with widely traded shares is wrong. (Oman and Buiter, 2003) on OECD Report (http://www.oecd.org/dev)

The authors' view is that such perceptions are wrong because the institutions of corporate governance lie at the heart of one of the greatest challenges that virtually all developing change are emerging. The market economies now face how to move successfully from institutions of economic and political governance that tend to be heavily relationship based to institutions that are more effective rules based. This move is particularly important and difficult both because of corporate insiders' widespread ability in developing, transition and emerging – market economics to exploit other investors and generate corporate control rents (the expropriation problem). As a result of the widely damaging effects in those countries of negative – sum game rivalry among powerful interest groups entrenched in local structures of political and economic power groups. The members of such groups often include insides in large state-owned and/or privately owned corporations, (Oman and Buiter, 2003).

The combined effects of the expropriation problem and vested – interest – groups' negative-sum game behaviour seriously hinder long – term productivity growth and restrain long-term development, in many developing, transition and emerging market economies. The OECD Report (Oman and Buiter, 2003: 8) stated that:

> "the importance of corporate governance thus extends well beyond the corporate sector in developing, transition and emerging markets economies. Corporate governance matters not only because the health of the country's corporate sector matter for the country's entire economy. The quality of a country's institutions of governance, of which those of corporate governance now constitute an integral part, matters greatly for national development. The ability to move from relationship – based to predominantly rules – based systems of corporate as well as public governance is central to the success of the long – term development process in all countries."

3. 10 Definitions of a corporation

Morck (1996) states that corporate governance is a critical determinant of corporations' growth, development and success in this era of globalisation and international competition. Donaldson (1982), Monks and Minow (2004) hold that a corporation's key feature is its ability to draw its resources from a variety of groups and establish and maintain its persona separate from all of them. Mallin (2004) made similar findings. Sarra (2003) and Solomon (2004) are of the opinion that the concept of corporate governance in corporations is view within the broader level of accountability to shareholders and other stakeholders in the financial community in a broad, stakeholder – oriented approach to corporate governance. They consider that companies are accountable to the whole of society, future generations and the natural world. In reality, the practice and application of the principle of corporate governance presuppose the existence of a corporation.

Various attempts at defining corporation as a term mirror the views and prejudices of those giving the definitions. According to Monks and Minow (2004) a business corporation is an instrument through capital is assembled for the activities of producing and distributing goods and services and making investments. Accordingly, the basic premise of corporation law is that a business corporation should have as its objective the conduct of such activities with a view to enhancing the corporation's profit and the gains of the corporation's owners who are the shareholders. Monks and Minow (2004) defines a corporation as a mechanism established to allow different parties to contribute capital, expertise and labour for the maximum benefit of all of them. The investor gets the chance to participate in the profits of the enterprise without taking responsibility for the operations.

The management gets the chance to run the company without taking the responsibility of personality providing the funds. In order to make both of these possible, the shareholders have limited liability and limited involvement in the company's affairs. That involvement includes at least in theory, the right to elect directors and the fiduciary obligation of directors and management to protect their interests. The corporation as an independent entity must relate to a wide variety of constituents including its directors, managers, employees, shareholders, customers, creditors and suppliers as well as the members of the community and the government. Each of these relationships itself has a variety of constituents. The corporation's relationship to its employees varies depending on the circumstances: whether or not they are members of a union, whether or not they are pension plan participants.

A study of the connection of those relationships to the corporation and to one another. One of the main attributes of the corporation is that they have a separate identity of their own. Thus, corporations have a life and even citizenship of their own with attendant rights and powers. In Nigeria, as in other economies, corporations are viewed as persons within the meaning of the country's constitution. Mace (1986), Friedman (1962) and Monks and Minow (2004) are of the opinion about world that the corporation exists tend to look at corporations from the viewpoint of what the stakeholders want and need from them. According to Monks and Minow (2004), a continual sense of progress and growth from corporations. The company should include the interests of all stakeholders of the business whether as an employee, shareholder, customer, supplier, creditor or neighbour, to be a design for the long-term.

3.11 Corporate governance mechanism in the Nigerian Stock Exchange

In Nigeria, various institutions and individuals are charged with the responsibility for ensuring effective accountability of public companies. The following pages will be devoted to discussing their respective roles. The Nigerian Capital Market is not as sophisticated and does not necessarily function as those in the developed world. The activities of the various business enterprises operating in Nigeria impact the economy in many ways, therefore, there are measures to control them in order to ensure that they operate in the best interest of the various stakeholders. Okike (1999), through the promulgation of various laws affecting the management and control of business enterprises in Nigeria, the Federal Government of Nigeria (FGN) plays a key role in corporate governance.

The main legal framework for corporate governance in Nigeria is the Companies and Allied Matters Act (CAMA) 1990, which replaced the companies Act 1968. Cuervo (2002), suggest that models of corporate governance within each country have to change over time to reflect the changes in these corporate and cultural environments. The Report on the Observance of Standards and Codes (ROSC, 2004) prepared by a team from the World Bank in 2003/2004 concluded that the accounting and auditing practices in Nigeria suffered from institutional weaknesses in regulations, compliance and enforcement of standards and rules, (Okike 1999). Another Governments' monitoring agencies is the Corporate Affairs Commission (CAC).

3.12 Function of the corporate affairs commission

The Corporate Affairs Commission (CAC, 1990) is a charge with the responsibility of overseeing the regulation and supervision of the formation, incorporation, registration, management and winding up of companies. All companies are required to submit their audited financial statements to the CAC within 42 days of the annual general meeting. However, small companies may deliver modified statements and balance sheets to the CAC. The CAC is to provide information about any company in Nigeria on request through its wide area Network System. Wallace (1987), found that some companies and even auditors do get away with flouting company law. ROSC (2004) found that the CAC lacks the capacity to fulfil its monitoring function adequately. There is no rigorous enforcement of timely filing, and the financial statements of non-listed public companies are not readily available. The ROSC report called for a quick and thorough review of existing legislation to make CAC alive to its responsibilities (Okike 1999).

3.13 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. Established by Decree No. 71 of 1979, which took effect retrospectively from April 1978. It plays a crucial role in corporate governance in relation to 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 Degree NO. 45 1999 (Now the Investment and Securities Act of 1999). This Act was promulgated to make the investment climate in Nigeria more attractive to foreign investors. Yasaki (2002), 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 stock braking and other intermediaries. 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 Organisation of Securities Commissions (IOSCO), the SEC is keen to promote high standards of regulation in order to maintain a sound and efficient securities market in Nigeria. Consequently, it has an Enforcement and Compliance Department which is responsible for administering the Commission's Enforcement Program. There would appear to be evidence of some enforcement actions against individual organisations and individuals for a number of violations of the Investment and Securities Act (ISA) 1999.

However, these enforcement actions have focused on stocks and shares dealings, including rights of individuals to bonus shares, (Okike 1999). 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 state institutions with the prime function of stimulating domestic and attracting foreign investment.

3.14 The Nigerian investment promotion commission

The decision whether to invest in a country is never an easy task. It requires crucial information, research and planning. The Nigerian Investment Promotion Commission was set up to support investors who want to invest in the capital market. (NIPC, 2006). The NIPC is an indispensable ally of potential foreign investors. The NIPC is task with overcoming the bureaucratic and institutional red tape that had previously discouraged foreign investors especially from taking advantage of Nigeria's wealth of opportunities. A one-stop necessity for potential investors, it serves as a central investment approval agency, streamlining the activities of ministries, government departments and agencies involved with investment promotion. It helps in matters such as registration or incorporation of foreign enterprises, obtain expatriate quotas or find out specifics about the different tax regimes for sectors like cargo, oil or mining.

3.15 Functions of Nigerian investment promotion commission (NIPC)

It also serves as a catalyst for injecting the much-desired foreign capital into Nigerian economy through investments. It allows foreign and local investors wishing to own up to 100% shares in investments in the country. It also encourages and promotes competition in the economy. The NIPC performs the following functions:

- Advices government or policy issues related to investment.
- Guarantees transferability of profits and other funds by investors.
- Guarantees the protection of foreign interests in Nigeria against expropriation.
- Initiates organize and participate in promotional activities such as trade fairs, exhibitions, workshops, conferences and seminars to stimulate and attract investment.
- Identifies difficulties and problems encountered by investors, proffer solutions and render assistance to them.

As well as the functions enumerated above, the NIPC provides the services listed below to interested investors and prospective investors

3.16 Services provided by the NIPC

- Provide up-to-date information on investment opportunities available in the country.
- Links foreign investors with local partner.
- Provides information on available incentives for investment.
- Issues business permits to foreign investors.

- ❖ Coordinates the issuance of expatriate quota,
- ❖ Negotiates in consultation with appropriate government agencies, specific incentive packages for investors.
- ❖ Enters into a bilateral agreement with investors for the purposes of investment protection.
- ❖ Identifies particular project and invites interested investors to partake in them.
- ❖ The facilitating role played by the NIPC requires the presence of a functional stock exchange to enable investors have the opportunity of investing their funds. (NIPC Handbook 2006)

3.17 The role of the Nigerian Stock Exchange market

The Nigerian Stock Exchange (NSE) as a Self-Regulatory Organisation (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 system as set out by the Central Bank of Nigeria (CBN). This code has the force of law behind it. It 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 operates and decide whether to adopt one backed by law.

The CBN code on corporate governance supported by the law 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 imprisonment of up to ten years. In Nigeria, even under the stricter CBN code, failure to certify accounts does not attract a criminal penalty. The Sarbanes – Oxley Act provides some protection for whistle-blowers but in Nigeria, any whistle-blower 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 corporate governance regime within a broader framework as defined by the SEC/CAC code of best practices 2003.

The Nigerian Stock Exchange has endeavoured to create an enabling environment for all quoted and quotable companies by doing the following:

- ❖ Upgrade to international standard of the facilities available at the Exchange (on-line real time trading, T+3 settlement cycle)
- ❖ Innovations in the checks and balances for smooth share transmission like Trade Alert.
- ❖ Availability of cross border listing due to signed MOUs with Ghana Stock Exchange (GSE), New York Stock Exchange (NYSE), Johannesburg Stock Exchange (JSE)
- ❖ Organise factory visits and presentation of facts behind the figures of quoted companies.
- ❖ Comprehensive listing requirement which is continuously being updated (NSE Year Book 2006)

The Nigerian Stock Exchange in its efforts to create a level playing field for all quoted companies created disclosure requirements for both markets (1st and 2nd tier market), and these come under the post listing requirements. Appendix iii of the NSE Green Book outline the requirements that every quoted company should be aware.

According to the latest McKinsey Quarterly (2008) survey on governance,

> "Two directors report that their boards have not increased the time spent on company strategy since our previous survey, conducted in February 2008—seven months before the collapse of Lehman Brothers. Moreover, 44 percent of respondents say their boards simply review and approve management's proposed strategies. Just one-quarter characterize their boards' overall performance as excellent or superb. The number of boards that formally evaluate their directors performance has dropped over the past three year. Ask directors how much time their boards spend on different activities how well they understand the issues their companies face and what factors they think would be most effective in improving board performance they have little to say on such issues. The picture that emerges is that boards have taken to heart a new and higher demands placed on them. However, some directors say they feel ill-equipped to live up to these expectations because of inadequate expertise about the business and the lack of time they can commit to their board duties, which they say is less than ideal for them to cover all board-related topics in proper depth." (McKinsey Survey, 2005)

In a previous survey, conducted in early 2005, directors expressed an eagerness to spend more time on topics such as their companies' talent, skills, and current performance. Two Directors appear to have made significant progress: nearly two-thirds of all respondents to the current survey say that boards became more actively involved in strategy, finance and other core areas of corporate performance and value creation than they were five years ago. The proportion of boards that are more active varies little from region to region, even though reforms in corporate governance regulation have differed significantly around the world. Larger companies and publicly held ones are somewhat more likely to have more active committees"(McKinsey Survey, 2005).

Board governance is frequently discussed and often misunderstood. In this article, the author offers an insider's perspective on the topic. He claims that over the years, he has had the privilege of serving on ten corporate boards as well as being chairman and CEO of Medtronic (chairman only) and CEO only. He observed dozens of boards from outside the boardroom and engaged in numerous confidential conversations with members of these boards about the challenges they faced and how they handled them. The experience learned is that one's perspective about a board's governance is strongly influenced by the seat one holds - Independent director, Chairman and CEO, CEO only or Chairman only. That is why it is essential to look at corporate governance through the eyes of each of these positions.

In surveying governance through the lens of different roles to address the problem in the prevailing dialogue: many of the governance experts exerting power over boards through shareholder proposals, media articles and legislative actions have never participated in an executive session of a primary board. It is no surprise, therefore, that their proposals deal almost entirely with formal board processes and "check the box" criteria that have little to do with the substance of how boards operate. The fact is that many of these proposals could weaken the performance of boards by burdening them with an excessive amount of ministerial details. That would be a shame because corporate boards have made progress since the scandals of recent years with a new generation of CEOs sharing with boards more openly, listening to them more closely and working to achieve a healthier balance of power with independent directors.

(McKinsey Quarterly, 2008).

> "Boards of directors are becoming much more knowledgeable about and actively involved in their companies' core performance and value creating activities, according to the executives who responded to the latest McKinsey Quarterly survey. However, in one controversial area of corporate governance compensating executives with stock options and bonuses tied to earnings growth these more active board members have effected relatively little change."*(http://www.mckinsey.com/insights/leading_in_the_21st_century/board_governance_depends_on_where_you_sit_br)*

Hermalin and Weisbach (2007) are of the view that corporate governance reforms are designed to increase transparency of companies. This goal has been relatively uncontroversial as most observers believe increased transparency to be unambiguously good. The authors argue that: "from a corporate governance perspective, there are likely to be both costs and benefits to increased transparency leading to an optimum level beyond which increasing transparency lowers profits". This result holds even when there is no direct cost of increasing transparency and no issue of revealing information to regulators or product-market rivals, (p. 2). (*http://www.ssrn.com/abstract=958628*.

Their research shows that reforms that seek to increase transparency can reduce firm profits, raise executive compensation and inefficiently increase the rate of CEO turnover. They further considered the possibility that executives will take actions to distort information. They showed that executives could have incentives due to career concerns to increase transparency and that increases in penalties for distorting information can be profit reducing.

3.18 Post-listing requirement of the Nigerian Stock Exchange (NSE)

- All quoted companies are immediately to notify the Director General of the NSE without delay.
- Any announcement of dividends, changes in capital structure or any other moves that could affect the price of the company's shares on the markets.
- Any proposed alteration of the Memorandum or Articles of Association of the company.
- Any proposed change in the general character or manner of the business of the company or of a group or any change in voting control or beneficial ownership of the securities carrying voting control.
- Any extension of time granted for the currency of temporary documents.
- Any other information is necessary to enable shareholders to appraise the position of the company and to avoid the establishment of a false market in the shares of the company.
- The date and time when the Board of Directors is to meet to discuss dividends must be at least 14 days in advance.
- To publish all letters of allotment and of rights simultaneously and in the event of it being impossible, to issue letters of regret at the same time,

- To insert press notice to take effect so that the notices shall appear on the morning after posting the allotment letters.
- To issue the definitive certificates within one month of the date of the expiration of any right to renunciation or the lodgement of transfer and within the same period to issue balance certificates without charge if required.
- To certify transfers against allotment letter, definitive certificate and balance receipts.
- To send out proxy forms to all shareholders entitle to attend and vote at general meetings.
- To provide that proxy forms state that a shareholder or debenture holder may vote either for or against each resolution.
- To ensure that the register and the books of the transfer remain closed for at least five working days to allow for settlement of the transaction on the last day of business.

To certify transfers against certificates or temporary documents and to return them on the day of receipt or should that not be a business day, on the first business day following their receipt and to split and return pronounceable documents within the same period. (ii) The underwriting of any issue and agreements relating thereto must be clear with the Exchange prior to the publication of a prospectus. (iv) All proposed appointments of experts and other consultants or advisers other than stockbrokers to any point sought on the Exchange shall be notified and cleared by the Exchange and copies of agreement and consents relating to such appointments shall be filed with the Exchange before publication of a prospectus. (v) Preferential treatment on allotment shall be approved by the Exchange prior to the publication of the prospectus, and such allotment shall be limited to 10% of the amount offered and then only to directors and employees; except otherwise as approved by the Securities and Exchange Commission.

3.19 The rules of the Nigerian Stock Exchange

The first rule is to ensure that the Exchange receives the notice of closure of the books of transfer not less than 14 days before closure of the Books of Transfer whether or not the board has passed a resolution recommending a distribution. Where power has been taken from the Articles to issue share warrants to bearer, in the event of the company deciding to make such an issue, to issue such warrants in exchange for registered shares within three weeks of the deposit of the share certificates.

Second, to certify transfers against the deposit of share warrants to bearer. The exchange must be informed without delay any decision of the company or its subsidiaries to acquire shares in another company. Where a company becomes a subsidiary; or another business or a section of another business and to furnish such information as the transfer may require about such acquisition and if so required issuing to members of the company a circular letter giving such information as, the exchange may require.

Third is to notify the exchange within 48 hours after the relevant board meeting of its intention to redemption of any securities. The period of the closing of the transfer books (or the date of the striking of the balance) for the drawing. The amount of the security outstanding after any purchase or drawing.

Fourth to notify the exchange within 48 hours after the relevant board meeting any preliminary profits for any year, half-year, quarterly and the comparative figures on profits before taxation and after taxation. Even if this calls for qualification that such figures are provisional or subject to audit. Any dividends and other distributions to members recommended or declared to be paid including approval for payment of dividends, interests, rights or scrip issues. Such particulars of any proposed change in the capital structure or redemption of securities.

Fifth is to deliver to the exchange for vetting and approval, personally by the company secretary, two copies of proofs of all circulars and notices to shareholders. All documents, (quarterly reports and forecasts, bi-annual and annual reports and accounts) not less than 14 days before their dispatch or publication.

Sixth, to include in or circulate with each annual report and audited accounts: A description of the operations carried on by the company or if the company has subsidiaries, a description of operations carried out by the group. If the company has subsidiaries, a list giving for each: Its name and country of operation. The percentage of its equity capital attributable to the company’s interest, if the company or as the case may be, the group has an interest in associated companies, a list giving for each: Its name and country of operation. Particulars of its issued share investment capital and the total amount of its published reserves. The percentage of each class of share and loan capital attributive to the company’s interest.

Seventh, to notify particulars of any arrangement under which any Director has waived or agreed to waive any emoluments. The statement at the end of the fiscal year showing the interests of each director in the share capital of the company such statements to include by way of a note changes in those interests occurring between the end of the financial year. The date not more than one month prior to the date of the notice of the annual general meeting or if there has been no such change, disclosure of that fact. A statement is showing particulars as at date not more than one month prior to the date of the notice of the annual general meeting of interest of any person, other than a director who holds 5% or more in the equity of the company and the actual amount so held or where appropriate, a negative statement. Certificates, Transfers, Verifications and Registers. - To register a transfer, split certificates, issue certificates or mark or note transfers and where any fees are charged it shall be a token amount. To verify in writing that the signatures of intending transferors, shareholders or stockholders are correct. To prepare interim reports such as the first quarter, half-year and nine -month's accounts, approved by the directors (whether or not audited) must be sent to all shareholders or inserted as paid advertisement in two leading newspapers not later than six weeks after the relevant period.

Eight, to submit the final print of the documents stated above to the Exchange. To send to the Exchange copy of the management or detailed accounts duly audited. To send to the Exchange certified copies of all resolutions passed by the company at general meetings. The following minimum information should be in annual reports in addition to the statutory requirements: Turnover figures representing sales exclusively to third parties. Other incomes such as investment income rents, profits from the sale of assets and other unusual items are all to be a list separately.

Ninth, to send quarterly statements to the Exchange and forecast whether or not they were audited later than six weeks after the end of the period. To ensure that any service contract that were not determine within five years by the company without payment of compensation (other than statutory) shall be made subject to the approval of the company in general meeting. Such agreements entered into by the company or any subsidiary with any director or any person who becomes a director within twelve months of entering into such a contract shall be made subject to the approval of the company in general meeting.

Tenth, to recognise that the commission reserves the right to remove the name of the company from the official list of the exchange at its absolute discretion. May, if it considers there is insufficient public interest in the company viz insufficient shares in the hands of the public, or any of the foregoing terms and conditions are not complied with or the company becomes a subsidiary of any other company. (NSE Green Book 1990).

3.20 Chapter conclusion

The evaluation of corporate governance theories and practices is necessary for the thesis to access both formal and meso theories from which discussion on corporate governance regulation and practices made. As discussed, there are several corporate governance theories such as shareholder and stakeholder theories agency theories and financial management theories. The control of the Nigerian Stock Exchange Market access how companies implement thesis regulation listed in the Stock market. The issues of corporate governance regulation and the problems faced because of mismanagement and ineffective corporate control in Nigeria critically reviewed.

In general terms to comply with the Exchange's listing rules, companies may pay any listing fees which may become payable to the Exchange because of increases in share capital. To adhere to any corporate disclosure policy requirements the Exchange may issue that to effect any corrections to the annual report and accounts as may be advised by the Exchange. The next Chapter will discuss the research methodology, research paradigms within which the methodological research process explain and examine. The process of data collection methods used to collect data include survey questionnaire, interviews and secondary data.

Chapter 4 Research Methodology and Methods

4.1 Introduction

This chapter discusses the choices of research methodology and research methods for this research study, which is a qualitative research methodology using grounded theory approach. The research focuses on corporate governance regulation in developing countries using the Nigerian Stock Exchange, banking and financial services as a case study. A case study approach is an extensive examination of a single instance of a phenomenon of interest such as corporate governance regulation and an example of phenomenological methodology. The assessment of the corporate governance regulation in the Nigerian Stock Exchange, Banking and Financial Services is a new phenomenon, which provides challenges to management and management process of the organisation involve, (Stake, 1995). The qualitative research methodology to use for this study is a grounded theory approach.

In this study, grounded theory methodology is the use for the development of a substantive theory for corporate governance regulation focusing on developing countries' capital market and banking and financial services sectors. Grounded theory method (GTM) is a systematic methodology applied in the social sciences involving the discovery of the theory through the analysis of data. It is mainly employed in qualitative research, but it is equally applicable to quantitative data analysis. Grounded theory methodology is a research method, which operates, almost in reverse order from traditional social science research. Instead of starting with a hypothesis, the first step in this process is data collection through a variety of methods. From the information obtained, the key points are marked with a series of codes, which are an extract from the text.

The codes given are then grouped into similar concepts to make them operational. From these concepts, categories are formed, which are the basis for the creation of a theory, or reverse engineered hypothesis. The paradoxes the traditional model of research, where the researcher chooses a theoretical framework, and only then applies this model to the phenomenon to study. Glaser and Strauss (1967) first developed the grounded theory approach; the approach is use for qualitative studies in organisations and management, accounting and corporate governance and health. The authors defined grounded theory "the discovery of the theory from data – systematically obtained and analysed in social research" (Glaser and Strauss 1967: 1). The key point here is that the theory produced is grounded in the data. The aim of grounded theory is to generate or discover a theory.

The researcher has to set aside theoretical ideas in order to let the substantive theory emerge from the coding and analysis of data. The theory focuses on how individuals interact with the phenomena (such as corporate governance) under study. As a methodology for qualitative research grounded theory has spread across a number of domains in sociology, nursing, education, psychology, political science and economics. Grounded theory approach methodology has been used in the study of European integration, political science and European financial services (Howell, 2000; 2002, 2004b). In a study of management (Locke, 1997), in the study of corporate governance and business ethics (Nwanji, 2006) and as the methodological references on grounded theory approaches (Strauss and Corbin, 1996; Urquhart, 2013).

4.2 Research paradigms

Collis and Hussey (2009) defined research paradigm as "a framework that guides how research should be conducted, based on people's philosophies and their assumptions about the world and the nature of knowledge" in this context it is about how research should be carried out. On the other hand, Denzin and Lincoln (2002: 183) suggested that a paradigm. "Is a set of beliefs that guide action, it consist of ethics (how to be a moral person), epistemology (how to acquire knowledge), ontology (what is the nature of reality), and methodology (means to acquire knowledge)." A paradigm encompasses four terms: ethics (axiology), epistemology, ontology, and methodology. The axiology (ethics) asks, How will I be as a moral person in the world? Epistemology asks, how do I know the world? (Denzin and Lincoln (2002)

What is the relationship between the inquirer and the known? Every epistemology, as christens (1007AC) indicates and implies an ethical-moral stance toward the world and the self of the researcher, (Denzin and Lincoln, 2000). Ontology raises basic questions about the nature of reality and the nature of the human being in the world. While methodology, on the other hand, focuses on the best means for gaining knowledge about the world (Denzin and Lincoln, 2013). *(*http://www.sagepub.com*)*. Guba (1990) defined a paradigm as a basic set of beliefs that guide action and deal with first principles or ultimate. They are human constructions. They define the world-view of the researcher-as-interpretive-bicolour. These beliefs can never establish in terms of their ultimate truthfulness.

This section of the thesis considers the paradigms of inquiry and analysis of the ontology, epistemology, methodology and research methods which researchers have employed in their studies of the different areas of corporate governance regulation in organisations. A paradigm is a theoretical structure or framework of thought that acts as a template for example to follow.

Kuhn (1962) applied the term to a critique of scientific research practice in the structure of the scientific revolution. The author described a paradigm as,

> "A set of scientific and metaphysical beliefs that makeup a theoretical framework, in which scientific theories can be tested, evaluated and, if necessary, revised. It is also an entire constellation of beliefs, values, and techniques and so on, shared by a given scientific community in which universally recognised scientific achievements for a time provide model problems and solutions to a community of practitioners," (p. 175).

Paradigms seen as a basic set of beliefs that guide action that deal with the first principles, or ultimate. They define the worldview of the qualitative researcher as having two sides, who uses the aesthetic and material tools of the researcher's craft, deploying whatever strategies, methods, or empirical materials at hand. Research paradigms refers to the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge, in this context, about how research is conducted. According to Kuhn, (1962:8), paradigms are "universally recognised scientific achievements that for a time provide model problems and solutions to a community of practitioners." Saunders et al, (2008) identified two main research paradigms for the conduct of research, namely, the positivist and the phenomenological frameworks. They offer a framework comprising an acceptable set of theories, methods and ways of defining data**, (**Guba and Lincoln, 2002).

4.3 Positivist paradigm

The positivistic framework is a quantitative framework and makes use of the deductive approach using quantitative data and large samples, as in the natural sciences. It develops hypothesis and attempts to test it through the collection and analysis of measurable data. The method also utilizes the cause and effect principle. The location of the research is artificial with a high reliability, but validity may be low. It generalises from sample to the population, (Blaikie 2008). Using grounded theory methods in a positivist paradigm, where an objective social world is assumed to exist independently, and then, obviously, issues of validity around coding will arise. Researchers debate in part about if 'emergence' as put forward by Glaser (1992), implies that there is some objective truth waiting to discovery in the data. Of course, it depends on one's point of view.

Madill et al, (2000) do an excellent job in contrasting realise (that is; positivist) contextualist and radical constructivist epistemologies when coding using grounded theory. An interesting finding of theirs is that, regardless of the epistemology of the code and whether or not extra code is used, the primary categories, which emerge, are very similar. Urquhart (2013) argued that coding using grounded theory methods would indeed uncover some basic structures in the data. It supports Bashkir's (1998) idea that mechanisms are necessary, and human agency is made possible by certain social structures which themselves require certain actions and conditions. Urquhart (2013: 60) said:

> " from research design point of view, then, anyone reading the research results of a study conducted within a positivist paradigm will want to know how it is ensure that the interpretations made while coding are not purely subjective and the view of one person."

The author suggested that one standard solution here is to consider using more than one system, to achieve inter-coder reliability. It helps in the write-up of the research if this process is correctly described. For instance, the coding of a transcript could be done initially by one coder then crosschecked by others or more than one person could code the same transcript. It is also possible to apply semantic space modelling techniques, such as a hyperspace analogue to language to coding. Then frequently occurring word pairs from the analysis can be used to verify the coding, or at least supply another means of triangulation or mixed methods approach. Triangulation is the idea that one use more than one research methods to collect data on a particular phenomenon, (Saldafia, 2009).

In the positivist paradigm, this makes sense – findings can verify by two or more having the same views on a phenomenon or differences can be explored. Another way of triangulating is to use more than one researcher in a single study as suggested by Myers (2008). In this research study, the data collected is analysed in Chapters 5 and 6 of the thesis were a combination of the survey questionnaire, semi-structured interview and secondary data relating to corporate governance regulation in the Nigerian Stock Exchange (NSE). Other researchers on corporate governance that applied grounded theory method have used mixed methods for collecting data and analysis using both qualitative and quantitative research (Nwanji, 2006).

Howell, (2002) on a study of European financial services, employed grounded theory systemic collection of data using more than one methods. Another issue to consider when building a grounded theory in the positivist paradigm is the extent of the generalisability of that theory. One phrase that comes to mind here is that in qualitative research is generalise to a theory, not a population' as in quantitative research. Yin (2009) view is that it is much better to generalise to theory using cases. The theory produced is of a substantive area and applies only to that area or that research.

4.4 Phenomenological paradigm

Using grounded theory in a phenomenological or an interpretivist paradigm, where researchers construct interpretations of social practices, is easier because there is more commensurability between the notion of coding (subjective) and the idea of constructing interpretations. Therefore,, verification of the coding is not required, but it is still useful to show how the coding proceeded, and the steps taken, as part of a chain of evidence to show that this study is an excellent piece of research on corporate governance regulation in Nigeria. One of the strengths of grounded theory method is that it provides a chain of irrefutable evidence – for every concept produced, researchers can point to many instances of it. In this research study, the rationale for selecting Nigerian Stock Exchange and Banking as a case study on corporate governance regulation in developing countries is that the country's economy has been recording annual growth of 7% since country return to a democratic system of government in 1999.

The Nigerian capital market in particular has seen the fastest growth in Africa, - (according to the Central Bank of Nigeria (CBN, 2009) yet corporate governance regulation has been ineffective. The phenomenological framework is a qualitative framework and uses the inductive approach. This approach views the world as socially constructed and is a concern with generating meanings and gaining insights into the phenomena observed. The dominant paradigms in qualitative research are phenomenological, postpositivism, constructivism, participatory action frameworks and critical theory. Hussey and Hussey (1997:52) stated that; "Phenomenological paradigm is concern with understanding human behaviour from the participant's frame of reference," (Collis and Hussey 2003; Howell 2004a).

The researcher is epistemological, ontological, and methodological premises are paradigm, or interpretive framework, " basic set of beliefs that guides action," Guba (1990:17). Epistemology is concerned with the nature of knowledge and justification – (how we know what we know. It explores how we know that we know something). Ontology examines the nature of social reality, what kinds of things can be said to exist, and in what ways. Methodology is an approach to the entire process of the research study that the researcher is trying to build or explore. The phenomenological approach to research is not reductionist but holistic.

This approach to research allows much more complicated situations to examine. It involves itself in not only as many as possible of the variables being studied, but also the context of the study. Thus, part of the context of any research study is the nature of the researcher and the characteristics of the setting. These issues are included in a phenomenological study while they would be removed from a positivist study. Like positivist research, such a study needs to be replicated before any generalisations made.

However, it is more difficult to replicate such holistic studies, and generalisations are much more problematical. None the less, similar studies may be undertaken, and if these studies produce consistent findings that support the emerging theory, it may be granted some degree of general validity. Under these circumstances, there is likely to be much greater variation in the results of different studies and thus a higher level of error. However, in exactly the same way as with the positivist, before the phenomenologist's work accept as being a valuable addition to the body of knowledge, he or she should argue convincingly that the findings are valid.

Therefore, the two approaches are distinguished by arguing that the positivist's findings made while the phenomenologist's findings cannot. Ultimately, a significant difference between positivist and phenomenological research is the degree of caution with which the result is the use.

4.5 Comparison between positivism and phenomenology

Burrell and Morgan (1979) argue that the four dimensions outlined in Table (4.1, below), inform radically different frames of reference or paradigms. A paradigm denotes a common perspective which underpins the work of a group of theorists in such a manner that identifies them as analysing social issues in the same way (Kuhn, 1962). There are discernible differences among research approaches based upon various permutations of the four factors shown in Table (4.1). As shown in Table, below, researchers have to consider Ontological, Epistemological, Human and Methodological issues when undertaking the research process. It is also important that the researcher should be clear about the research process through which the work will progress. In addition, this will help define the field of research and consequently the tactics or methods, which are logical corollaries

Table (4.1)**: Assumptions made by researchers**

Ontology	Whether the object of investigation is the product of consciousness (nominalism) or whether it exists independently (realism).
Epistemology	What our grounds of knowledge are.

Human Nature	Whether humans interact creatively with the environment (voluntarism) or whether they are passive objects (determinism).
Methodology	Nomothetic or ideographic approaches to evidence collection

Source: Burrell and Morgan (1979)

Easterby-Smith et al, (2008:27) used the Burrell and Morgan (1979) analysis of philosophical positions to generate a classification of the key features of positivist and phenomenological paradigms as shown below in Table 4:2. It could be argue that positivism and phenomenology are not entirely different in their impact on research and the generalisability of their findings. One of the key tenets of positivism is that it takes a reductionist approach to exploring the relationships among the variables being studied. This is necessary in order to be able to control an experiment or investigation and thus be able to understand how the variables concerned are behaving. This reductionist approach according to Heron and Reason (1997) "should by its very nature lead to simplifications of the real world environment in which the variables naturally or usually exist."

Table (4. 2): **Features of positivist and phenomenological paradigms**

	Positivist Paradigm	**Phenomenological Paradigm**
Basic beliefs:	World is external and objective. Observer is independent Science is value-free.	World is socially constructed and subjective. Observer is part of what is observe. Human interest drives science.
Researchers should:	Focus on facts Look for causality and fundamental laws Reduce phenomena to simplest elements Formulate and test hypotheses.	Focus on meanings Try and understand what is happening Look at totality of each situation. Develop ideas through induction from evidence.
Preferred methods:	Operationalise concepts so they can measure Take large samples Use multiple methods to establish different views of phenomena.	Small samples investigated in depth or over time.

Source: based on Heron and Reason (1997) (Cited in Denzin and Lincoln 2013)

Table (4.3): **What do we believe exist? – ontology**

Positivism	**Realism**	**Interpretivism**
(1) The social world is similar to the natural world in terms of the way in which it can study	1. The social and natural worlds are different, but it is possible that the basic principles involved in the study of each are similar.	1. The social world is very different to be a natural world
2. The self-consciousness of human beings is not a significant factor in our ability to understand social behaviour.	2. Human consciousness is only a significant factor when people act collectively (not individually) to change the social world.	2. Human consciousness is highly significant. People act consciously in order to create and recreate their social existence.
3. It is possible to establish a clear cause and affect relationships when studying social behaviour	3. Causal relationships can be established in relation to human behaviour, but such causality tends to limit in time and space.	3. It is not possible to make cause and effect statements about the social world that are "true for all time." Limited - and very specific - causal statements can be made.
4. The social world has an objective existence over and above human (subjective) consciousness. In this sense, reliable, valid knowledge is discovered, in the same way, that natural scientists can discover knowledge about the physical world. The task of the researcher is to uncover this knowledge.	4. The social world has an objective existence over and above individual consciousness (experience it as something real). However, through collective social action it is possible to produce structural change.	4. The social world experiences subjectively and has no objective existence that is independent of people's everyday behaviour. Knowledge about the social world is created not simply discovered.
5. Human behaviour is determined by the nature of institutional relationship in society. Individual behaviour is determined by the needs of institutions - the problem they must solve in order to exist.	5. Individual behaviour is determined by the nature of structural relationships in society. Only collective social action can alter the structure of these relationships.	5. Human behaviour is the product of the way in which people interpret the social world. Social structures do not determine it.

Source: Source: based on Heron and Reason (1997) (Cited in Denzin and Lincoln 2013)

4.6 Paradigm of inquiry for this research

As can be seen above, many paradigms can be used for research on corporate governance regulation in the Nigerian Stock Exchange market. Whichever paradigm adopted will have significant effects in the outcome of the study. The underlying factor is to use a paradigm or combination of paradigms that are relevant to the research questions, and the research design that best meet the objectives of this study. This study will opt for a combination of phenomenology and constructivist paradigms. The main reason for adopting this research strategy is that it allows for the investigation of contemporary phenomena such as issues of corporate governance regulation in Nigerian Stock Exchange market. (Denzin and Lincoln 2000, 2002; Guba and Lincoln 2002).

According to Howell, (2013) theory is concerned with building substantive understanding, normative and ideational simplification. Substantive theories are built based on the data collected, and normative determines theoretical frameworks that have an ethical or moral dimension. Ideational theory involves simplification of confounding variables and is closely linked to the positivist and post-positivist paradigms of inquiry. Theories entail different understandings of knowledge and truth, knowledge development as well as acquisition, application evaluation and critique. There are a number of understandings of theory that clearly relate to distinct paradigms of inquiry. In generally,

> "Theory can be positivistic, or law orientated, in the natural sciences universal laws are pursued whereas, in the social sciences, law-like regularities are developed. Both natural and social scientific laws should enable prediction, and this theoretical perspective is a universal law-oriented understanding of theory relating to a positivist paradigm of inquiry and methodology in the pursuit of regularities and prediction. Theory in this context is concerned with immutable laws and prediction." (Howell, 2013: 24)

4.7 Constructivist paradigm

According to Lincoln and Gube, (2002) constructivism adopts relativist ontology (relativism), a transactional epistemology, and hermeneutic, dialectical methodology. Users of this paradigm are oriented to the production of reconstructed understandings of the social world such as corporate governance regulation. The traditional positivist criteria of internal and external validity replace by such terms as trustworthiness and authenticity. Constructivists value transactional knowledge. They offered a history and analysis of critical ethnography, giving particular attention to critical ethnographers who study applied policy and involve themselves in political movements.

The authors observe that post-1960s critical ethnographers began advocating cultural critiques of modern society. These scholars revolted against positivism and sought to pursue a politically progressive agenda using multiple standpoint epistemologies. Various approaches were taken up in this time, including action anthropology; global, neo-Marxist, Marxist feminist, and critical ethnography; and participatory action research.

4.8 Qualitative research

Qualitative research presents a statement about reality and social life that has to be continually argued and reaffirmed. Denzin and Lincoln (2000:7) defined qualitative research as:

> "An interdisciplinary, transdisciplinary, and sometimes interdisciplinary field that crosscuts the humanities, the social sciences, and the physical sciences. Qualitative research is many things at the same time. It is multiparadigmatic in focus. Its practitioners are sensitive to the value of the multimethod approach. They are committed to the naturalistic perceptive and to the interpretive understanding of human experience."

Three distinctive features of qualitative research:

- ❖ It tends to adopt an exploratory orientation in research design. Rather than a well-defined theory or particular hypothesis, the starting point is usually a much more general interest in a problem, issue or area. A major part of the research process is a concern with clarifying and developing a research problem, which is done in parallel with data collection and analysis. (Guba 1990; Guba and Lincoln 1989).

- ❖ Qualitative researchers work mainly with relatively unstructured data in other words, data that is not frame in terms of analytic categories at the point of data collection. As a result, they tend to use (documents of various kinds, observational data and data from relatively unstructured interviews), (Denscombe 1999; Miller and Brewer 2003).

- ❖ A third feature of qualitative research follows on from the second, and concerns the kinds of evidence provided in research reports and the forms of argument that they employ, (Myers 2008; Urquhart 2013).

4.9 Grounded theory qualitative research methodology

Grounded theory methodology refers to the overall approach of the research process, from the theoretical underpinning to the collection and analysis of the data. We adopted a grounded theory approach, as it is more appropriate to our research strategy and underpinned by the phenomenological/constructivist paradigm. Glaser and Strauss (1967) argued that grounded theory was concerned with the development of two types of theory: substantive and formal theories. (In this study, formal theory includes: deontology, teleology, stakeholdership and shareholders Glaser and Strauss emphasised that theory generation is accomplished through the collection, coding and analysis of data and that these three operations, as far as possible, will undertake together. Collection, coding and analysis should interact throughout the investigation; their separation hinders theory generation and set ideas stifle it, (Howell 2002).

The data collected for this research will be analysed using grounded theory, which is a process of reducing raw data into concepts that are designated to stand for categories. The categories will then develop and integrated into a theory, (Strauss and Corbin, 2007). This process is achieved by coding data, writing memos, and formulating diagrams. In this project, data will be coded and analysed using three coding methods of the grounded theory model:

- ❖ Open coding is the process of breaking down, examining, comparing, conceptualising, and categorising data. The aim of open coding is the development of categories.
- ❖ Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories, and between categories and their subcategories.
- ❖ Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further development or refinement. (Nwanji and Howell, 2004).

A number of the essential features of grounded theory make it an appropriate method for this research: -

- ❖ Grounded theory methodology includes analysis of the process. Within grounded theory methodology, the term process is used to describe ‘the linking of sequences of action/interaction as they pertain to the management of, control over or response to, a phenomenon’ (Strauss and Corbin, 1990:143). Process is the analyst’s way of accounting for or explaining change.

- ❖ Grounded theory directly links macroscopic issues to the phenomenon under investigation. This mode of research requires that broader, contextual issues that are shown to influence the phenomenon under study, be given appropriate recognition in the development of the theory.

4.10 Research on corporate governance

The agency problem in corporations was first identified by Smith, who noted in 1937 that the directors manage other people's money cannot be effected to watch over it with the same anxious vigilance as they watch over their own. Management's negligence and profusion always prevail in such a joint-stock company. The agency problem then became more serious in the 20 century because the significant phenomenon of the separation of ownership and control, which was observe by Berle and Means (1932), increased the power of professional managers. It left them free to pursue their aims and serve their interests instead of the interests of the shareholders who are the owners of the firm.

Berle and Means (1932) called for the separation of ownership and control as an important explanation for corporate behaviour and the problems confronting owners (fragmented and dispersed shareholders) who attempt to exert their rights over the managers who have gained control in the 'modern' corporation. The authors recognised that the control could rarely be sharply segregated or defined. However, they distinguish the following five major types of control: (i) Control through almost complete ownership. (ii) Majority control. (iii) Control through a legal device without majority ownership. (iv) Minority control and (v) Management control.

La Porta et al, (1999) in a study of 27 wealthy corporations identified the ultimate controlling shareholders of the firms. They found that except in economies with magnificent shareholder protection, relatively few of these firms are widely held, in contrast to Berle and Means' image of ownership of the modern corporation. Rather, families or the state typically controls these firms. Equity control by financial institutions is far less frequent. The controlling shareholders typically have power over firms significantly in excess of their cash flow rights, primarily with pyramids and participation in management. The authors' research suggested that in some countries, large corporations have large shareholders and further that these shareholders are active in corporate governance, in contrast to the Berle and Means idea that managers are unaccountable.

Zingales (2000) argue that corporate finance theory, empirical research, practical applications, and policy recommendations deeply rooted in an underlying theory of the firm. Although the existing theories have delivered crucial and useful insights, they seem to be quite ineffective in helping to cope with the new type of firms that is emerging. He outlines the characteristics that a new theory of the firm should satisfy and such an approach could change the way corporate finance is view both theoretically and empirically. The author noted that:

> "The old way of looking at firms with strong asset basis is no more valuable as firms have changed from asset-intensive to human capital-intensive firms, mean that financial and governance choices can quickly change the boundaries of the organisation itself. As this type of firm becomes more and more familiar, the fundamental questions in theory of the firm become central to the corporate finance debate. How does an organisation succeed in acquiring power that differs from ordinary market contracting? How this power is maintain, enhanced, or lost? How is this power used in a way that differs from ordinary market contracting? How is the surplus generated by the firm divided among its members? Answering these questions has become a precondition for any further advancement in corporate finance," (p. 1651)

The Author presented an example of how such an approach can provide fruitful implications in the three main areas of corporate finance: capital structure, corporate governance, and valuation. Kirkbride et al, (2005b) stated that:

> "in the UK, there has been a recent debate over the role of the independent non-executive director, with that discussion resulting in changes to the revised Code applicable to companies reporting after 1st November 2003. The paper reflects on an aspect of the proposed changes that were ignore, namely changes to the legal duties and liabilities of non-executive directors. This appears to have been a missed opportunity in seeking to enhance the effectiveness of independent non-executives and their contributions to enhancing corporate governance," (p. 542).

The study considers enhancing the governance role of non-executive directors by introducing 'gatekeeper liability' to develop and to monitor the CEO. The fact that it is precisely among top corporate decision makers that legal policies function most effectively to deflect personal and legal risks. Does the criminal law have a role in the corporate setting?

Kirkbride et al (2005: 35) pointed out that:

> "The use of criminal law in the corporate setting has risen in the Corporate Governance agenda in recent months. Compelled by the prosecutions of six former Railtrack plc senior managers, the paper discusses the relevance of criminal law as a disciplining force on directors and managers. The paper provides a detailed case study of Railtrack plc drawing out the major issues of relevance in applying the criminal law to a large complex company such as Railtrack plc."

4.11 Case studies research approach

The case study was defined as "the focus of one instance of a particular phenomenon with a view to providing in-depth accounts of events, relationships, experiences or processes occurring in that particular instance", (Flyvberg 2006: 25). Saunders et al, (2008) suggest that in order to acquire thorough understanding of the topic under investigation and to obtain answers like 'why,' 'what' and 'how,' a case study is most appealing, (Flyvberg 2006).

According to Hussey and Hussey (1997), the importance of the context or the background of the study is essential. While Eisenhardt (1989a: 20) refers to the case study as “research study, which focuses on understanding the dynamics present within single phenomenon,” Moore (2003) notes that it must be constructed to be “sensitive to the context in which management behaviour takes place."

Kemmis, (1980:95) claims that the case study is both a process of inquiry about the case studied i.e. corporate governance regulation in Nigerian Stock Market, and the product of that inquiry, (i.e. the effect of corporate governance regulation in the Nigerian Stock Market). The purpose of the case study method is to obtain information from one or a few situations that are similar to the researcher’s problem situation, (Moore 2003). Conducting a case study frequently requires the cooperation of the organisations whose history is being studied – for example, a company who allows the researcher access to its financial records and reports will want to make sure that confidential information is not reveal to unauthorised persons. An intensive interviews or long discussions with the managers on access to their records may provide an understanding of a complex situation.

The discussions the researcher had with the Stockbrokers and senior officials of regulatory bodies on corporate governance regulation in Nigeria about this study assured the researcher that access to information will be allowed this study. Researchers, however, have no standard procedures to follow. They must be flexible and attempt to glean information and insights wherever they find them. The freedom to search for whatever data an investigator deems important makes the success of any case study highly dependent on the alertness, creativity, intelligence and motivation by the individual conducting the case study, (Browne 2002).

Stake, (1978:8) said that:

> “Case studies have become one of the most-common ways to do qualitative inquiry, but they are neither new nor essentially qualitative. Case study is not a methodological choice, but the choice of what is the study. By whatever methods choose to study the case. We could study it analytically or holistically, entirely by repeated measures or hermeneutically, organically or culturally, and by mixed methods – but we concentrate, at least for the time being, on the case study”

4.12 Types of case studies

Case studies are often described as exploratory research, used in areas where there are few theories or a deficient body of knowledge such as the customer relationship management in service organisation. However, this is not the only form, Spath and Pine (2004) added the following types:

- Descriptive case studies where the objective is restricted to describing current practice such as customer relationship management (CRM) at Coral Racing Limited.

- Illustrative case studies where the research attempts to illustrate new and possibly innovative practices adopted by particular organisation – how did the management of corporate governance explain the customer relationship management CRM to those who will be affected? (Mabry 1998).

- Experimental case studies where the research examines the difficulties in implementing new procedures such as the computerised system, and evaluating the benefits of the new system. (Flyvberg 2006).

- Explanatory case studies in which existing theory is use to understand and explain the theory of management and customer relationship management within an organisation like the Coral Racing Limited, (Fisher and Ziviani 2004).

Stake (1995) emphasises designing the study to optimise knowledge of the situation rather than generalisation beyond. An example may be simple or complex. It may be a child, or a classroom or a business such as corporate governance or an issue within the company. The author identified three types of case studies and called the first Intrinsic Case study**,** it is undertaken because the researcher wants better understanding of this particular case. The second is the Instrumental Case study, where a particular case is examine mainly to provide insight into an issue or to redraw a generalisation. Third, the Collective Case study in, which a researcher may jointly study a number of cases in order to investigate a phenomenon, population, or general condition, (Bennett et al 2008).

4.13 Research on accountability and responsibility

Gray et al (1995) define social reporting as

> "The process of communicating the social and environmental consequences of organisations' economic actions to particular interest groups within society and to society. The concepts of accountability and responsibility are often used interchangeably in the accounting literature and very little definitional agreement exists. Accountability is frequently associated with the execution of responsibilities and being answerable for them", (quoted in Demirag 2005:12)

Higgs commissioned three studies to collect and analyse data on British corporate boards to be used in his final report. One of those studies involved in-depth interviews with 40 board chairmen and non-executive directors, a task that was undertaken by the research team of Terry McNulty, John Roberts and Philip Stiles. Their report focused on the behavioural dynamics of board members (especially non-executive directors) that might promote board effectiveness. As McNulty et al (2003: 2) summarised "Board structure and composition condition but cannot determine board effectiveness. Instead, board effectiveness depends upon the experience, skill and judgement of individual executive and non-executive directors and the ways in which they combine to shape board conduct and relationships".

Corporate Social Responsibility (CSR) is through which organisations highlights their business Ethics decisions. CSR is not ethics as some authors claimed but rather a product of ethics, a platform for displaying business ethics' policies of firms help them address stakeholder issues. According to Demirag (2005:12), corporate social responsibility could be defined "as corporate attitudes and responsibilities to society for social, ethical and environmental issues, including sustainable developments". Demirag (2005) Stated that:

> "Management of companies for sustainable development or social corporate accountability cannot rely only on 'good corporate' or 'state regulations'. There is a growing literature emphasising the significance of a number of evolutionary networks between markets, states and civil societies, through a learning process and communication with stakeholders, in search for better governance mechanisms," (p. 12).

The author also argues that developing relationships between businesses, states and civil society is not only a dynamic but also a complex process, and that the exact nature of the mechanism(s) involved is contingent rather than present. The assumed relationship between governance systems and socially responsible behaviour or sustainable investments by corporations is problematic. All of the above researches have contributed to the debates on boards of directors' corporate governance practices, particularly those of the non-executive directors (NEDs). Although none of the studies has employed grounded theory approach used in this thesis, however, some of them used interview methods and focused on the behavioural aspect of boards of directors in their analysis of corporate governance issues. Interview method was one of the three methods of data collection in my thesis, which also focused on the issues of behavioural aspects of boards' practice in developing a substantive theory for corporate governance and contributes to our understanding of corporate governance debates. (Grayson and Hodges 2004).

Parkinson (2003) states that there is no single understanding of a company, in the Anglo-American tradition, companies are viewed as property, or more recently as the product of contracting between the various participants in the business. These perspectives as (stated in this thesis), share a characterisation of companies as 'private' and hold that they should be run exclusively in the interests of their shareholders. In continental European tradition, on the other hand, companies (economically significant ones) are regarded as partially public bodies, with constituencies that extend beyond the shareholders to include other groups, such as the employees and local communities. The author states that the aim of his article was to examine the ways in which the company has been conceptualised in academic and policy debate in the UK.

Drawing from a number of different disciplines the paper constructed three distinct theories models of the company from Ownership Model, the Nexus of Contracts Model, and the Company as a Social Institution Model. Parkinson (2003: 499) concluded that:

> "Despite the many conceptual and practical criticisms that can be made of the social institution model of the company. It derives its strength from its challenge to the notion, present in both the property and nexus of contracts models, that the company is mainly, or even wholly, a private associations with which the state ought to have very little to do. The social institution model turns that view on its head by arguing that the company is at least partly a public association created by the state."

Outlining the importance of corporate governance to the modern business, at a conference to launch the Centre for Innovative Thinking, Letza (2003:25 said that;

> "Good corporate governance leads to good management and improved long-term performance. Wherever corporate entities exist there is a need to assess corporate governance. I strongly believe in the agents of change facing the new age boardroom structure. Open governance within knowledge-based companies is now the norm. Improved governance leads to improved performance and networks, rather than hierarchies, are the way in which much contemporary business is conducted,"

The Turnbull Guidance on Internal Control (2005) (www.icaew.com/cbp). The Combined Code on Corporate Governance, published in July 2003 by the Financial Reporting Council, incorporates "Internal Control: Guidance for Directors on the Combined Code" (the 'Turnbull Guidance 2005'). The guidance is about the adoption of risk-based approach to establishing a system of internal control and reviewing its effectiveness. Assessing, managing and reporting on risk within the context of management and board responsibilities risk management has been at the core of decision making at all levels in organisations. External perceptions of a company are affected by the level of risk that it faces and by the way, its risks are managed.

A major risk exposure and source of business failure and/or lack of opportunity success has been the failure to manage change. Companies need to be aware of changing markets, service delivery (e.g. e-commerce) and morale. Effective risk management and internal control can be use to manage change, to involve all levels of people in the company in meeting its business objectives.

4.14 The main stages of case studies approach

(i) ***Selecting the case*** - It is not usually necessary to find a representative case or set of cases because we may not be attempting statistical generalisations to show that we can generalise from our sample to a larger population. However, we may be attempting theoretical generalisations where we propose that the theory applied in one set of circumstances can be generalised in another, (Kydd et al, 2008).

(ii) ***Preliminary investigations:*** this has been refer to as drift (Bonoma 1985) and is the process of becoming familiar with the context in which one is going to conduct ones' research. Some researchers believe that it is best to keep your mind free of any prior beliefs and to learn from the naturalistic evidence at this stage. Others disagree with this approach and consider that the researcher approaches the project with either explicit or implicit theories. To determine one's approach, it may be helpful to reflect on ones' paradigm and to consider the purpose one attribute to one's research, (Zikmund 1997; Bauer and Gaskell 2006).

(iii) ***The data stage:*** at this stage we need to determine how, where and when to collect data. It is usually best to 'combine data collection methods such as archive searching, interviews, questionnaires and observations. The evidence may be qualitative (e.g. interview results), quantitative (e.g. survey questionnaires) or both as in the case of this research, (Eisenhardt 1989a).

(iv) ***The analysis stage:*** at the analysis stage the researcher have a choice between within-case analysis or cross-case analysis. Using the former, it is essential that the researcher become very familiar with the material. This should enable him/her to build up separate descriptions of events, opinions and phenomena, which can be used to identify patterns, (Blaikie 2008).

(v) ***The report stage:*** there can be considerable difficulties in writing up case study materials, both in determining an appropriate structure and demonstrating that one's analysis and conclusions can be linked to the masses of data collected. The Researcher often finds a chronological structure is the easiest to adopt since this means he/she can relate the unfolding of events as they occur, (Taytor et al 2002).

A Case study is an extensive examination of a single instance of a phenomenon of interest and an example of a phenomenological methodology. The purpose of a case study approach is to obtain information from one or a few situations that are similar to the researcher's problem situation. In this thesis, the study of the effect of corporate governance regulation in the Nigerian capital market and its impact on the corporate performances is a research phenomenon to be studied within corporate governance system. An examination of the effect of compliance or non-compliance with the provisions of the Combined Code on corporate governance by companies from the FTSE-100 and FTSE-250 could be considered a setting for using analysis.

The primary advantage of case study method is that an entire organisation or entity can be investigated in depth and with meticulous attention to detail. This highly focused attention enables the researchers to examine the order of events carefully as they occur or to concentrate on identifying the relationships among functions, individuals, or entities. In this case the relationship between complying with the main provisions of the Combined Code on corporate governance and the financial performances of the company, are research issues that require case study analysis. So is the effect on financial performances of companies who did not comply and therefore having to explain their reasons for non-compliance are research issues that require case study analysis. (Zikmund 1997).

Kemmis (1980) states that the case study is both a process of inquiry about the case and the product of that inquiry. While Stenhouse (1984) advocates calling the latter - the product, the case record and occasionally it is the case, but the practice of calling the final report a case study is widely establish (Denzin and Lincoln 2000). Conducting a case study often requires the cooperation of the companies whose history is being studied – for example, a company who allows the researcher access to its financial records and reports will want to make sure that confidential information is not reveal to an unauthorised persons. Again, intensive interviews or long discussions with the company mangers on access to their records may provide an understanding of a complex situation. Researchers, however, have no standard procedures to follow.

They must be flexible and attempt to glean information and insights wherever they find them. The freedom to search for whatever data an investigator deems important makes the success of any case study highly dependent on the alertness, creativity, intelligence, and motivation of the individual performing the case analysis (Denzin and Lincoln, 2000). Like all exploratory research, the results from case analysis should be seen as tentative. Generalising from a few cases can be dangerous because most situations are atypical in some sense. A company's successful financial performance because of complying with the combined code may not be the same situation for a big company compare to a smaller company in different industry or market.

However, even if situations are not directly comparable, a number of insights can be gained and hypotheses suggested for future research. Obtaining information about competitors may be very difficult because they generally like to keep the secrets of success to themselves. For example, (Zikmund, 1997:108) said: "the exact formulation of Coca-Cola Classic is known by only a few top executives in the firm. They feel confidentiality is a definite competitive edge in their product strategy. Thus, researchers may have limited access to information from other firms. The same issue applies to researchers in any case study project."

According to Hussey and Hussey (1997), case studies are often described as exploratory research and used in areas where there are few theories or a deficient body of knowledge such as corporate governance. However, this is not the only form of the case study, Scapens (1990) adds the following types:

- ***Descriptive case studies*** where the objective is restricted to describing current practice such as corporate governance practice.

- ***Illustrative case studies*** where the research attempts to illustrate new and possibly innovative practices adopted by particular companies – who did companies explain their corporate governance practices.

- ***Experimental case studies*** where the research examines the difficulties in implementing new procedures and techniques in an organisation and evaluating the benefit – compliance with the Combined Code on corporate governance, examining the effect compliance to the organisation financial performance.

- ***Explanatory case studies*** where existing theory is used to understand and explain what is happening – explaining non-compliance with the Combined Code on corporate governance.

Otley and Berry (1994) add another type of case study which arises by chance; circumstances occur which give the researcher access and the opportunity to examine a phenomenon. Although such a study may be limited to just a few aspects of organisational life, the results can be extremely stimulating and original. The different types of case studies are not well delineated and one type may be combined with or merged into another. The methods used to collect data in a case study approach include survey questionnaire, documentary analysis, interviews and observation. In this study, the data collected and analysed (see Chapter 4) using case study's documentary analysis was from a sample survey questionnaire from 500 stakeholders from the Nigerian capital markets, banking and other financial services.

Other information the published annual reports and corporate governance reports since the 'near collapse' the Nigerian capital markets and the banking crisis following the global financial meltdown of 2008 – 2009. Yin (1994) identifies the following characteristics of case study research:

- The research aims not only to explore certain phenomena but also to understand them within a particular context – the Combined Code on corporate governance context.
- The research does not only commence with a set of questions and notions about the limits within which the study will take place.
- The research uses multiple methods for collecting data that may be both qualitative and quantitative.

For example, in this research analysis of corporate governance, which is a qualitative data, may be compared with the figures of profits from the company's annual reports and account of the same year to see the access the effect of compliance on the company's financial performance through annual profits. Yin (1994) also claim that these characteristics are open to debate and are set in a phenomenological paradigm. (If I were to take a more positivistic approach in this thesis, I might wish to commence with a strong theoretical foundation and specific research questions).

Whichever paradigm I operate under, there are similarities in the research process. In a phenomenological study such this, it is essential they one quote extensively from the data collected through the company's corporate governance reports. Diagrams can often be helpful for explaining the patterns as they emerge. Although a case study approach can be a very satisfying methodology, there are some weaknesses. Access to a suitable organisation is often difficult to negotiate and the process of the research can be very time consuming which is a problem for a research study such as this.

It is also difficult to decide on the delimitations of one's study; in other words, where one is going to place the boundaries. Although one may be focusing on a particular organisation, group, or organisations, they do not exist in a vacuum, but interact with the rest of society. According to Eisenhardt, (1989), whatever the researchers unit of analysis it will have a history and a future which will influence his/her understanding of the present. He/she may find it difficult to understand the events in a particular period without knowledge of what went before and what may follow. Stake, (1978:5) states that;

> "Case studies have become one of the most common ways to do qualitative inquiry, but they are neither new nor essentially qualitative. Case study is not a methodological choice but a choice of what is to be studied. By whatever methods we choose to be study the case. We could study it analytically or holistically, entirely by repeated measures or hermeneutically, organically or culturally, and by mixed methods – but we concentrate, at least for the time being, on the case."

Some researchers who are doing casework call their studies by some other name. (Becker 1992), for example, when asked he called his studies on personal communication, reluctantly, 'fieldwork' adding that such labels contribute little to the understanding of what researchers do. Other researchers emphasise the name case study because it draws attention to the question of what specially can be learn from a single case. Stake (1995, 1978) emphasises designing the study to optimise knowledge of the situation rather than generalisation ahead of this. A case may be simple or complex. It may be a child, or classroom or an organisation or an issue within facing an organisation, such as corporate governance regulation.

Stake (1995) identified three types of case study and called it Intrinsic case study, if it is undertaken because, first, and last, the researcher wants better understanding of this particular case. Here, it is not undertaken primarily because the case represents other cases or it illustrates a particular trait or problem but because in all its particularity and ordinariness, this case itself is of interest. The purpose is not to come to understand some abstract construct or generic phenomenon, such as literacy or teenage drug use, or what a school principal does. The purpose is not theory building – although at other times the researcher may do just that. The study is undertaken because of an intrinsic interest in, for example, this particular child clinic, conference, or curriculum.

4.15 Advantages of case study approach

The primary advantage of case study is that an entire organisation or entity can be investigated in depth and with meticulous attention to detail. (The process of effective corporate governance regulation). This highly focused attention enables the researcher to carefully study the order of events as they occur or to concentrate on identifying the relationships among functions, individuals, or entities. In this research study, the effectiveness of corporate governance in the Nigerian Stock Market in gaining competitive advantage assessed. Like all exploratory research, the results from case analysis should be seen as tentative.

Generalising from a few cases can be dangerous because most situations are atypical in some sense, (Mabry, 1998). Weakness of case study method: In a phenomenological study such this, it is essential one quotes extensively from the data collected through questionnaires or interviews. Diagrams can often be helpful for explaining the patterns as they emerge. Although the case study method can be a very satisfying methodology, there are some weaknesses. Access to a suitable organisation is often difficult to negotiate, and the process of the research can be very time consuming which is a problem for an undergraduate project such as this.

In a case study analysis generalizability and reliability may be a problem as well. It is also difficult to decide on the delimitations of one's study; in other words, where one is going to place the boundaries. Although one may be focusing on particular sectors of the Nigerian economy such as the capita market and banking or similar financial services, they do not exist in a vacuum, but interact with the rest of society. However, given the strengths weaknesses, case studies approach will be use to analyse the data collected for this study, (Foster et al 2005).

4.16 Triangulation and the mixed methods approaches

For the purpose of this study, triangulation, which entails both deductive and inductive approaches, will be use for data analysis. Bryman (2006) states that triangulation is the use of more than one approach as a means of dealing with the problem of limitation of a single approach. Triangulation also entails combining quantitative and qualitative data collection methods. This method increases the validity of the data collection and the reliability of the results. According to Saunders et al (2008), validity refers to the extent to which data collection method accurately measures what they intend to measure, whereas reliability means the degree to which the collection methods will yield consistent findings.

The ‘mixed methods’ approach, is the general term for when both quantitative and qualitative data collection techniques and analysis procedures are used in research design. The mixed method research will provide me with a better opportunity to answer the research questions, with the quantitative method utilising survey questionnaire results. While the qualitative method will be use for the analysis of the semi-structured interview results in order to understand, interpret and explain the effects of good corporate governance regulation in developing the Nigerian Stock Market (Saunders at al 2008).

4.17 Research methods for data collections

Primary Data - data collection for this research will be a combination of semi-structured interview, survey of the banking and stock market corporations in three selected countries in Africa, focus group discussions that will enable addition of more information on the importance of strong financial sectors of the countries.

A number of the basic features of grounded theory make it an appropriate method for this research:

- Grounded theory methodology includes analysis of process. Within grounded theory methodology, the term process is used to describe ‘the linking of sequences of action/interaction as they pertain to the management of, control over or response to, a phenomenon’ **(**Strauss and Corbin, 1990, p. 143**).** Process is the analyst’s way of accounting for or explaining change.

- Grounded theory methodology directly links macroscopic issues to the phenomenon under investigation. This mode of research requires that broader, contextual issues, that are shown to influence the phenomenon under study, be given appropriate recognition in the development of theory.

- Grounded theory makes its greatest contribution, in areas in which little research has been done. There are little or no research on corporate governance using grounded theory that focus on company secretaries and board members to collect data. Most of the research that used grounded theory has been in the area of polities, government and economics

The nature of grounded theory is such that the theory to emerge ‘will be abstract enough and include sufficient variation to make it applicable to a variety of contexts related to that phenomenon’ (Strauss and Corbin, 1996: 23). In other words, the theory developed from this research will be of use to other researchers interested in studying the issue of corporate governance in the financial sector in developing countries (Howell, 2004c, 2003; Nwanji, 2006).

4.18 Methods of data collection: survey questionnaire

The first set of data for this research data was systemically collected through survey questionnaire sent to over 700 stakeholders within Nigeria stock exchange market comprising stockbrokers, investors, bankers, staff and customs of banking and stockbroker firms from the Nigerian stock market understudy. The survey questionnaire was designed using Likert scale system make up of 12 statements each with strongly-agreed, agreed No-view, strongly-disagreed and disagreed. Participants were asked to tick one answer to each statement. The statements were based on the issues of corporate governance regulation in Nigerian capital markets. Out of the 700 survey, questionnaires sent out 540 were returned fully completed but 40 were not acceptable because the participants had ticked more than one answer on each statement. The 500 completed correctly represent 71.43% of the survey sent out. The survey data is analysed in Chapter 4 using grounded theory qualitative research methodology basis on coding system outlined above. (see Appendix 1) for the survey questionnaire statement.

4.19 Method of data collection: semi-structured interview

Following the analysis of the survey questionnaire data collected semi-structured interview questions were developed taken into consideration the survey statements and the literature review of previous research studies on corporate governance. Again, the semi-structured interview questions were based on the issues of corporate governance regulation and its effect on the capital market of Nigeria. Five interview questions were developed and 10 stakeholders agreed to take part in the interview however, only five of these were interviews others pulling out due to lack of time on the part of the participants. The interview data were analysed in chapter four below using grounded theory coding systems of analysis. (see Appendix 2 for the

Interview questions). Collecting data through interviews is one of the most widely used techniques for qualitative study.

With reference to Saunders et al, (2008) in an explanatory case such as this, semi-structured interviews are more often used in order to understand the relationship between variables. In this, case the effectiveness of corporate governance regulation in the Nigerian Stock Exchange market. During the interview, a series of open-ended questions will be discussed with the participants in order to gain an understanding of the issue - the assessment of customer relationship management as a strategic tool for a competitive advantage in the organisation. Each participant in the interview will be asked to answer identical questions, but the order of the questions will not necessarily be fixed as this may detract from the flow of the interview. Some of the interviews were conducted face to face and others via the telephone depending on the preference of the individual stakeholder who took part in the interview. (Gibbs 2009; Hammersley et al, 2008).

4.20 Methods of data collection: secondary data

The primary data (e.g. survey questionnaire and the semi-structured interview) stated above were supported with secondary data on the issues and research on corporate governance regulation in the Nigerian Stock Exchange markets as data for analysis. Addition information on the regulatory bodies such as the Security and Exchange Commission (SEC) in Nigeria on how they provide and monitor corporate governance regulations in Nigerian Capital Markets form part of the secondary data used for data analysis. In addition, the activities of the Central Bank of Nigeria (CBN) on its regulation of the Nigerian banking and financial services sector where taken into consideration when analysing the data collected for this research in chapter four.

4.21 Data analysis: grounded theory coding system

Grounded theory has never been used to develop a theory on corporate governance before, though it has been used in other areas of social research. The data collected for this research were be analysed using grounded theory which is a process of reducing raw data into concepts that are designated to stand for categories. The categories are then developed and integrated into a theory (Howell, 2000; Nwanji, 2006). This process is achieved by coding data, writing memos, and diagramming. In this project, data will be coded and analysed using three coding methods of the grounded theory model; - open coding, axial coding and selective coding.

- Open coding is the process of breaking down, examining, comparing, and conceptualising, and categorising data. The aim of open coding is the development of categories.

- Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories, and between categories and their sub-categories.

- Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further development or refinement.

It is through this process that all the interpretive work done over the course of this research is integrated to form a grounded theory. The data analysis process is achieved by coding data, writing memos, and diagramming. In this project, data will be coded and analysed using three coding methods of the grounded theory model; - open coding, axial coding and selective coding. Open coding is the process of breaking down, examining, comparing, and conceptualising, and categorising data. The aim of open coding is the development of categories. Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories, and between categories and their sub-categories.

Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further development or refinement. An important aspect of this study will be to develop new grounded theory on corporate governance and regulation in developing countries. The substantive theory develop in this book will provide management with current issues on the effectiveness of corporate governance regulation in Nigerian Capital Market which enable management make a better business decisions that reflect the needs and interests of their corporations' main stakeholders groups.

4.22 Constraints on grounded theory approach

The issues of gaining access to companies' boards for interview and the need to maintain some continuity with the research setting are some of the problems with grounded theory methods. Grounded theory's central practice of overlapping data collection and analysis poses other problems. In a grounded theory analysis, generalisability and reliability may be a problem as well. However, grounded theory is the most appropriate methodology for this research, taking into consideration its limitations. An empirical investigation of governance system within the financial sector organisation and its impact on the society as the stakeholders is a research phenomenon that can be studied using grounded theory methods (Hussey and Hussey 1997; Howell 2003 and Nwanji; 2006 Urquhart 2013).

Instruments for data collection: One set of questionnaire was used to obtain data relevant for answering the research questions. The instruments were a structured questionnaire and interview schedule. There were 13 items in the questionnaire with questions bordering on the research questions of the study. The items were constructed in positive and negative manner (statements). A five point Likert scale rating of Strongly Agree (SA) = 5 points, Agree (A) = 4 points, Undecided (UD) = 3 points, Disagree (D) = 2 points and Strongly Disagree (SD) = 1 point were used for rating responses in the questionnaire. The cut-off point for deciding on whether a questionnaire item was agreed to or not agreed to be arrived by adding the weights of the scales and dividing the total weights by the number of weights, that is, 5 + 4 + 3 + 2 +1 = 15. 15/5 = 3.00.

Thus, any questionnaire item whose mean value was less than 3 was disregarded and considered not to have been agreed to by the respondents. On the other hand, any questionnaire item whose mean score is above 3.00 is accepted as agreed to by the respondents. The method used in estimation of the data was based on mixed methods analysis which is qualitative analysis (explaining the results of survey data in relation to the effects of corporate governance practices of the Nigerian stock market and financial services). This qualitative approach was augmented with a quantitative approach based on the views of the survey results using percentages, tables and charts to explain the views of the participants. Results were obtained and scaled using a five-point Likert scale system.

4.23 Reliability and validity

Reliability refers to the extent to which a research instrument such as a test will give the same result on different occasions. While I will make every effort that, the data I collected for this study are correct and reliable, and will be supported with email contacts for the survey questionnaires, and the interview results, however, the data are taken on the face value. According to Saunders et al (2008), validity refers to the extent to which data collection method accurately measures what they intend to measure, whereas reliability means the degree to which the collection methods will yield consistent findings. The majority of case study approach is qualitative analysis of data collected, and this presents the issues of reliability and validity.

It is difficult to decide on the delimitations of one's study; in other words, where will I place the boundaries for this study in terms of the type of data and information collected for analysis? Although I am focusing on in particular corporate governance regulation in Nigerian Stock Exchange Market they do not exist in a vacuum, but interact with the rest of society. However, given the strengths and weaknesses, grounded theory research methodology approach is use to analyse the data collected for this research study (Foster et al. 2005).

4.24 Chapter conclusion

This section of the study dealt with the research methodology and research methods drawing tension of the importance of the key methodological issues and the research methods adopted for this research project. The theoretical and practical implications are discuss to justified the chosen methods and techniques of data gathering in the case of survey questionnaire and semi-structured interview with stakeholders groups of the countries understand. The issue of the case study approach methodology and the ethical consideration in research such as this involving people were discussed.

The next chapter will present the analysis of the interview data collected for this research supported with the secondary data from the company on customer relationship management. The analysis will be followed with the dissuasions of the results of the data analysis. The research paradigms of inquiry discussed and related to the issues of corporate governance regulation within the Nigerian capital market.

Chapter 5: Data Analysis and Presentation: Survey Questionnaire Analysis: *Open and Selective Coding*

5.1 Introduction

In this chapter the data collected for this study will be analysed using grounded theory methods. Using grounded theory methods of systemically collecting and analysing data' the first set of data collected for this research is through survey questionnaire which is analysed below. This chapter focuses on the analysis of the survey questionnaire data collected from the stakeholders of the Nigerian Stock Exchange market (NSE) namely; the staff, management, customers, investors, stockbrokers, banks and financial service companies. In addition to the survey questionnaire, data was also collected from semi-structured interview of key players and regulators of the Nigerian financial sector which includes the Central Bank of Nigeria, (CBN) the NSE and Securities Exchange Commission (SEC), bankers and stockbrokers. The final data for this thesis is the secondary data from previous research studies and information from regulators and financial institutions about corporate governance regulation in the Nigerian Stock Exchange market.

5.2 Research objectives

As stated in Chapter 1 of this thesis, the purpose of this study is to carry out an empirical investigation of corporate governance systems/regulation in the Nigerian Stock Exchange. The aim of this research study is to determine what contributions if any effective corporate governance systems can deliver in order to meet the interests of shareholders while taking into consideration the needs of stakeholder groups. The focus of this research is to analyse the issues and effectiveness of corporate governance regulation on the performances of the Nigerian Stock Exchange market in the past 10 years, from 2002 to 2012. It is also the objective of the research study to investigate the effect of the near-collapse of the Nigerian Stock Exchange market during the period of the global banking and financial meltdown of 2008 to 2009.

The research is based on qualitative research using the grounded theory approach discussed in chapter three of this thesis. As stated in chapter three, the aim of grounded theory methodology is to enable the researcher develop an understanding of the corporate governance system within the Nigerian Stock Exchange in the past 10 years and to develop a substantive theory for corporate governance system. The CBN Governor said:

> “African countries have shown remarkable resilience over the past five years with most achieving growth figures higher commodity prices coupled with greater foreign exchange inflows have sustained growth and were likely to continue in the coming years**.”** (CBN, 2009)

Developing countries have been going through the process of restructuring and consolidation of their financial sectors in the past 10 years in order to provide a better environment for investment in the private sector that will aid economic development. A major reform of the banking and financial services, stock markets and insurance companies in countries such as Nigeria and Ghana are indications that economic development in developing countries particularly in Africa can only take place with adequate and well-regulated banking and Stock Exchange Markets. The Nigerian Stock Exchange market is a leading capital market in West Africa, and South African Stock Exchange market lead the way in South and Central Africa while the Egyptian Stock Exchange market is a leader in North Africa. In all of these effective corporate governance regulation is the key for sustained development of the capital market in Africa and Nigeria in particular.

5.3 The main research questions for the thesis

This research is an empirical investigation of corporate governance regulation in the Nigerian Stock Exchange market. It seeks specifically to investigate and answer four main research questions:

i. Does effective corporate governance regulation affect the Nigerian Stock Exchange?
ii. Does effective governance and leadership in the financial sector affect the services provided to their stakeholders?
iii. Is the corporate governance regulation effective in the Nigerian Stock Exchange market?
iv. How can management of the Nigerian Stock Exchange market provide accountability to shareholders and stakeholders through effective corporate governance regulation?

The data systemically collected for this research is analysed below using grounded theory methods, which is a complicated process of reducing raw data into concepts that are designated to stand for categories. The categories are then developed and integrated into a theory. The coding methods of analysis (open coding, selective coding and axial coding) are the process of developing substantive theory for corporate governance regulation in developing countries’ capital markets using the Nigerian Stock Exchange market as a case study.

5.4 Grounded theory data analysis

Grounded theory has been used to develop substantive theories before in the areas of management (Locke, 1997), financial services in the UK (Howell, 2000), corporate governance and ethics in the UK (Nwanji, 2006) and research by the originators of grounded theory methods in the field of health management. However, there are few research studies conducted in the area of corporate governance regulation in developing countries such as Nigeria using grounded theory methods (Strauss and Corbin 1990, 1996, 2007; Howell 2000; Nwanji and Howell 2004c).

According to Nwanji (2006), grounded theory methodology is explained in terms of ethical theories of behavioural aspect of decision-making on corporate governance in considering the debate about stakeholder and shareholder views of the boards in applying business ethics to corporate objectives in the best interest of the company and its shareholders. Glaser and Strauss (1967, p.1) who created the grounded theory defined the method as "the discovery of the theory from data – systematically obtained and analysed in social research." The key point here is that the theory produced is grounded in the data. The emphasis on the theory in the original book is in sharp contrast to the use of grounded theory methods today where it is known primarily as a method of qualitative data analysis through coding and analysis of data to develop a theory.

This process is achieved by coding data, writing memos, and diagramming. In this project, data will be coded and analysed using three coding methods of the grounded theory model; - open coding, axial coding and selective coding.

- *Open coding* is the process of breaking down, examining, comparing, conceptualising and categorising data. The aim of open coding is the development of categories.

- *Axial coding involves* re-building the data (fractured through open coding) in new ways by establishing relationships between categories and between categories and their sub-categories.

- *Selective coding involves* selecting a core category, systematically relating it to other categories, validating those relationships and filling in categories that need further development or refinement.

It is through this process that all the interpretative work done over the course of this research is integrated to form a grounded theory. A new substantive theory for corporate governance regulation for the Nigerian stock exchange market will be develop from the analysis of data collected for this research study. This data was collected from the stakeholders of the capital market through survey questionnaire, semi-structured interview and secondary data using grounded theory methodology.

5.5 Analysis of the survey questionnaire: Open coding.

The survey questionnaire data collected for this research is analysed below using open coding method of the grounded theory approach. The analysis involved the use of tables, percentages and charts in the process of breaking down, examining, comparing, conceptualising and categorising data. The aim of open coding is the development of categories from the survey data collected from stakeholders of the Nigerian Stock-Exchange Market. The 12 survey questionnaire statements shown in Table 5:1 were the first of three primary data used to collect data from stakeholders across the Nigerian Stock Exchange Market. A total of 800 survey statements were sent to stakeholders using four principal methods – email attachments, text message, post and handing out at conferences over a period of 6 months.

The list of the stockbrokers, the investors and the bankers that took part in the survey were obtain under research investigation from the Nigerian Stock Exchange. The Researcher's Network - (I used my experience as a Chief Executive Officer (CEO) of one of the leading stockbrokers firms in Nigeria EUROCMM (Eurocomm Securities Limited, a member of the Nigerian Stock Exchange) to gather information about stakeholders of member firms of the Stock Exchange market. As stated above, some of the surveys were sent through email, by post, through banks and directly through the Stock Exchange itself. It took 6 months to collect the data and out of the 800 survey questionnaire statements sent out 560 were returned of which 500 were correctly complete., 60 survey questionnaire statements were rejected as the respondents did not complete or gave more than one answer per statement. The 500 copies which were correctly completed represent 62.5% of the survey questionnaires statements that had been sent out. Below is a copy of the survey questionnaire statement sent out to participants who took part in the survey (Table 5.1).

Table (5.1)

PhD CORPORATE GOVERNANCE

Survey questionnaire of Nigerian Stock Exchange members and staff on corporate governance practices and regulation in Nigeria. *(St Clements University)*

Please tick one answer only:

Strongly-Agree	Agree	Disagree	Strongly-Disagree	No-View
1	*2*	*3*	*4*	*5*

Status in your organization:

A.1) A: Top Level [ ] B: Middle Level [ ] C: Supervisory [ ], D: Junior staff [ ] or E: Investor [ ]

B.2) Length of Service: A: [5 -9 years], B: [10 -14 years] C: [15 -19 years] D: [Over 20 years]

1. Does having independent directors on the board of directors of your organisation improve board effectiveness and good corporate governance regulation. *Ans. 1 2 3 4 5*
2. The NSE Nigerian Security and Exchange (NSE) plays an important role in the regulation of the Stock Market. *Ans. 1 2 3 4 5*
3. For effective check and balance the function of the chairman and chief executive should not be performed by the same individual in your organisation. *Ans 1 2 3 4 5*
4. The Nigerian Stock Exchange has discharged its regulatory function. *Ans. 1 2 3 4 5*
5. Corporate governance aided companies listed on the NSE attract more foreign partnership than before. *Ans. 1 2 3 4 5*
6. Corporate governance has boosted investor' confidence in companies listed on the NSE. *Ans 1 2 3 4 5*
7. There should be transparency in the way daily transactions are carried out in the stock market. *Ans 1 2 3 4 5*
8. With the current problem in the banking sector on effective corporate governance practice the stock exchange should put its house in order by adopting good corporate governance practices. *Ans. 1 2 3 4 5*
9. The recent financial meltdown indicates that strong and effective corporate governance is required in the Nigerian economy if companies are to meet their shareholders' needs. *Ans. 1 2 3 4 5*
10. Companies that incorporate the needs of their wider stakeholder groups can attract create wealth for their shareholders in the long-term. *Ans. 1 2 3 4 5*

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public. If you would please like to take part in an interview on this issue that will enable me gather more information for this study, kindly leave your contact below:

Name: --- Tel: -------------------------------Email---

Thank you

Uchenna Ogbu
St Clements University
email Cogbuphd@aol.com

5.6 Open coding analysis of survey questionnaire data

Table (5.2):

Survey questionnaire statement using Likert –scale methods						
Statements	Strongly-Agree	Agree	Strongly-Disagree	Disagree	No View	Total
A.1	86	116	90	108	100	500
B.2	142	142	76	70	70	500
3	89	105	94	125	87	500
4	117	151	69	82	81	500
5	181	114	73	69	63	500
6	125	157	73	74	71	500
7	99	158	75	95	73	500
8	137	155	63	67	78	500
9	155	135	68	70	72	500
10	124	150	67	69	90	500
11	167	128	68	64	73	500
12	138	148	65	65	84	500

No. of respondents who completed each survey statement = 500

Table (5.2) is the first step of the grounded theory open coding analysis. The survey results were grouped into numbers showing how many respondents strongly-agree with statement 1, how many agree with the statement, how many have no view, how many disagree and finally, how many respondents strongly-disagree. The same is the case for the other statements from the 500 respondents shown in the table (5.2) above who returned their survey questionnaire statements designed using Likert – scale methods of strongly -agree to strongly-disagree.

In Table (5.3) the survey results were analysed into opening coding categories showing the percentages of the 500 respondents who strongly-agree or agree and those who had no-view disagree or strongly-disagree with each statement. Using this table of percentages the data analysis progresses to charts to enable the researcher present full categories of the open coding analysis based on how the survey results relate to each of the 12-survey questionnaire statements. The final open coding categories that result from the analysis will then be analysed further using the selective coding to develop sub-categories.

Table (5.3) **Percentages of Survey Questionnaire Statements**

Statements	Strongly-Agree %	Agree %	Strongly-Disagree %	Disagree %	No View %	Total
A. 1	86 = 17.2%	116 = 23.2%	90 = 18%	108 = 21.6%	100 = 20%	500
B. 2	142 = 28.4%	142 =28.4%	76 = 15.2%	70 = 14%	70 = 14%	500
3	89 = 17.8%	105 = 21%	94 = 18.8%	125 = 25%	87 = 17.4%	500
4	117 = 23.4%	151 = 30.2%	69 = 13.8%	82 = 16.4%	81 = 16.2%	500
5	181 = 36.2%	114 = 22.8%	73 = 14.6%	69 = 13.8%	63 = 12.6%	500
6	125 = 25%	157 = 31.4%	73 = 14.6%	74 = 14.8%	71 = 14.2%	500
7	99 = 19.8%	158 = 31.6%	75 = 15%	95 = 19%	73 = 14.6%	500
8	137 = 27.4%	155 = 31%	63 = 12.6%	67 = 13.4%	78 = 15.6%	500
9	155 = 31%	135 = 27%	68 = 13.6%	70 = 14%	72 = 14.4%	500
10	124 = 24.8%	150 = 30%	67 = 13.4%	69 = 13.8%	90 = 18%	500
11	167 = 33.4%	128 = 25.6%	68 = 13.6%	64 = 12.8%	73 = 14.6%	500
12	138 = 27.6%	148 = 29.6%	65 = 13%	65 = 13%	84 = 16.8%	500

The results of the respondents' views are represented by percentages *(percentage)*

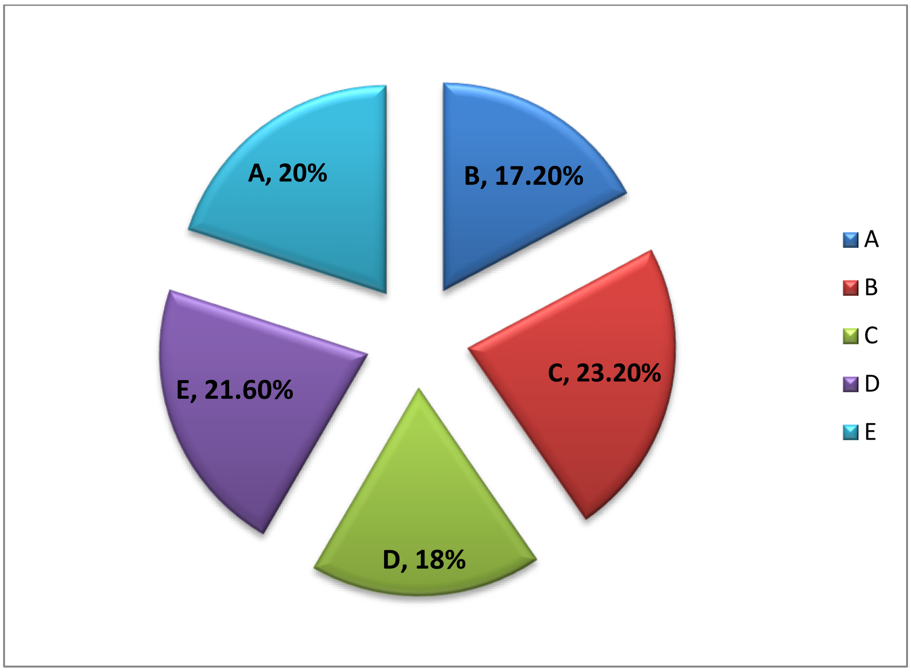
The results from the open coding analysis of the survey questionnaire data are shown below in figures/charts (5.1 to (5.12) where the charts represent the issues and codes in each statement. The analysis shows the effect of corporate governance regulation on the performance of the Nigerian Capital Market in the past 10 years from 2002 to 2012. Each statement is restated in tables followed with the results of the analysis of that statement presented in charts showing the percentages of the views of the respondents. The analysis of the results is supported with the literature in the areas of corporate governance research relating to the views of the participants.

Survey questionnaire statement (A. 1):
Status in your organization: A: Top Level [ ] B: Middle Level [ ] C: Supervisory [ ] D: Junior staff [ ] or E: Investor [ ]

In order to show the level of awareness on the issue of corporate governance in the Nigerian Stock Exchange Market, the respondents were asked to state their status within their organisations from top management to junior workers or as investors in the Nigerian Stock Market. The result is shown in Figure (5.1) as a percentage of the 500 respondents who took part in the survey. Of these respondents, top management is represented by (A) 20% of those who took part in the study; (B) or 17.2% are Middle level management such as head of departments or professionals such as Accountants or Lawyers; 23.2% stated that they are supervisory level (C). 18% of the participants in the study are junior staff or training - graduates (D) and E, 21.60% of the respondents are investors.

The purpose of knowing the position of the participants is to ensure that the survey represents all stakeholders from the organisations surveyed by researchers - in this case, Stockbrokers and Investment firms as well as their customers (Investors) so that the survey represents the views of all stakeholders in the Nigerian Stock Exchange Market. Below in figure (5.1) are the results of the analysis.

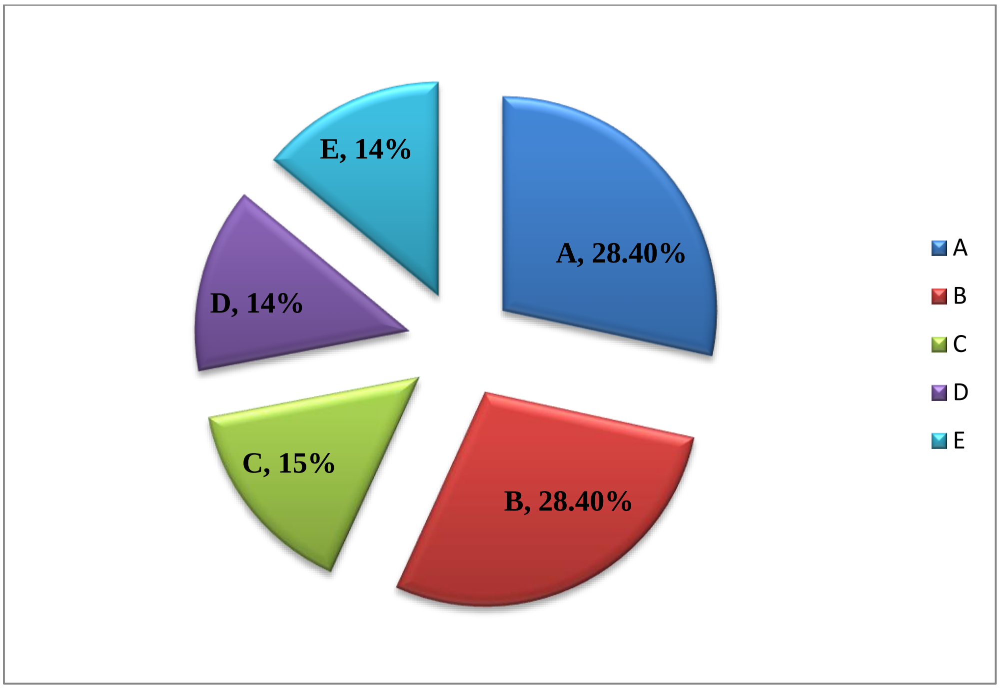
Figure (5.1) **(A.1)**



Survey questionnaire statement (B.2):
Length of Service: A: [5 -9 years], B: [10 -14 years] C: [15 -19 years] D: [20 - 25 years] E: [over 25 years].

(In statement 2), the researcher wanted to know the level of experience of staff and investors in the Nigerian Stock Exchange Market. Figure (2) below shows the results of the open coding analysis of the data in table (5.4). Below in Figure (5.2) are the length of services of the participants with their organisations. The majority of those who took part in the survey had between them 5-14 years working experience, which is presented in A and B with 28.4% in each group. Those with over 15 years but under 20 years of service are represented in C as 15% and 14% of the respondents had 20 to 25 years of experience with their current or former companies. While 14% of the respondents had over 25 years of experience. Below in Figure (5.2) shows the results of the analysis of statement two.

Figure (5.2) (B.2)



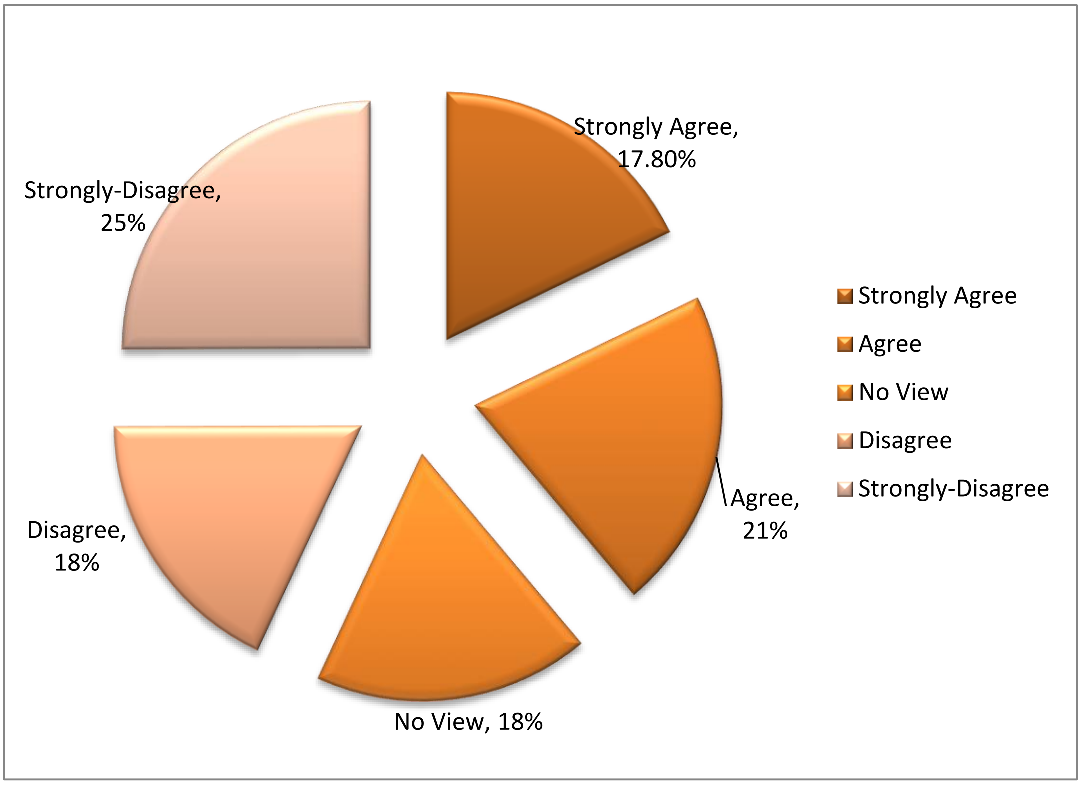
5.7 Analysis of survey results using Likert scale methods

Survey questionnaire statement (3):
Does having independent directors on the board of directors of your organisation improve board effectiveness and good corporate governance regulation?
Ans. 1 2 3 4 5

The survey questionnaire (statement 3) is about independent directors on the boards of the organisation under study. The participants were asked to tick one number only from each statement presented in Likert scale methods of strongly-agree to strongly-disagree. As shown in figure (5.3) below about 18% of the respondents strongly -agree that having non-executive directors on their organisation's board improved board effectiveness and were good corporate governance regulation. While 21% of the participants agree with statement 3 that independent or non-executive directors (NEDs) on their board is good corporate governance. However, 18% of the respondents had no-view as to the effectiveness of having NEDs on the board of directors of their organisation, 18% disagree about the importance of NEDs in their board while the highest percentage of 25% of the respondents strongly-disagree about the effectiveness of NEDs on the boards of the organisations.

This result supports literature on the effectiveness of NEDs on the board of directors of organisations not only in developing countries but also in developed countries where studies on corporate governance confirm that stakeholders and shareholders have mixed views about the effectiveness of NEDs (Nwanji 2006; Sun et al 2002). Corporate governance regulation requires companies to make sure the majority of the directors on their board are non-executive directors. The chairman of the board of directors should be a non-executive director and board committees such as Audit committee is to be chaired by a non-executive director. This has been effective in the UK and USA but in Nigeria, powerful individuals who in some cases may be the chairman and Chief Executive of the company are at the helm and own most of the public organisations. Effective corporate governance practice requires that companies listed on NSE should appoint experience independent directors / non-executive directors to board of directors. It also requires that different board members should occupy the position of the chairman of the board and the CEO, with NED being considered for the chairmanship post.

Figure (5.3) Result of Survey questionnaire statement (3):

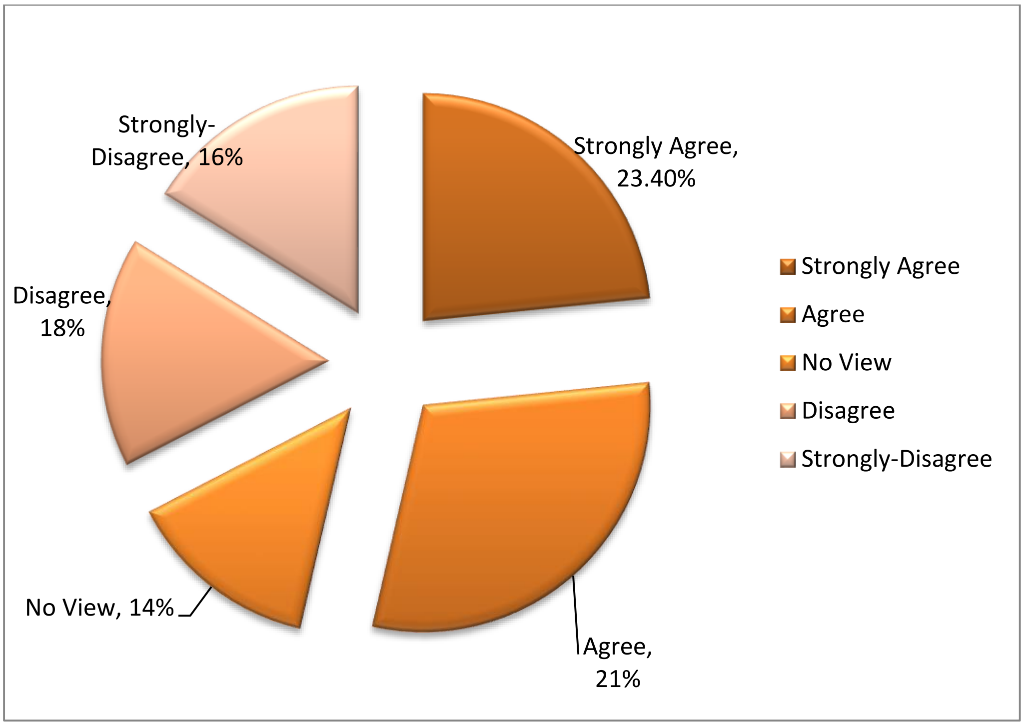


Letza and Smallman (2001) argue that the unitary board structure is defective as a mechanism of effective corporate governance in a study of the water industry. Analysing the case of the Yorkshire Water Company that was created along with other water companies following the privatisation of the UK water industry in the 1990s, the authors state that while the board of the water company continued to increase shareholders' value, the board failed to meet the needs of other stakeholders particularly the customers. The authors conclude, "The dual board model may be better suited to the management of the production of essential 'public' goods in order to protect the interests of all stakeholders" (p. 65).

Survey questionnaire statement 4:
The Nigerian Securities and Exchange Commission (NSEC) play an important role in the regulation of the Stock Exchange Market. Ans. 1 2 3 4 5

The role of the Nigerian Securities and Exchange Commission (SEC) regulators of the capital market is essential in providing effective corporate governance regulation and ensuring that companies listed in the Nigerian Stock Exchange comply with the corporate governance codes. Companies should produce corporate governance with their annual financial reports to ensure investors' confidence in the capital market. As shown on figure (5.4) 23.4% of the participants strongly-agree with the role and importance of the NSE as regulator of the capital market. 21% also agree with (statement 4) which is represented in the figure (5.4). However, 14% of the respondents had no-view while 18% disagree with the statement and 16% of the respondents strongly-disagree with (statement 4) on the importance of SEC as effective regulators of the Stock Exchange market in Nigeria

Figure (5.4) Result of Survey questionnaire statement (4):



The fact that the Nigerian Stock Exchange is traditionally not an institution that operates single-handedly by itself, but is one that co-operates with a number of other organizations makes it difficult to pinpoint responsibility for any success or failures recorded. Despite these difficulties, it seems possible to examine in general terms the extent to which the Stock Exchange together with its related institutions could have advanced the state of national well-being. This is in line with international best corporate governance practices which is one of the main responsibilities of the SEC as the regulator of the capital market. Okike (2007: 45), said:

> "The issues relating to the regulation, control and governance of business enterprises in Nigeria are largely contained within the provisions of company law. This system of law has its roots in Nigeria's colonial past. Like most other former British colonies, Nigeria inherited at independence, many rules and legislation left behind by the colonial government. During the colonial period, British company legislation was introduced into the country; hence, Nigeria's legal system and corporate governance mirrored the UK pattern."

Having attained political independence a review of company legislation became inevitable. The system of corporate governance in Nigeria is still in its developmental stage. The principles are not very well appreciated. A survey of Nigerian quoted companies carried out in 2001 by the committee on corporate governance of public companies in Nigeria revealed that only 40% of the public quoted companies had systems of corporate governance. Those without codes are however, willing to embrace one, thus buttressing the urgent need for the development of a code for Nigeria companies perceived as adopting international best corporate governance practices are more likely to attract foreign investors than those whose practices are perceived to be below international standards. As previously stated, the Committee was inaugurated on 15th June 2000 with the following terms of reference:

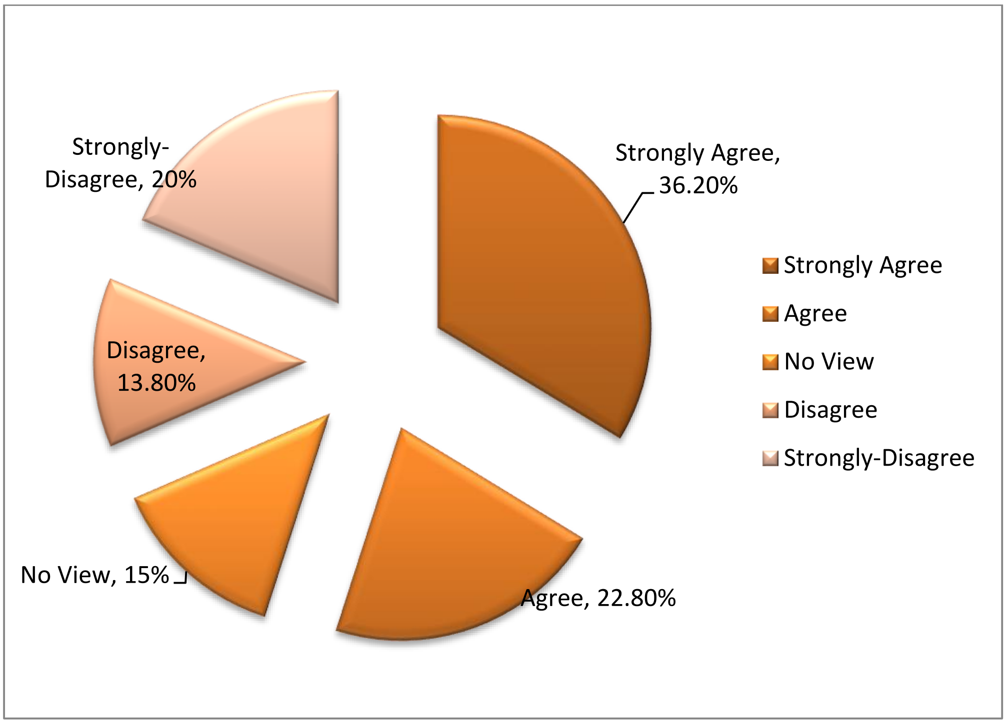
- ❖ To identify weaknesses in the current corporate governance practice in Nigeria, with respect to public companies,
- ❖ To examine practices in other jurisdictions with a view to the adoption of international best practices in corporate governance in Nigeria, and
- ❖ To make recommendations on necessary changes to current practices.

Survey questionnaire statement (5):
For effective check and balance the function of the chairman and chief executive should not be performed by the same individual in your organisation.
Ans. 1 2 3 4 5

The result of the analysis of the survey questionnaire statement 5 is represented below in Figure (5.5). This so regarding the issues and question about the role of the chairman and the chief executive officer of the company. The respondents were asked if they strongly-agree that both roles are to be run by a different person in order to provide checks and balances. Most of the participants agree with the statement as can be seen in Figure 5.5 with 36.2% strongly-agree and 22.8% agreeing that the roles of chairman and the chief executive officer of companies listed in the Nigerian Stock Exchange should be separated for effective corporate governance. However, 20% of the respondents strongly-disagree, 13.8% also disagree and 15% had no-view regarding the question of the separation of roles (statement 5).

The issue is that the position of the chairman and that of chief executive officer (CEO) of the company should be run one director as stated in the corporate governance codes. The problem is, under the shareholder theory the separation of ownership and control, may results to the directors run the business in their interest instead of the interest of the shareholders who are the owners of the organisation. Therefore, the separation of the post of the chairman of the board of directors and the CEO is to ensure that the role of the non-executive chairman of the board is to help the executive directors manage the business in the interest of the shareholders and the wider stakeholders of the organisation.

Figure (5.5) **Result of Survey questionnaire statement (5)**

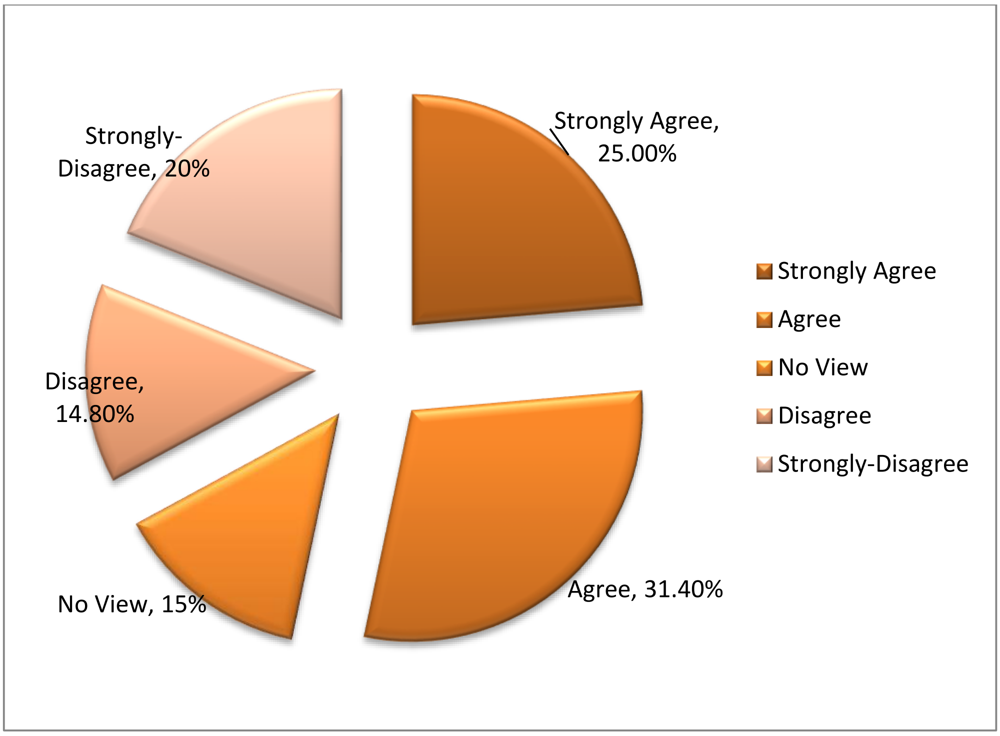


In the case of the Nigerian Stock-Exchange market, the majority of companies still do not separate the role and position of the chairman, and the CEO are still run by the same person who is normally the major owner of the company. However, since the financial meltdown and the near-collapse of the Nigerian Stock Exchange market, the Central Bank of Nigeria (CBN) intervened and followed this intervention, different persons now manage the role of the chairman and the CEO in the banking sector.

Survey questionnaire statement 6:
The Nigerian Stock Exchange has discharged their regulatory function.
Ans. 1 2 3 4 5

The regulatory functions of the Nigerian Stock Exchange form the basis of the statement 6 and in figure (5.6) is the response from the participants. The participants who strongly-agree and agree with the statement represent 55% of the survey answers (25% for strongly-agree and 31.4% agree). On the other hand, 20% of the participants strongly-disagree that the Nigerian Stock Exchange has discharged its regulatory function, another 14.8% also disagree with the statement and 15% had no-view one way or the other. It may be because the Stock Exchange has run into one problem or the other in the past 10 years of this study, resulting in significant changes in the top management of the board. A new Director General (DG) was appointed in 2010, and other senior management appointments were made following the near-collapse of the Nigerian Stock Exchange market because of the global banking and financial crisis of 2008/2009.

Figure (5.6) **Result of Survey questionnaire statement (6)**



5.8 Stock markets and corporate governance models:

Solomon (2004) stated that the stock market provides the means for companies to raise capital by selling shares to both individual and institutional investors who become shareholders. The shares bought by the investors become financial securities, which may be traded on the stock market. Companies' shares are usually offered to willing investors through private placements or public offer. Either way, this represents the only time the company receives any funds as its shares are being sold for the first time. From a theoretical viewpoint, an investor does not jeopardize his entire wealth in buying shares of a particular company.

Rather, he has succeeded in becoming a part owner of the investee company without necessarily having a hand in the day-to-day running of the company. Company directors to whom funds are usually entrusted perform the task of running the company. Before the development of capital markets, companies mainly relied on borrowed finance from wealthy individuals who also managed the affairs of the company. However, as economic activities evolved and for a meaningful growth in the economy, companies needed to expand requiring more capital that the individual owners could not provide. In other to achieve this, different investors had to provide money for companies.

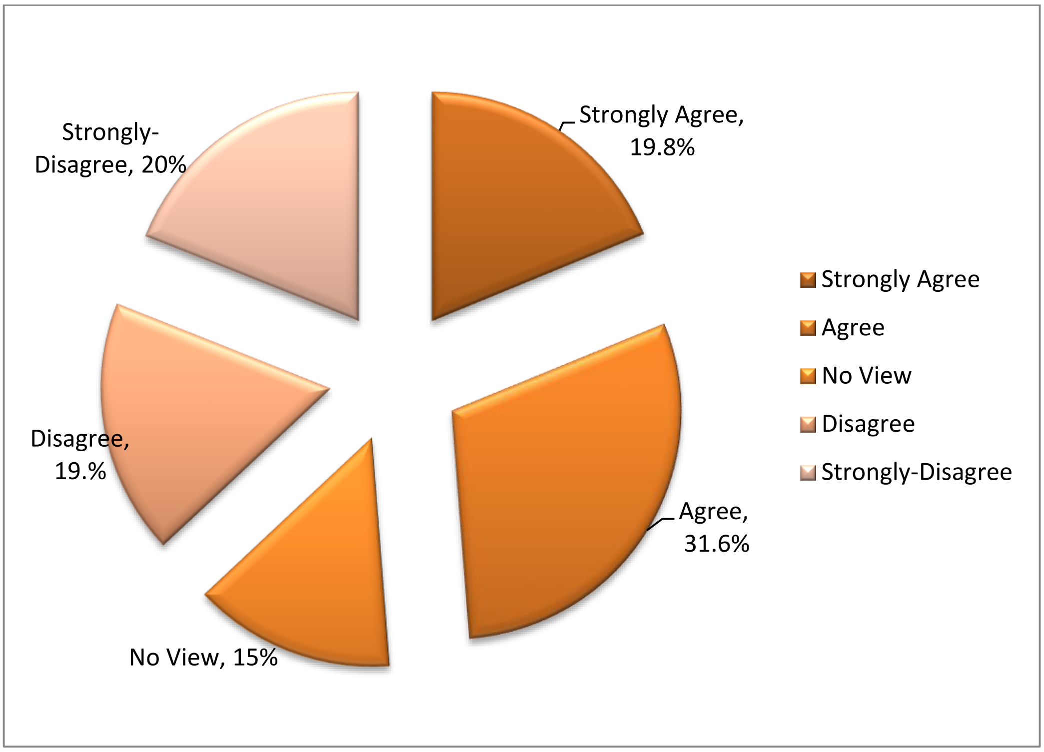
This development gave birth to the principle of limited liability that means that investor/shareholders are not responsible for the debts of the companies in which they invest. Limited liability encouraged investors to buy shares knowing that in the eventuality of the company closing down, they only stood to lose their investment not their entire wealth. Limited liability is the salient feature of today's stock markets which has encouraged investors to buy shares thereby ensuring a steady flow of external finance for companies (Solomon 2004: 2). The Nigerian Stock market has developed into the second biggest Capital Market in Africa after South African Stock market and in the Nigerian Stock Exchange, over 20 billion stocks, (shares) of quoted companies are traded in daily.

Survey questionnaire statement (7):
Corporate governance aided companies listed on the NSE attract more foreign partnership than before. Ans. 1 2 3 4 5

Statement 7 deals with the issue of effective corporate governance and its effect on the capital market in attracting foreign capital to the Nigerian economy. Figure 5.7 is the result of open coding analysis of the survey. About 20% of the respondents, strongly-agree, another 31.6% agree that good corporate governance has contributed to an increase in foreign capital and international partnerships to Nigerian companies than before the introduction of corporate governance. However from the results of the survey analysis 20% of the respondents strongly-disagree and 19% disagree representing 49% of the survey results. With as much as 15% of the respondents having no-view that shows that there are still much to be done to achieve effective corporate governance in order to attract more foreign capital to the Nigerian economy.

Effective corporate governance regulation reduces corruption, mismanagement of shareholder's funds and brings confidence in the capital market. However, ineffective corporate governance regulation will result to uncertainty, risk and no confidence in the capital market.

Figure (5.7) **Result of Survey questionnaire statement (7)**

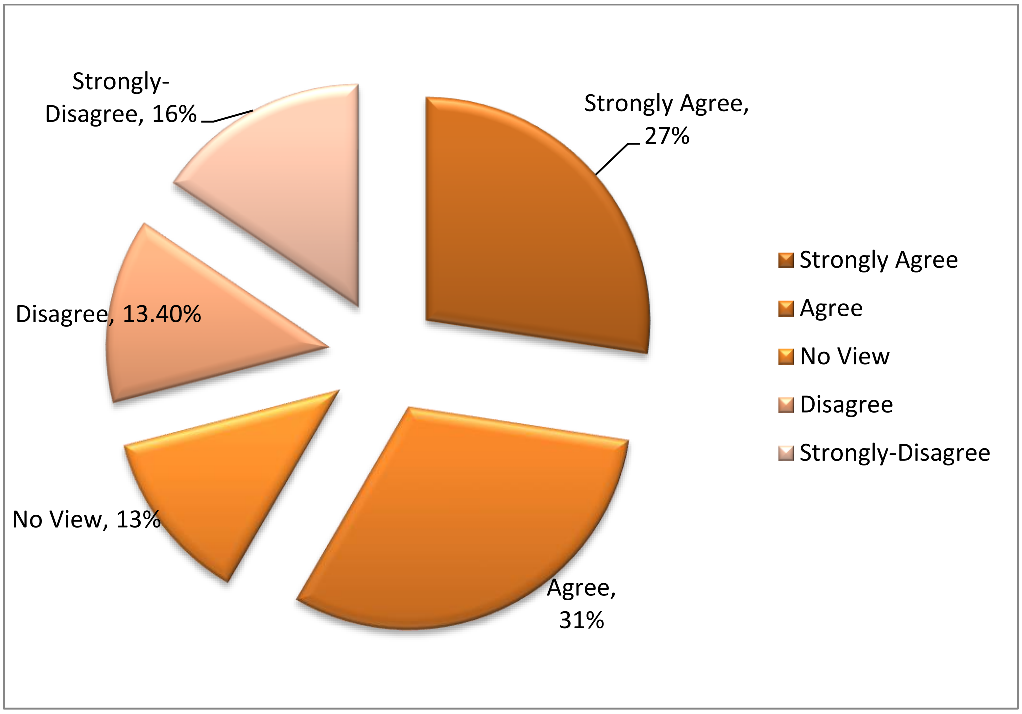


Survey questionnaire statement (8):
Corporate governance has boosted investors' confidence in companies listed on the NSE.
Ans. 1 2 3 4 5

In statement 8, the respondents were asked whether they agree or disagree with the issue of investors' confidence in the listed companies in the capital market because of corporate governance regulation. Figure (5.8) shows the results of the open coding analysis as could be seen by the results, 27% of the respondents strongly-agree that the corporate governance regulation has boosted investors' confidence in companies listed in the Nigerian Stock Exchange Market. Another 31% of the results of the survey agree with the statement. The result shows an improvement in the management process for effective corporate governance which has led to the growth of the capital market in Nigeria. However, 16% of the respondents strongly-disagree, 13% disagree and finally another 13% had no-view.

Overall, the results show that effective and good corporate governance will require the confidence in all companies listed in the market, not just the 58% majority agreement shown results of the survey in Figure (5.8). The main regulators of the financial market, namely the Central Bank of Nigeria and the Security and Exchange Commission will help in boosting confidence in the Nigerian Stock Exchange market. The regulators (CBN and SEC) of the capital market should work together to provide effective corporate governance and guide its implementations. Research suggests that the Nigerian capital market has been one of the best performing markets in Africa. However, there are still a long way to go for good corporate governance that will lead to investors' total confidence in the market which will increase foreign direct investment (FDI) to the Nigerian economy.

Figure (5.8) **Result of Survey questionnaire statement (8)**



5.9 Why corporate governance matters

Corporate governance is often considered to be important for companies with publicly traded shares that seek to raise capital from outside equity investors. The Organisation for Economic Cooperation and Development (OECD 2003), stated that research evidence suggests that well-governed companies should be able to raise finance at significantly lower cost to the company than poorly governed companies because of the added risk-premium investors can be expected to be paid for investing in such poorly managed companies. In developing countries, the widespread preponderate of smaller firms that do not have listed shares and of largely family-owned, state-owned and/or foreign-owned companies whose shares are also not widely traded locally is thus an important reason the potential importance of good corporate governance was long ignore.

There are mistaken perceptions that effective corporate governance regulation is of little importance for countries that do not have many companies with widely traded shares. Fremont and Capaul (2003) claim that such perceptions are wrong because the institution of corporate governance is at the heart of one of the greatest challenges that virtually all developing transition and emerging market economies depend on for funding. It moves successfully from institutions of economic and political governance that tend to be heavily relationship-based to institutions that are more effectively rules–based. In the case of the Nigerian Stock Exchange market effective corporate governance regulation the Security and Exchange Commission and the Central Bank of Nigeria are playing important roles in the regulation of the capital market and the banking sector of the country's economies.

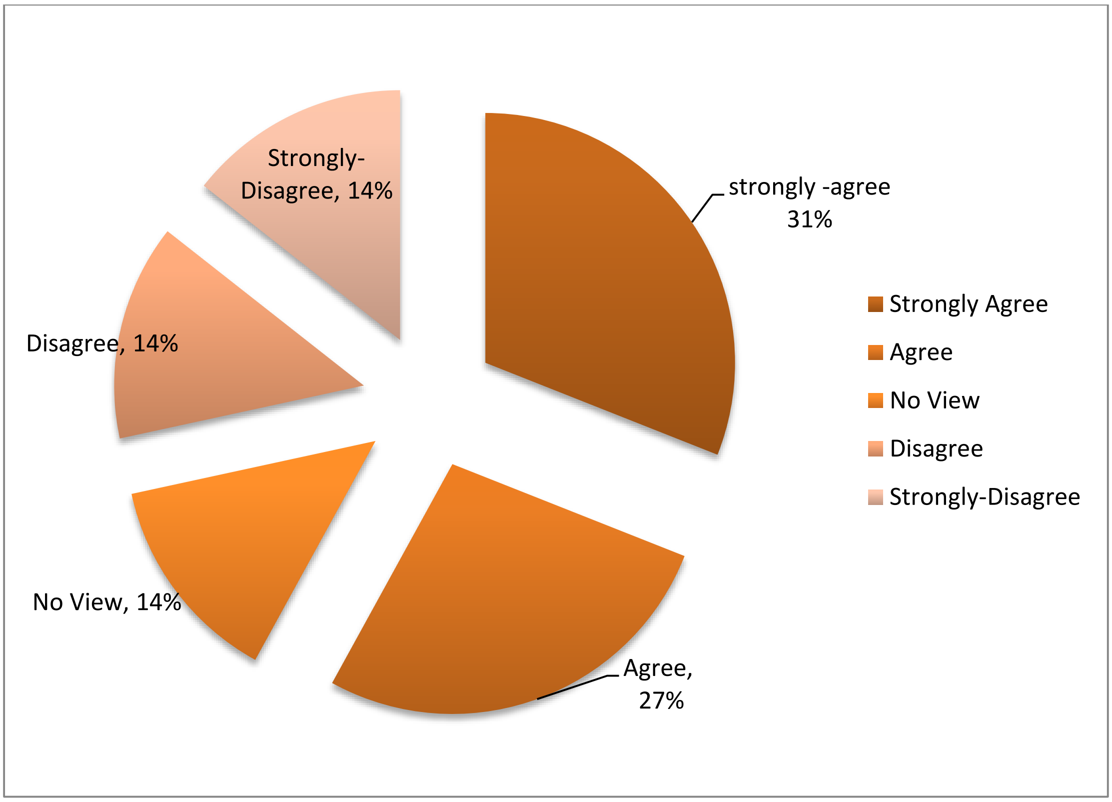
The transformation of the banking sector by the Central Bank of Nigeria with the $45 billion bailout of failing banks following the global banking and financial meltdown of 2008/09 helped save the Capital market from near-collapse in 2009/2010. The banking and financial services sector account for 50% of companies listed in the Nigerian Stock Exchange market, therefore, cushioning any effect the banking sector impacts on the Nigerian capital market and the economy as a whole.

Survey questionnaire Statement (9):

There should be transparency in the way daily transactions are carried out in the stock market. Ans. 1 2 3 4 5

The question of transparency in the management of the affairs of the capital market forms the survey questionnaire statement: 9 and the results of the analysis of the participant's views are laid out in Figure 5.9. The respondents were asked whether they support the importance of transparency in the daily transactions carried out in the Stock market. As the results in figure 5.9 shows, 31% of the respondents strongly-agree to the issue of transparency in the day-to-day transactions (buying and selling of shares) by investors in the capital market. Another 27% of the survey participants agree with this statement. As could be seen in figure 5.9, 14% of the respondents strongly-disagree, 14% disagree and 14% had no-view about the transparency of the daily transactions from the stock market.

Figure (5.9) **Result of Survey questionnaire statement (9)**



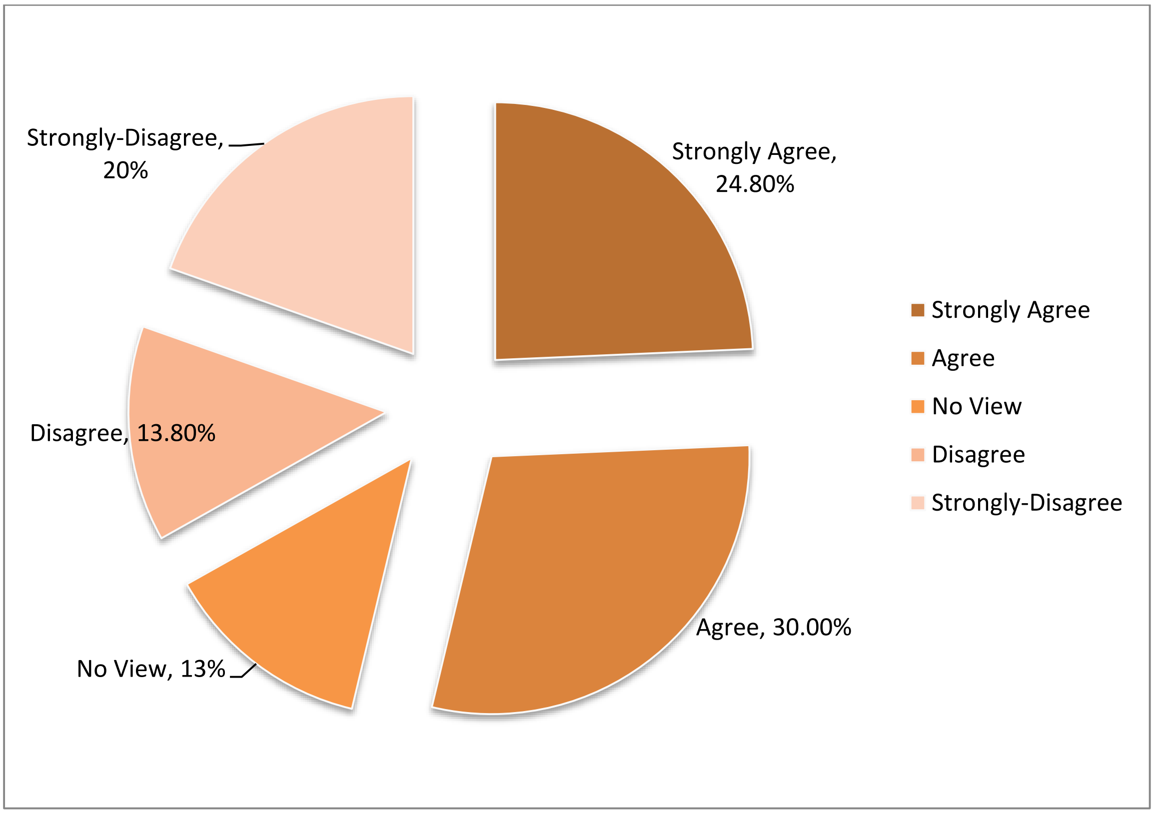
The issues such as mismanagement, inside dealing and non-compliance with corporate governance regulations, contribute to the lack of transparency in the day-to-day management of the affairs of the capital market. The Nigerian Stock Exchange states in many of its publications that integrity is its watchword and capital market operators subscribe to the code – 'our word is our bond.' Corporate governance translates into accurate and transparent financial disclosure, honest auditing, existence of shareholder rights, remedies for corporate abuse and director oversight on behalf of investors. It is strongly focused on the relationship between a company and its stakeholders, managers and directors and includes all related laws, regulations and requirements. As stated in Chapter 1, one of the objectives of this research study is to determine if the Nigerian Stock Exchange fulfils one of the objectives of corporate governance i.e. enabling corporations to perform more efficiently in order to achieve their business objectives as well as to meet their respective society, legal and ethical obligations. The obligations hinged on the need for greater transparency and accountability in global market economies.

Survey Questionnaire Statement 10

With the current problem in the banking sector on effective corporate governance practice the stock exchange should put its house in order and adopt good corporate governance practices.

Ans. 1 2 3 4 5

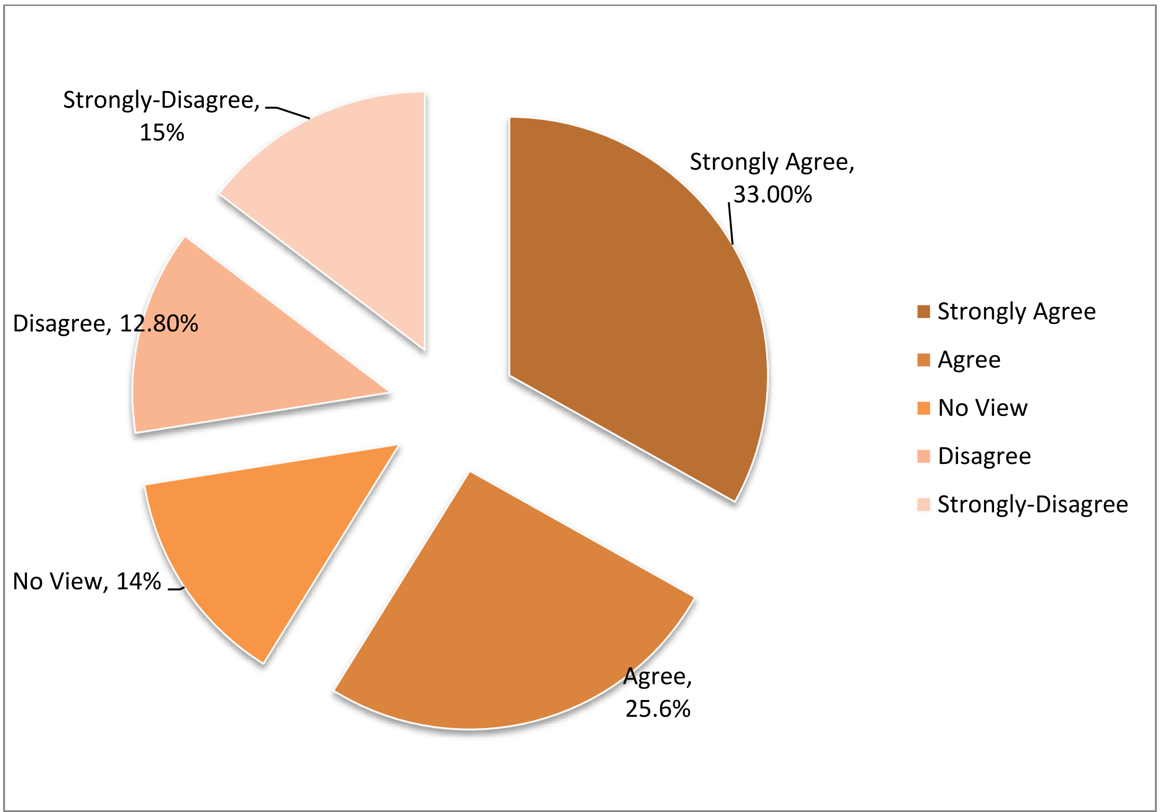
Figure (5.10) **Result of Survey questionnaire statement (10)**



The Nigerian banking sector is the driver of the Nigerian Stock Exchange market and any problems with regulations in the banking sector will have an impact in the Nigerian Stock Exchange market. Figure 5.10 shows the results of the open coding analysis of statement 10. As could be seen, 24.8% of the respondents strongly-agree that ineffective corporate governance in the banking sector affects the affairs of the capital market, 30% agree that the banking sector should adopt effective corporate governance practice for the good of the capital market. However, 20% of the respondents strongly-disagree, 13.8% disagree with the statement, and another 13% had no-view one-way or the other. It shows the problems faced by regulators of the banking sector to develop effective corporate governance regulation and monitor its implementations.

Survey Questionnaire Statement (11): The recent financial meltdown indicates that strong and effective corporate governance practice is required in the Nigerian Capital Market if companies are to meet their shareholders' needs. Ans. 1 2 3 4 5

Figure (5.11) Result **of Survey questionnaire statement (11)**



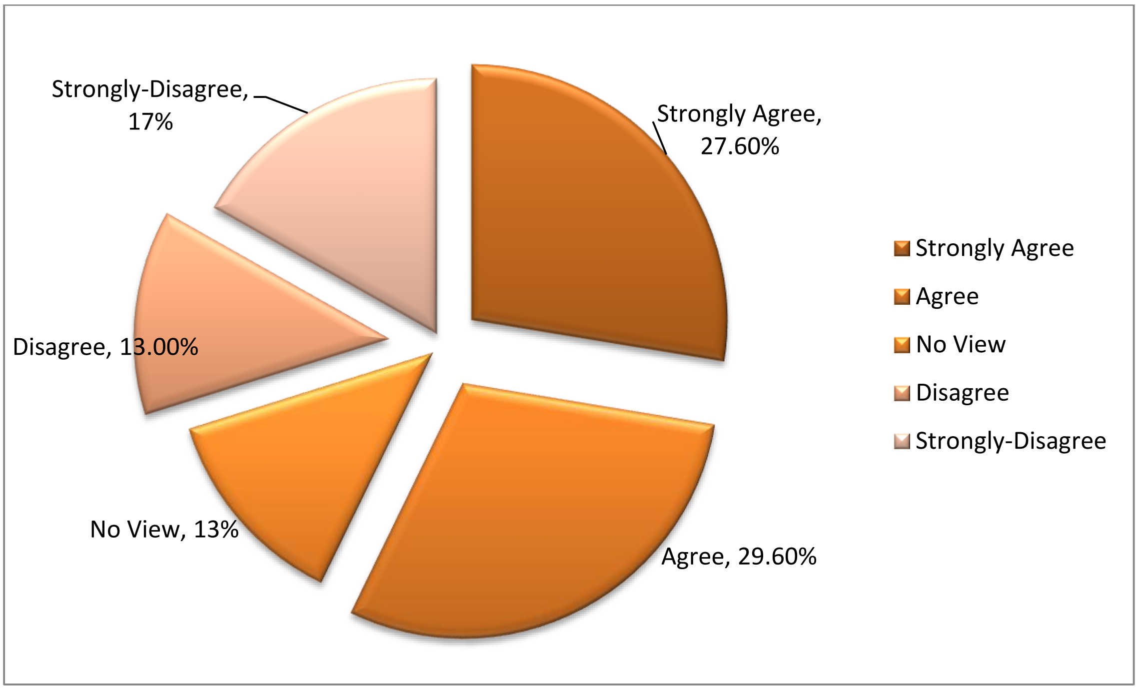
Statement 11 in the survey questionnaire is about effective corporate governance practices by listed companies on the Nigerian Stock Exchange. It enquires whether strong corporate governance needed if they are to meet the interests of their shareholders and the needs of their stakeholder groups that will contribute to the growth of the Nigerian economy. Figure (5. 11) above shows the results of the open coding analysis in which 33% of the respondents strongly-agree with this statement 25.6% agree that the financial meltdown was a result of weak of corporate governance systems and ineffective regulation of the capital market. However, 15% of the participants surveyed strongly-disagree with statement (11), 12.8% disagree while 14% had no view on the issue.

The near-collapse of the Nigeria capital market during the financial meltdown in 2008/2009 shows the weakness of the Nigerian corporate governance system. The stakeholders called for the Central Bank of Nigeria and Security and Exchange Commission to provide effective corporate governance regulation of the capital market if the Nigerian economy is to be effective and contribute to the economic development of the country. The results from the analysis of the statement 11 show that in order to avoid the near-collapse of the capital market and the banking sector in the future there should be effective corporate governance regulation of the financial sector of the Nigerian economy. The bailout of the non-performing banks by the Central Bank of Nigeria in 2011 prevented the collapse of the banking sector as well as the capital market given that the banking stocks represent over 50% of the value of the Nigerian stock exchange.

Survey questionnaire statements 12 Companies that incorporate the needs of their wider stakeholder groups can attract and create wealth for their shareholders in the long-term. Ans. 1 2 3 4 5

The final survey questionnaire statement 12 is about how companies benefit from the policy of meeting the needs of their wider stakeholder groups that could contribute in the long-run to the interests of their shareholders. Figure (5.12) shows the results of the open coding analysis of data from the respondents. 27.6% of the participants strongly-agree and 29.60% agree with the statement as well. However, while majority of the respondents agree (27.6% +29.6%) representing 57.2% of the respondents, 17% of the respondents strongly-disagree, followed by 13% who disagree and a further 13% had no-view.

Figure (5.12) **Result of Survey questionnaire statement (12)**



In the literature review of this thesis, the issue of companies contributing to the needs of their stakeholder groups through corporate social responsibility (CSR) was evaluated with the results of the studies stating that CSR policy is essential to the growth of shareholders wealth. Research in this area shows the importance of engagement with stakeholders through corporate social responsibility, business ethics and environment responsibility with companies contributing to the local communities in which they operate their businesses. As Friedman (1970) 'Good business ethics makes good business.'

Browne and Nuttall (2013), in their studies, stated that: directors need a new approach to engaging the external environment and that the best one is to integrate external engagement deeply into business decision-making at every level of the company. Their study shows how to make that kind of integrated external engagement (IEE) a reality. The authors set out in their study to answer three questions: Are companies doing well at external engagement? Where might they be going wrong? How can they do better? For the question - Are companies doing well at external engagement?

The authors suggested that:

> "Properly understood, external engagement means the efforts a company makes to manage its relationship with the external world. This relationship can and should include a wide variety of activities: not just corporate philanthropy, community programs, and political lobbying, but also aspects of product design, recruiting policy, and project execution. In practice, however, most companies have relied on three tools for external engagement: a full-time CSR team in the head office, some high-profile (but relatively cheap) initiatives, and glossy annual review of progress." (Browne and Nuttall, 2013).

Other research studies on CSR suggested that businesses just as individuals have a local neighbourhood and so any company looking to become a better corporate citizen cannot only focus on global issues such as emissions reduction without considering its impact on its local environment.

> "Companies which do not take on board their responsibilities and are not transparent in how they are delivering on these responsibilities will find themselves scarred with the unethical brush. While those companies that are considering acting irresponsibly should look at what has happened recently to notable examples of companies that displayed poor corporate responsibility," (Mamczak 2008) (www.mediaplant.com/csr)

In Nigeria, most of the multinational oil corporations after many years of polluting the local environment and pressure from climate change and local people activism are now paying attention to their environmental and corporate social responsibility policies. Some of the CSR initiatives include support in building local schools, education, health and housing for local people affected by their business activities. Many multinational companies are initiating new business models and partnerships aiming not only to produce economic results, but also to contribute to sustainable development and poverty alleviation in developing countries. Providing market access is also crucial to helping people who live in poverty stricken conditions to become agents of change. Governments and other public and private actors are opening up to new approaches to development aid. (Davies 2008). (www.mediaplant.com/csr)

5.10 Survey questions on the Nigerian Stock Exchange market

Table 5.4 ***Survey questions on corporate governance practices and regulation in Nigeria:***

I am doing a Ph.D. Corporate governance at St Clements University. I am conducting a study on the impact of corporate governance on regulation and practices in the Nigerian stock exchange. This questionnaire is required to generate original data for analysis on the subject matter of study. Kindly complete the questionnaire and return to me. Please be assured that the information derived from this questionnaire will be treated with utmost confidence and names will not be shown in the summary of findings.
A summary of findings from this research will be made available to everyone who completes this survey questionnaire.
Personal information: (Your answers will be treated in confidence and personal information will not be included in the study).
(Please answer 'YES' or 'NO')

1. Does the board of directors of your organisation have non-executive directors (NED)?
2. Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?
3. Does one individual in your organization perform the functions of the chairman and chief executive?
4. Does the compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?
5. Does the lack of accountability and transparency through good corporate governance and financial reporting increase corruption in the Nigerian economy?
6. Do you think that the ongoing Central Bank reform of the banking sector will reduce corruption in this area?
7. Do you think the changes in the leadership of Nigerian regulatory authorities: Securities and Exchange Commission (SEC), Central Bank, Stock Exchange will contribute in reducing corruption in the Nigerian economy?
8. Can compliance in corporate governance codes increase investor's confidence in companies listed in the Nigerian Stock Exchange?
9. Does the lack of transparency in the way daily transactions are carried out in the stock market affect investors' confidence in the stock market?

10. Do the current problems in the banking sector on effective corporate governance practice affect the stock market?

11. Does the recent financial meltdown indicate that strong and effective corporate governance is required in the Nigerian economy if companies are to increase their shareholders' wealth?

12. Companies that incorporate the needs of their wider stakeholder groups into their corporate social responsibility (CSR) can create wealth for their shareholders in the long-term.

    i.

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public. If you are prepared to take part in an interview on this issue that will enable me gather more information for this study, please tick this box. Put box here.

Table (5.5): **Survey questions results**

QUESTIONS	*YES*	*NO*
1	*40%*	*60%*
2	*57%*	*43%*
3	*39%*	*61%*
4	*54%*	*46%*
5	*66%*	*41%*
6	*66%*	*44%*
7	*51%*	*49%*
8	*58%*	*42%*
9	*58%*	*52%*
10	*55%*	*45%*
11	*59%*	*41%*
12	*57%*	*43%*

To access the level of the categories using the open coding analysis of the grounded theory approach, the 'Yes' or 'No' answers from the 12 survey questions is represented by percentages shown in table (5.5) above. The results are further analysed below using charts to represent the answers given by the 500 survey data collected for this research study.

5.11 Selective coding analysis of survey questions

As Corbin and Strauss (1990) stated, "selective coding is the process by which all categories are unified around a core category." The categories in this book were identified from the corporate governance practices of the board of directors of FTSE-100 companies in the UK. "other categories are stated in relationship to the core category as conditions, action / interactional strategies, or consequences" (ibid). The data selection and the creation of other categories processed with the core category in mind. The core category represents the central phenomenon of the research study. It is identified by asking questions such as what is the main analytical idea presented in this study? What does all the action/interaction seem to be about, (ibid)?

The answers to which are: the corporate governance practices at work at the boardroom of UK companies, how boards of directors understand their corporate governance in practice in recent years. These areas are identified and unified through axial coding, "…during axial coding; one begins to notice certain patterns … and a certain amount of integration naturally occurs" Corbin and Strauss (1990:130). A network of conceptual relationships already exists which is refined during selective coding.

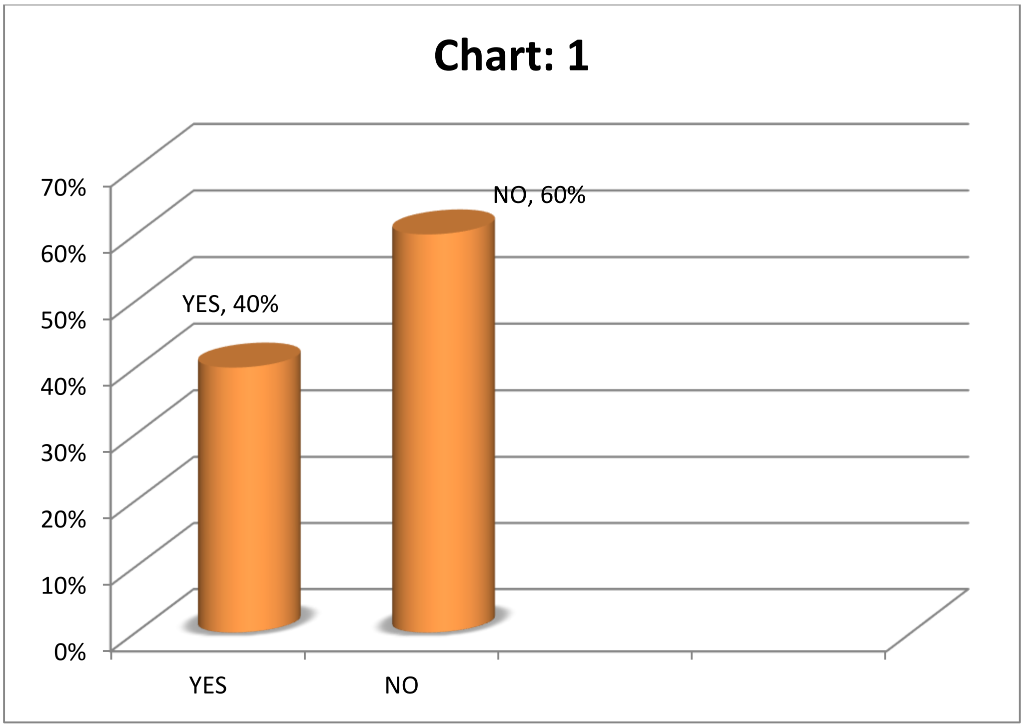
> "It is crucial to identify these patterns and to group the data accordingly, because this is what gives the theory specificity" (ibid). To clarify connections in the network grounded theory uses "… a combination of inductive and deductive thinking, in which we move between asking questions, generating hypotheses, and making comparisons." (Howell 1998: 47).

Selective coding integrates the research; it puts the story straight, provides analysis, identifies the core category and illustrates how major categories relate both to it and to each other.

SURVEY QUESTION 1

Does the board of directors of your organisation have Non-Executive Directors (NED)?

The majority of the respondents (60%) stated that their board of directors does not have non-executive directors. While 40% of the respondents claim that their boards have non-executive directors. This result is typical of the listed companies on the Nigerian stock exchange in which many of the companies are manage by the owners who dominate the boards of their companies with no independent directors or Non-Executive Directors on their boards. Effective corporate governance regulation requires the boards of directors of listed companies to have more NEDs.

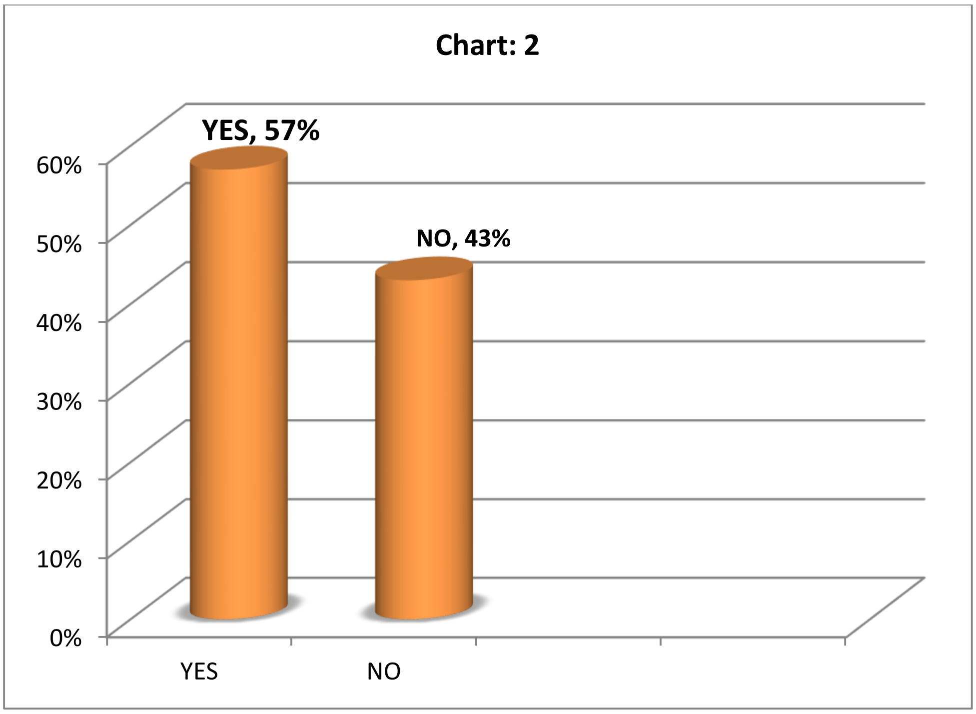


The case in the UK or USA boards to provide adequate checks and balance. Sun *et al.* (2002: 1) argued that:

> "The current analysis of corporate governance, despite their contrasting emphases, commonly subscribes to the orthodox assumption of economic rationality and efficiency in which market forces and hierarchical forms of governance viewed as genuinely alternative competing mechanisms. The fundamental problem with conventional corporate governance research and theorising is that they implicitly rely on a homeostatic and entitative conception of reality, deeply rooted in the tradition of the dominant mode of thought. Instead of this static and entitative view, propose a processual approach for the analysis of corporate governance issues. Governing more than governance better describes and explains the continuous overflow and the inherent heterogeneity of corporate governance practice."

SURVEY QUESTION 2

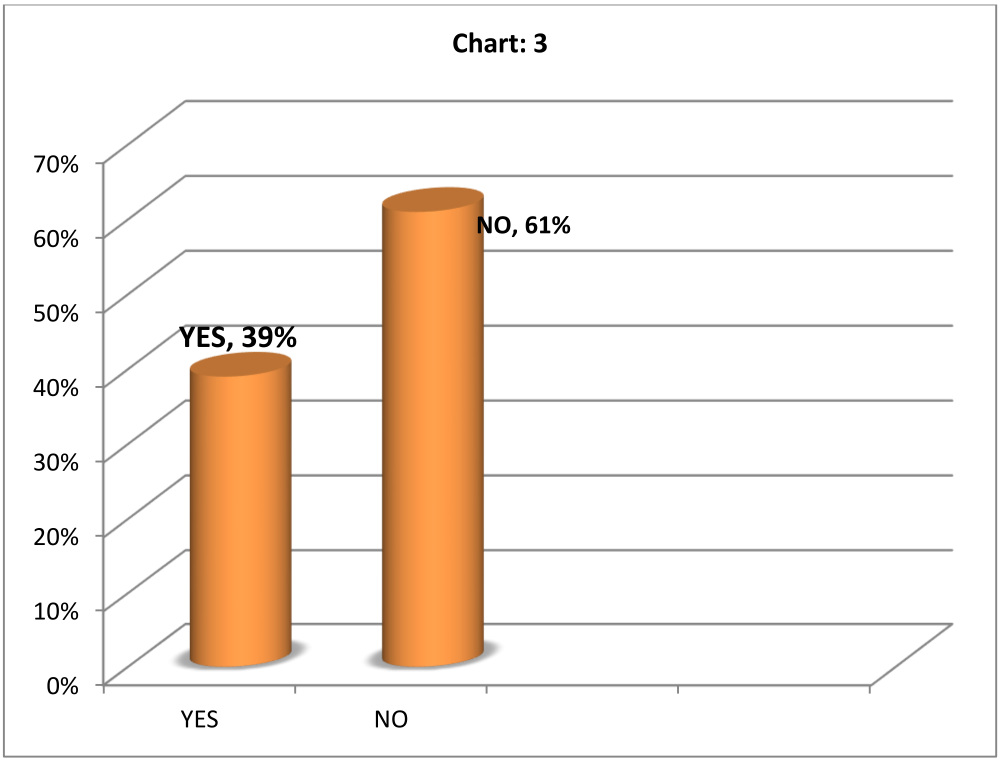
Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?



The Nigerian Securities and Exchange Commission (SEC) is the central regulator of the stock market. The Securities and Exchange Commission is responsible in developing corporate governance for the Stock Exchange Market and all companies listed on the stock market should implement corporate governance codes as one of the conditions for listing in the Exchange. In chart (2), the result of the selective coding analysis of the survey questions show that 57% of the respondents stated that SEC is playing a leading role in the regulation of the stock market. While 43% said no that SEC is not playing a leading role in developing effective corporate governance systems for the Nigerian capital market. The result supports the view that SEC plays a leading role in the regulation of the Nigerian capital market that contributes to the performance of the market in the past 10 years with annual growth of 7% compared to capital markets in developed economies.

SURVEY QUESTION 3

Does one individual in your organization perform the functions of the chairman and chief executive?



The result of this question shown on the chart (3), shows that majority of the companies listed in the Nigerian Stock Exchange market do not appoint the same person as chairman and Chief Executive Officer (CEO) of the board. It is keeping in line with the corporate governance code of separating the two positions on the boards of listed companies. When applying selective coding analysis the result shows that only 39% of the respondents said "yes" that the same person who is in most cases the majority shareholder of the company or the founders of the organisation, perform both roles as the chairman and executive officer of his company.

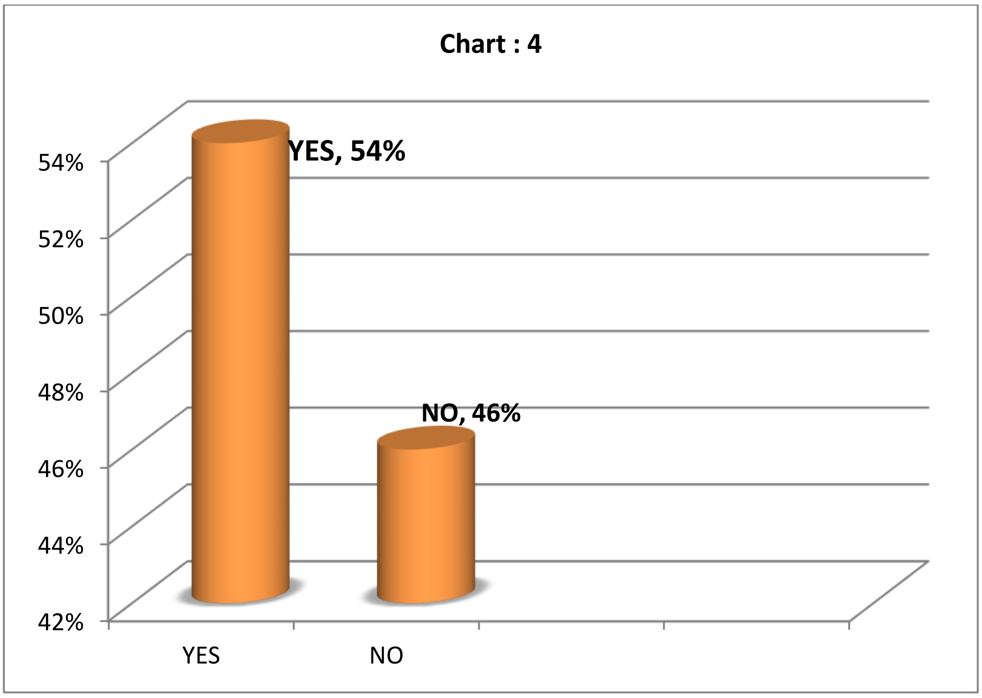
However, as shown in the chart (3), 61% of the respondents stated that there is a separation of the roles with the chairman likely to be an independent director on the board while the CEO is the managing director of the company. This result mirrors the same practice in developed economies such in the UK, some EU States and in the USA where listed companies on their Stock Exchange have separate directors performing the roles of the chairman and the CEO.

In a study by Kirkbride and Letza (2005a: 542), they stated that:

> "in the UK, there has been a recent debate over the role of the independent non-executive director, with that discussion resulting in changes to the revised Code applicable to companies reporting after 1st November 2003. The paper reflects on an aspect of the proposed changes ignored, namely changes to the legal duties and liabilities of non-executive directors. This appears to have been a missed opportunity in seeking to enhance the effectiveness of independent non-executives and their contributions to enhancing corporate governance."

SURVEY QUESTION 4

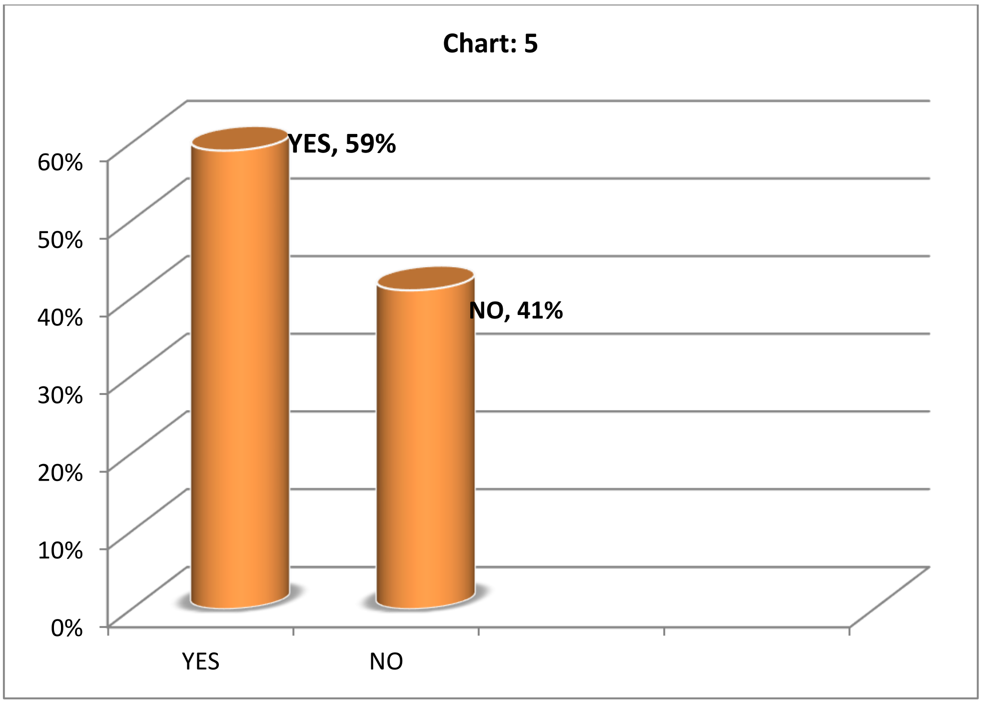
Does the compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?



The result is shown in the chart (4) where majority of the respondents said yes and agreed that compliance with corporate governance regulation by companies on the Stock Market attracts foreign investments to the Nigerian economy. However, 46% of those who answered 'No' that lack of foreign investment may not be because of ineffective corporate governance regulations but rather because other economics issues may be at work. These economic issues at fault include problems with transport system in Nigeria and other developing countries in Africa, the ineffective power systems and corruption by government officers maybe also add to the problems resulting to lack of foreign direct investments (FDI).

SURVEY QUESTION 5

Does the lack of accountability and transparency through good corporate governance and financial reporting increase corruption in the Nigerian economy?

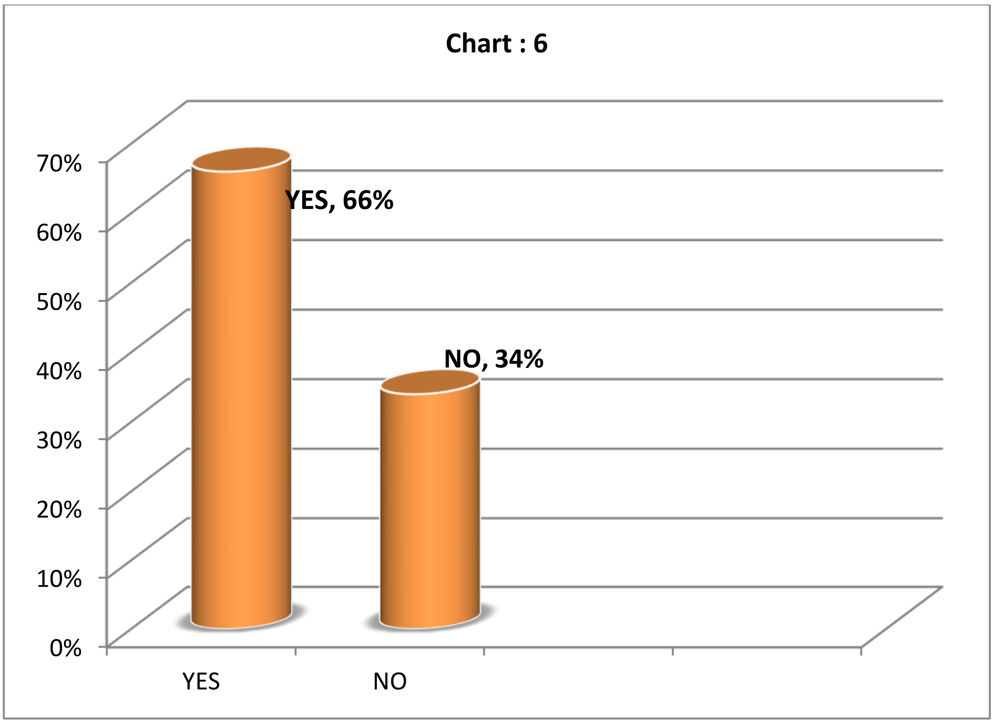


The question of accountability and transparency in corporate governance report is a significant problem in Nigeria due to the higher level of corruption in the society that has eaten into the Nigerian economy. The respondents in this question agreed that lack of accountability and transparency from good corporate governance and financial reporting increased corruption in Nigerian financial and capital market. As shown in the chart (5), 59% of the respondents of the survey said 'Yes,' while 41% said 'No.' On the other hand, the 41% of participants who said 'No' are saying that even with accountability and transparency in corporate governance and financial reporting it will not make any different in the rate of corruption in the Nigerian economic.

This group believes that with institutional corruption in the systems better or good corporation governance reporting will not make any difference until the government confronts the issue of corruption. It is only then that good corporate governance will have an impact on the management of the Nigerian Stock Exchange. The lack of ethical business practices in the capital market is contributing to the problems facing the investors and stakeholders.

SURVEY QUESTION 6

Do you think that the ongoing Central Bank reform of the banking sector will reduce corruption in this area?



As a result of the near-collapse of the Nigerian banking and financial sector following the global financial meltdown of 2008/2009, the New CBN set up a commission to review the Nigerian banking policies and regulation. In the process, 5 of the 25 commercial banks in Nigeria were closed and the Economic and Financial Crimes Commission (EFCC) charged their managing directors or Chief Executive Officers (CEOs) to Court for corruption and mismanagement of their customers' funds and shareholders' capital. The CBN Governor then set about reforming the banking sector to restore confidence in the banking sector and financial services that researchers and financial analyst stated are the backbone of the Nigerian economic transformation of the government.

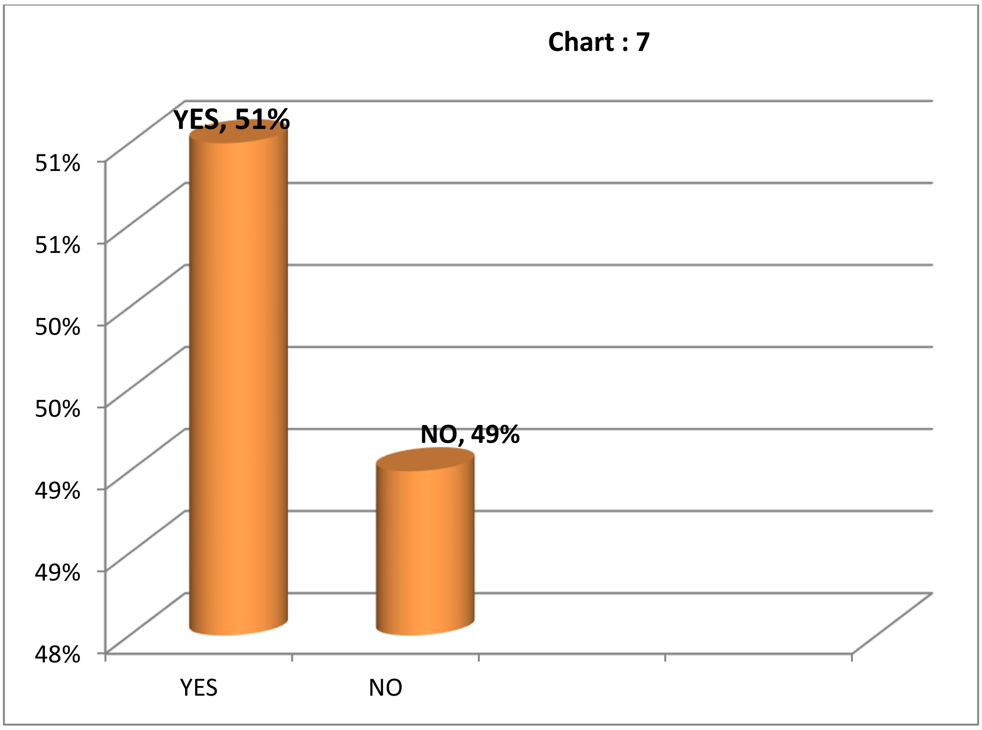
It is because of the CBN banking reforms that survey question 6 above was put to the respondents, asking whether the reforms will reduce corruption in the banking and financial sector. As could be seen in chart 6, 66% of the 500 respondents said yes that the CBN reform of the banking sector would reduce corruption in this important sector of the Nigerian economic. However, many stakeholders believe that the CBN reforms did not go far enough to reduce corruption in the financial sector of the economic. As the result of the study shown above 34% of the respondents said 'No' that the reforms will not make any impact on corruption in the banking and financial sector of the economic.

It can be view from the state of corruption at both government and private sector of the Nigerian economy in which the economic growth in Nigeria has been running at the rate of 7% for the past ten years. However, this growth has not been translated to the "man in the street" that faces hardship daily as claimed by analysts that the hardship is because of corruption in Nigeria. According to the World Bank economy report, the Nigerian economy is growing at annual rate of 7% but still the gap between the rich and the poor is getting wider by the day. The reports stated that over 100 million people in Nigeria live on less than £2 a day.

The rich here in Nigeria is not due to hard-work or commercial venture but rather it is due to corruption by politicians and government officials. Researchers claim that in the case of Nigeria and Africa as whole, political, economic reforms and changes in social values supported by real leadership to make an impact on the economic and social welfare of the people of Africa.

SURVEY QUESTION 7

Do you think the changes in the leadership of Nigerian regulatory authorities: Nigerian Securities and Exchange Commission (NSEC), Central Bank and the Stock Exchange will contribute in reducing corruption in the Nigerian economy?



The survey question 7 was put to the respondents to find out the level of their support and trust in the Nigerian regulatory authorities in regulating the capital market. Each of the three regulators plays a leading role in the efficient operation of the Nigerian stock exchange, banking and the financial services. The Central Bank of Nigeria is responsible in the economic and financial management of the country and dealing with inflation and money supply. The

Securities and Exchange Commission is responsible for corporate governance regulations of the capital market as well as the other sectors of the Nigerian economy. The stock exchange is responsible for the efficient running of the stock market.

Dealing with issues of financial trading, listing rules and problems of mismanagement of investors and shareholders' funds, insider trading and policing the stockbrokers in active buying and selling of shares of companies listed in the Nigerian Stock Exchange Market. The results of the survey in question (7) are shown in chart: (7), It suggests the respondents were divided on the ability of the three regulatory authorities namely the SEC, CBN and NSE to provide effective regulation of the Nigerian economy with only 51% saying "Yes" and 49% saying "No". A simple Marjory of the respondents supports the three regulatory bodies to provide effective regulation of the Nigerian economy and help reduce the level of corruption in the system.

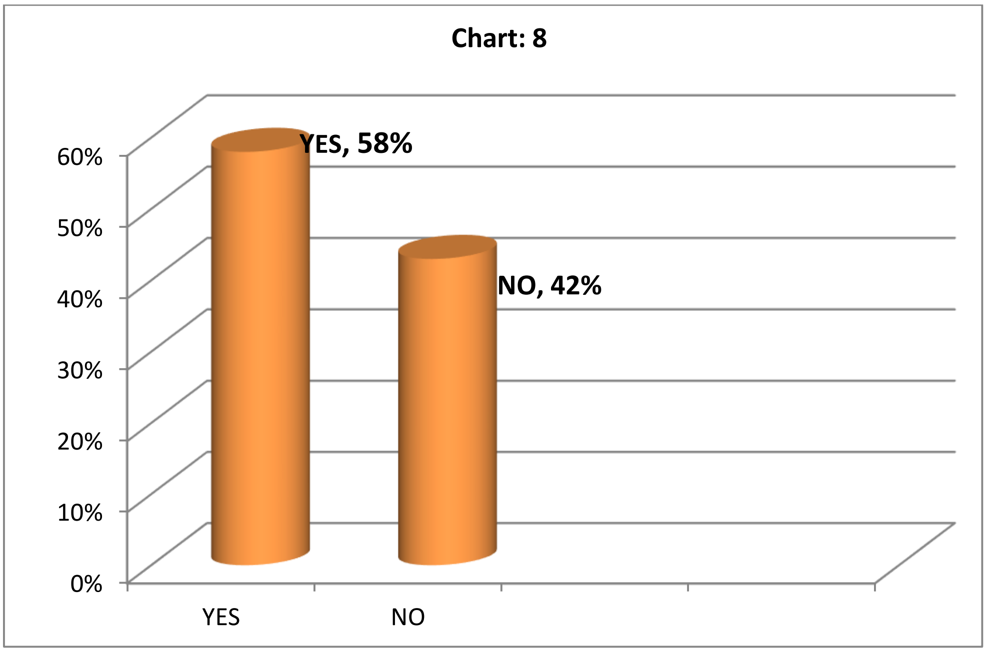
49% of the respondents who did not support this question show how deep the problem of corruption in the Nigerian society is. The results showed that both the regulatory bodies and the government would need to show real leadership in dealing with the issues and problems of corruption in the Nigeria economy. Though the results were encouraging, there is still a long way to go by the government and the regulatory authorities in dealing with corruption before the public will have confidence in the system. There are government agencies such as the EFCC and the Courts who need to play a big role in ensuring that those who corruptly enriched themselves face the music with appropriate punishment for the society to have confidence in the system.

SURVEY QUESTIONS 8

Can compliance in corporate governance codes increase investor's confidence in companies listed in the Nigerian Stock Exchange?

The problems of non-compliance with corporate governance codes were the focus of the survey question 8. The selective coding analysis shown below in the chart (8) shows that 58% of the stakeholders who took part in the survey agree that compliance with corporate governance codes will increase investors' confidence in companies listed in the Nigerian Stock Exchange. The result indicates that effective compliance with corporate governance codes would increase investors' confidence in the Nigerian Stock Exchange market. However, as could be seen in chart (8), 42% of the respondents did not support the terms that compliance with corporate governance codes will increase confidence in the listed companies in the Nigerian stock exchange market.

It does may to the history of non-compliance to regulation whether corporate governance, taxation and accounting regulations by many big corporations trading in Nigeria. It is up to the regulators to enforce the law and bring to book those corporations that do not comply with corporate governance codes.



5.12 Comply and explain regime

In the UK, for example, compliance with corporate governance codes start with the Combined Codes. Following the Cadbury Report (1992) on the 'Financial Aspects of corporate governance.' The report stated that the board of directors must produce a corporate governance report in their annual financial report in which they must state how their company has complied with the combined code. In the case of the company that is not able to comply with all aspects of corporate governance regulations, the board must state the reasons for non-compliance to their shareholders and the London Stock Exchange. This is known as the principle of 'Comply or Explain.'

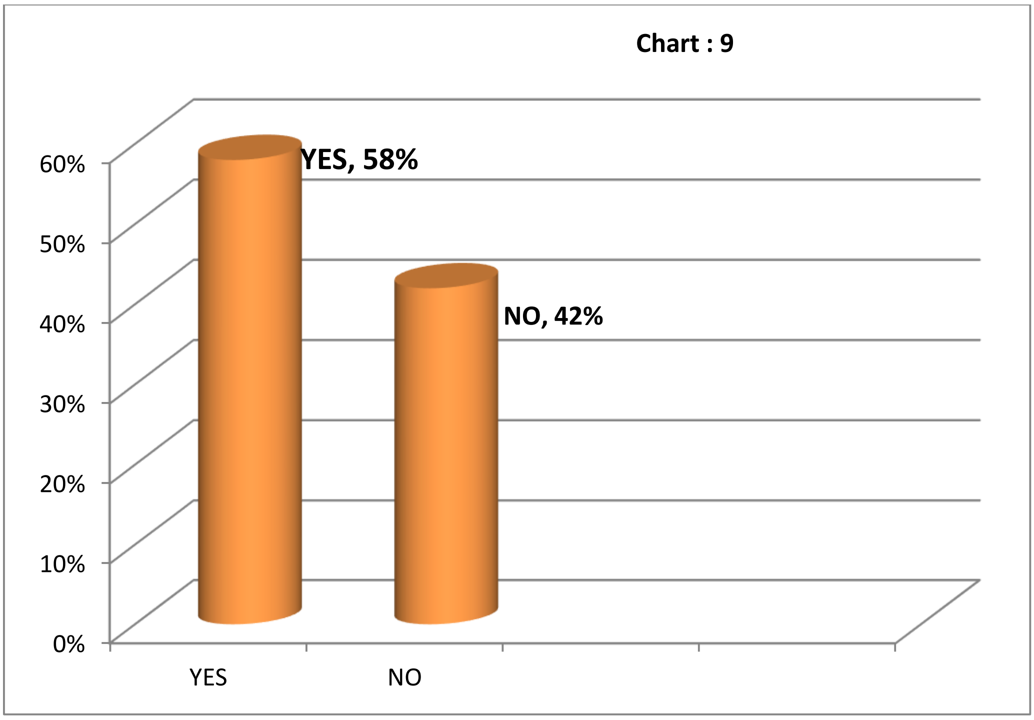
In a study of compliance with the corporate governance systems, a survey conducted on 40 listed companies on the FTSE-100 randomly selected show how the companies have complied with the provisions of the code. The authors stated that in the case of those companies that fully complied with the main provisions of the Combined Code on corporate governance, their corporate governance reports stated how the company has met each provision of the code according to the 'Comply or Explain' rules. While for those companies that did not comply, their corporate governance reports explained the reasons for non-compliance with all or some of the provisions of the Code in keeping with the 'Comply or Explain Regime.' (MacNeil and Li 2005).

The then 'new combined code' on corporate governance in the UK in 2003 introduced a number of 'principles of compliance' about the roles of the company's chairperson and chief executive officer. The code set out the structure of the company's board of directors and the composition of the board's three main committees – the Nomination, Remuneration and Audit Committees. The new system gives greater prominence to the role of non-executive directors in a company's corporate governance structures and decision-making processes. It emphasises the importance of NEDs being 'independent' according to criteria spelt out in the code. Companies are 'expected' to fully comply with the provisions of the code whenever possible and if not, they are required to provide an appropriate 'explanation' of why they have not done so as required under the code's 'comply or explain' philosophy. (Pass 2006; MacNeil and Li 2005).

In the case of Nigeria's corporate governance regulation, such 'comply or explain' may not be explicitly stated. However, companies are expected to provide such information in their corporate governance report. They are expected to include the independence of NEDs, the position of the chairman and the CEO and whether one person, board committees and other areas of the codes perform the role.

SURVEY QUESTION 9

Does the lack of transparency in the way daily transactions are carried out in the stock exchange affect investors' confidence in the stock market?



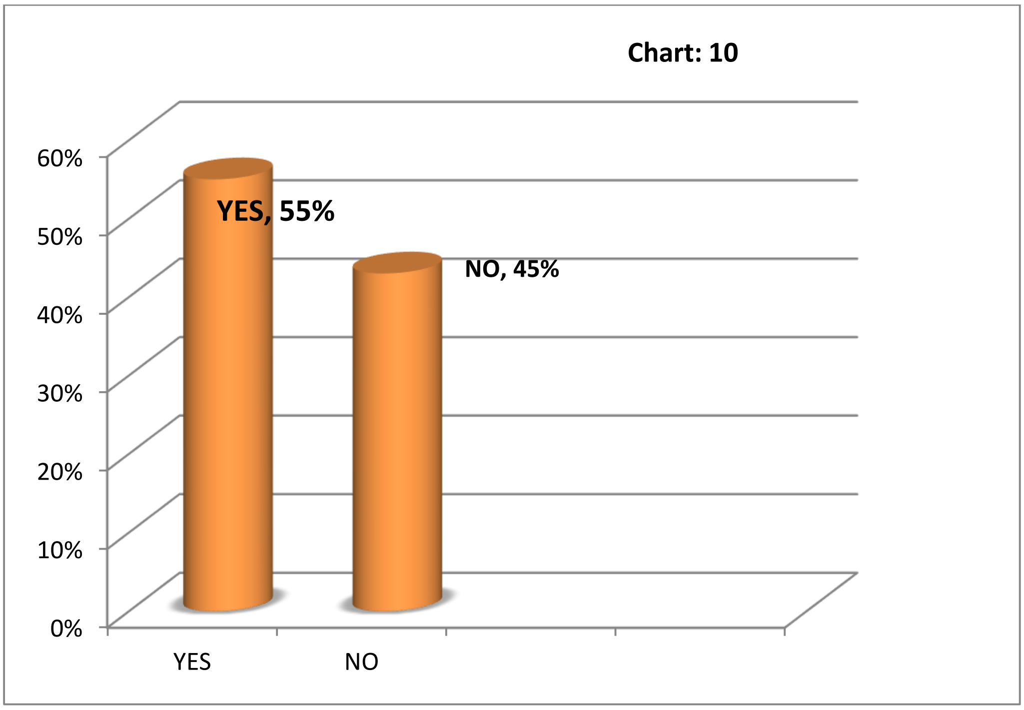
The above survey question on investors' confidence in the stock market due to transparency or lack of it in daily transactions was put to the respondents. The result in the chart (9) shows that a higher number of the respondents (58%) agree that lack of transparency in daily transactions in the Nigerian stock market affects investor's confidence in the Nigerian capital market. Only 42% of the respondents answered "No" that lack of transparency in daily transactions does not affect investors' confidence in the capital market. The result in chart (9) above again highlights the problems resulted from corruption, mismanagement, ineffective regulations and non-compliance with corporate governance regulations not only in the Nigerian Stock Exchange market but also in other areas of the Nigerian economy including government's institutions and private organisation's.

SURVEY QUESTION (10)

Do the current problems in the banking sector on effective corporate governance practice affect the stock market?

The Nigerian banking and financial service sectors are the main driver of the Nigerian Stock market in terms of the value of the sectors' shares traded on the capital market. Therefore, any problems in the banking sector may affect the Stock Exchange market. The problems of ineffective corporate governance during the banking crisis of 2008/2009 resulted in the near-collapse of Nigerian Stock Exchange market. Survey question (10), above was put to the participants whether the ongoing problems in the banking sector on non- compliance with corporate governance regulation affects the Nigerian Stock Exchange Market. As can be seen in chart 10, 55% of the respondents answered 'yes' that the problems of non-compliance with corporate governance regulation in the banking sector did affect the Stock Exchange market which analyst called the 'near-collapse of the Nigerian capital market.' However, 45% of the respondents stated that this is not the case.

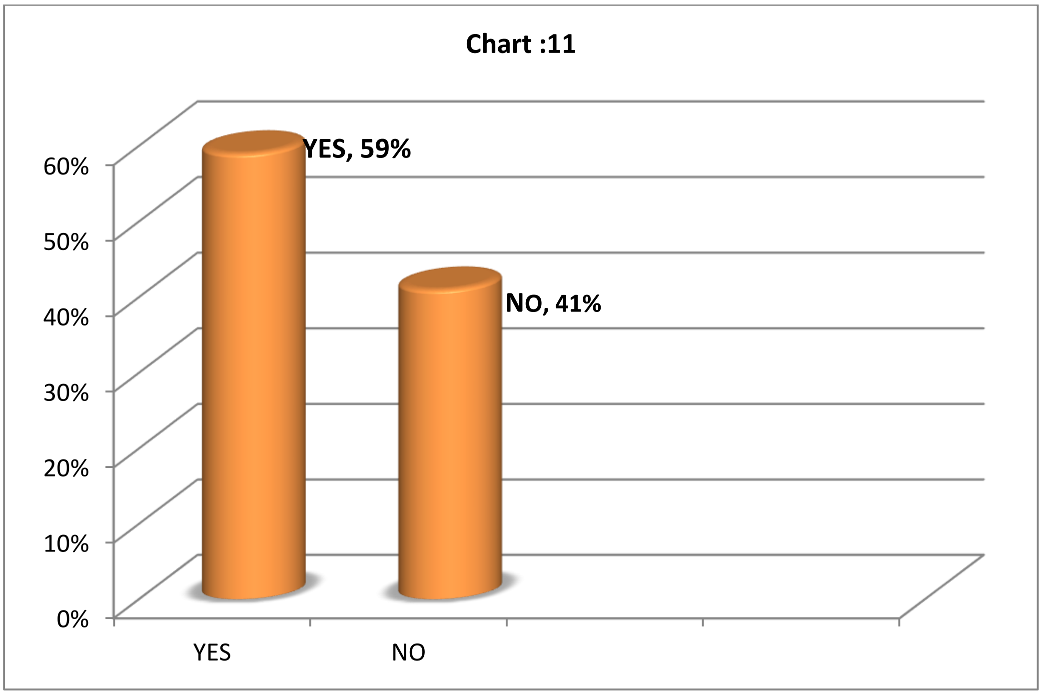
The near-collapse of the Nigerian capital market resulted in a probe by the Nigerian House of Parliament that conducted in 2012. The House findings indicated the Director-General (DG) of the Nigerian Securities and Exchange Commission for mismanagement and the incompetence of the office of the DG of the Commission and called for the removal of the DG from the post in order to restore investors' confidence in the Nigerian stock market. Although, the Federal Government did not remove the SEC Director-General, it may be that the government view was that removing the DG at this time when confidence is returning to the Nigerian Stock Exchange market would do the opposite of what the House Committee probe wanted. The government claimed that Market analysts and foreign investors supported the SEC Director-General's transformation agenda for effective regulation of the Nigerian Stock Exchange market through implementation of a new corporate governance code along the line of current 'UK Good Corporate Governance Code'.



If the transformation agenda implemented, then every company listed in the Nigerian Stock Exchange must implement the separation of the post of chairperson and the chief executive officer (CEO). They must also show transparency in trading and management of investors' funds by stockbrokers, address the problems of corruption and inside-trading which will bring the Nigerian stock exchange market in line with the stock markets of developed economies. Some analysts claim that those calling for the removal of the SEC Director-General, do not want the ongoing reform of the Nigerian Stock Exchange market.

SURVEY QUESTION (11)

Does the recent financial meltdown indicate that strong and effective corporate governance is required in the Nigerian economy if companies are to increase their shareholders' wealth?



The survey question (11), looks at the effect of the economic meltdown and the near-collapse of the Nigeria banking and stock exchange market and other commercial service sectors on the Nigerian economy. The result of the study shown in the chart (11), with 59% of the participants answering 'Yes' that the global economic meltdown resulted in the 'near-collapse' of the banking and financial services sector of the Nigerian economy. The result suggests effective corporate governance regulation in the banking and financial services sector is required to deal with such problems in the future. The results of the research study shown in the chart (11), 41% of the respondents do not think that effective corporate governance regulation would have made an impact to the financial meltdown of 2008/2009.

There were other issues that affect shareholders' wealth and investors' confidence in the capital market. Some of these issues are the problems of corruption in Nigerian public and private organisations issues of mismanagement of corporate affairs, unethical behaviours by corporate managers and international competitive environment in the global banking and financial markets. As stated in the literature, one effect of corporate governance is the way the command influence by many stakeholders' interests that affect shareholders' wealth, including owners/shareholders, creditors and other stakeholders. Parkinson (1994 and 2003), states that corporate governance is the process of supervision and control intended to ensure that the company's management acts in accordance with the interests of shareholders. While Tricker (1984) stated that;

> "… the governance role is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundaries," (Citied in Solomon 2004:13*)*

There are researchers who believe in the importance of effective corporate governance regulation that enables management create shareholders' wealth. Nwanji, (2006) states that the OECD's principles that are view as encapsulating the key aspects of corporate governance. This covers five areas:

- The rights of the shareholders;
- The equitable treatment of shareholders;
- The role of outside stakeholders in corporate governance;
- Adequate disclosure and transparency; and
- The responsibilities of the board.

The author pointed out that; The OECD (1999) principle of corporate governance like the UK/US Codes is based on shareholder theory and the price *mechanism*, which states that:

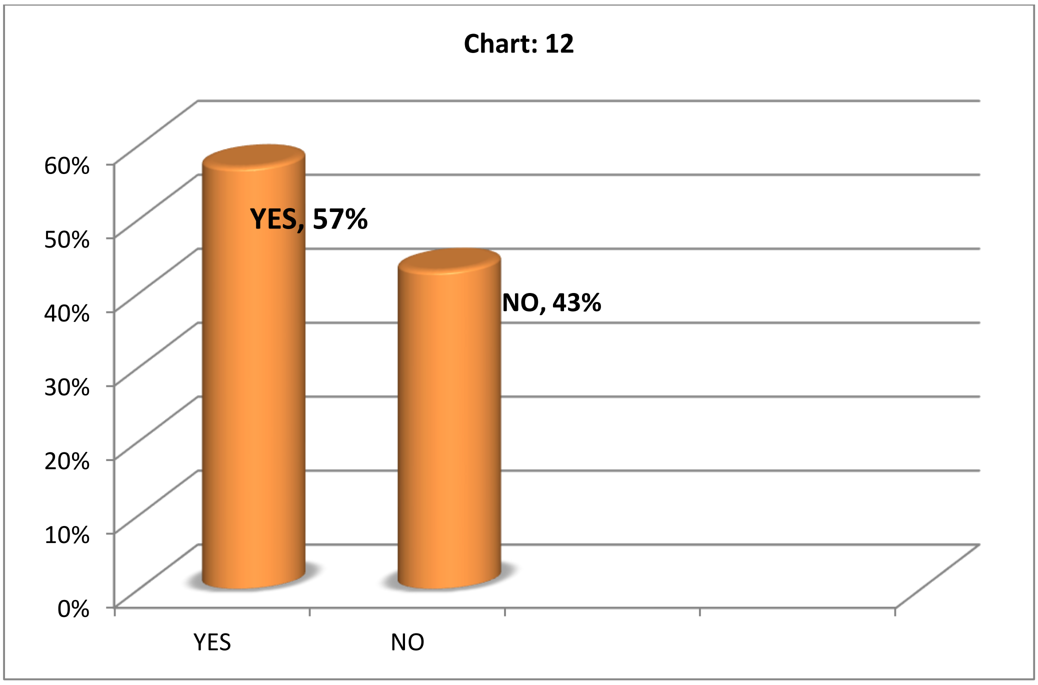
> "Shareholders are the owners of the company, who benefit from the company's profits and bear risks in time of lost by the company. However, the shareholder model of corporate governance is not the only model that can be adopted by organisations. In some European countries there is the stakeholder model, which imposes explicit obligations on the board to consult other groups, notably the German Stakeholder model of corporate governance system where companies have to appoint a supervisory board that encompasses employees' and banks' representatives." (Nwanji, 2006: 51).

SURVEY QUESTION (12)

Companies that incorporate the needs of their wider stakeholder groups into their corporate social responsibility (CSR) can create wealth for their shareholders in the long-term.

In recent years, organisations have become conscious of the importance of corporate social responsibility (CSR) in helping management add value to shareholders' wealth. Corporate Social Responsibility is define in many ways. CSR is about how companies manage the business processes to produce an overall positive impact on society. (Baker, 2002). Companies that provide an effective strategy for CSR can increase their shareholders' wealth. As shown below in the chart (12), 57% of the respondents agree that companies that value the needs of their wider stakeholder groups through their corporate social responsibility (CSR) can create wealth for their shareholders in the long-term.

Studies suggest that corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce and their families as well as of the local community and society. Corporate Social Responsibility is concerned with the ways an organisation exceeds the minimum obligations to stakeholders specified through regulation and corporate governance (Johnson et al. 2005).



However, as the answers from the survey suggests 43% of the respondents do not understand the impact of CSR in creating shareholder's value in the end. The Nigerian government should provide the leadership that would enable corporations in Nigeria see the usefulness of effective CSR and enable them create value for their shareholders, as well as the wider stakeholders' needs. For example, the (UK) Government sees corporate social responsibility as the business contribution to sustainable development goals. Essentially, it is about how a business takes account of its economic, social and environmental impact on the way it operates – maximising the benefits and minimising the downsides.

Specifically, the government see corporate social responsibility (CSR) as the voluntary actions that a business can take over and above compliance with minimum legal requirements to address both its competitive interests and the interests of wider society. Some of the issues that companies deal with in their CSR policies include:

- Environment impacts - global warming, energy / transport, solid waste
- Social impacts - product safety, supply chain – labour issues, workplace diversity, community investment
- Two other selected impact areas which are relevant for the business - link to key issues for the company
- CSR influences brand reputation and stakeholder preference for your company

5.13 Discussions of the results of survey analysis

As stated in the introduction of this chapter, the survey questionnaire was one of the primary methods of data collections for this research study. 800 copies of the survey were sent to the participants - different stakeholders in Nigerian stock exchange market, banking and stockbrokers who completed 500 copies correctly. The data was analysed using grounded theory open coding method of analysis. A mixed method approach adopted whereby the survey results were tabulated into tables and charts in the form of percentages first on the 12 statements based on Likert Scale Methods from strongly-agree to strongly-disagree. The aim of open coding analysis was to reduce the results of the analysis into categories

The purpose here was to identify and suggest a resolution for two cores problematic of grounded theory. First, grounded theory provides transparency to one part of the conceptualization process and codes emerge directly from the data. It provides no systematic or transparent way for gaining insight into the conceptual relationships between discovered codes. Producing a grounded theory depends not only on the definition of conceptual pieces but also on the delineation of the relationship between at least two of those pieces. Secondly, the conceptualization process of grounded theory is done in a hierarchical fashion where individual codes emerge from the data but then are used to generate insight into more general concepts and thematic statements. Various works on grounded theory have failed to provide any systematic way of using data specific levels of scale (the codes) to gain insight into more macro levels of scale (concepts and themes).

The analysis above offers fractal concept analysis as a means of resolving both of these issues. By using a logic structure, generator fractal concept analysis delineates self-similar conceptual frameworks at various levels of abstraction, yielding a method for linking concepts together within and between levels of scale encountered in the grounded theory coding and categorization process. (Rman et al., 2009) concluded that this fractal analytic technique can bolster the aims of grounded theory as a formalized and systematic process for generating theory from empirical data. The result of the open coding analysis shown above.

There were a number of respondents' answers that strongly-agree / agree with the statements, as well as a number of the results that strongly- disagree / disagree or no-view from each survey statement. In terms of grounded theory open coding system, these higher percentages represent the main categories emerging from the open coding analysis. The results of the survey were further group into 'Yes and No' and analysed using grounded theory selective coding system shown in above in (charts 1 to 12). The aim of the selective coding is to base further on percentages of those respondents who answered 'Yes' and those who answered 'No' The higher percentages in each chart is them selected as the main categories.

Grounded theory generates substantive theory through comparative analysis and coding of data that were systemically collected with a view to developing theory. Researchers state that grounded theory coding method does not attempt to undermine the theory but to improve it through discovering data, coding it and comparative methods systematically, and through their analytic questions, hypotheses, and methodological applications. (Nwanji, 2006; Howell 2000; Strauss and Corbin, 1996 ; Glaser, 1978). Glaser (1978: 2) states that:

> "grounded theory is based on the systematic generation of theory from data that were systematically obtained from social research. Thus, the grounded theory approach offers a rigorous orderly guide to theory development that at each stage is closely integrated with a methodology of social research."

Glaser did not agree with Strauss and Corbin approach to grounded theory through analytic questions, hypotheses and methodological applications in their book 'Basics of Qualitative Research,' (1998). He claimed that their approach "full of conceptual description" and not grounded theory; he argues that the purpose of grounded theory methods is to generate theory not to verify it. Through this comparative analysis method, grounded theory wishes to create a theory made up of general categories. It is not necessary to know the concrete situation better than those involved in it. The researcher simply aims to develop a theory that applies to proper behaviour (Howell 2000).

According to Nwanji, (2006) primarily, grounded theory inductively derived from the study of the phenomena it represents. Data collection, analysis and theory, are reciprocal with each other; we do not start with a theory, which then tested but an area of study from which what is relevant to the area becomes obvious. Induction needs to ground in social phenomena or observations and experience; hence the link between the induction and grounded theory (Glaser and Strauss 1967).

5.14 Results of selective coding analysis 'Yes' or 'No.'

As precise categories from the study were in forms of terms that help or did not support the literature review of previous research studies in this area, further analysis were required in which the results of the data grouped in two parts based on Yes, or No. The 'Yes' results, made up of the percent of strongly-agree plus the agree percentages to develop a percent of those respondents that said years to the survey questions, while the percentages of strongly-disagree, disagree and no view were combined to form the percentages of the respondents that answered No to the survey questions.

The results of the mixed methods selective coding analysis is shown in (charts 1-12) above with the higher percentages in each chart selected as categories emerging from the analysis. From the results, a number of categories identified, and these categories can be stated below from the results shown in (charts 1-12). The categories can be those percentages that results from Yes or those from No whichever is higher.

Statement of main categories emerging from the results survey analysis using open coding and selective coding:

- ❖ NSEC playing a leading role
- ❖ Accountability and transparency
- ❖ Central Bank reform to reduce corruption
- ❖ Compliance in corporate governance codes creates confidence in the market
- ❖ Lack of transparency daily transactions affects investors' connivance
- ❖ Effective corporate governance require
- ❖ Corporate social responsibility (CSR) creates shareholders' wealth
- ❖ Effective corporate governance practice
- ❖ Weak leadership of Nigerian regulatory authorities

- ❖ Weak compliance does not attract foreign investments
- ❖ Separate chairman and chief executive roles
- ❖ Non-executive directors (NEDs)

5.15 **Core categories from open coding analysis of survey data**

Table 5.6

Results have positive impact (Yes) (57%, 59%, 66%, 58%, 58% 59% 57%)	
Regulators playing a leading role	57%
Accountability and responsibility	59%
Reform and regulation reduce corruption	66%
Compliance with corporate governance codes ceate confidence	58%
Transparency	58%
Ethics and governance	59%
Results have negative impact (NO) (59%, 61%, 46%, 48%, 45	
ineffective corporate governance practices	59%
Weak leadership of regulatory authorities	61%
non-compliance do not attract foreign investments	46%
Separate of the role of chairman and chief executive officer	48%
lack of independent non-executive directors (NEDs)	45%
Engagement with corporate social responsibility (CSR)	50%

The terms of the core categories from open coding analysis of survey data

5.16 Discussions on the results of the survey analysis

The above analysis provided answers to the survey questionnaire for the research study. The main research questions for this research study shown in chapters 1 and 3 of the thesis and are as follows:

1. What are the corporate governance strategies and frameworks employed by Nigerian banking sector?
2. How does corporate governance regulation affect the Nigerian Stock Exchange?
3. How does the governance and leadership of financial sector organisations affect the services they provide to their stakeholders?
4. How effective is the corporate governance system within the Nigerian stock market?
5. Can corporate governance in the financial sector organisations provide accountability by management to shareholders and stakeholders?

The overall results in Chart (5A)

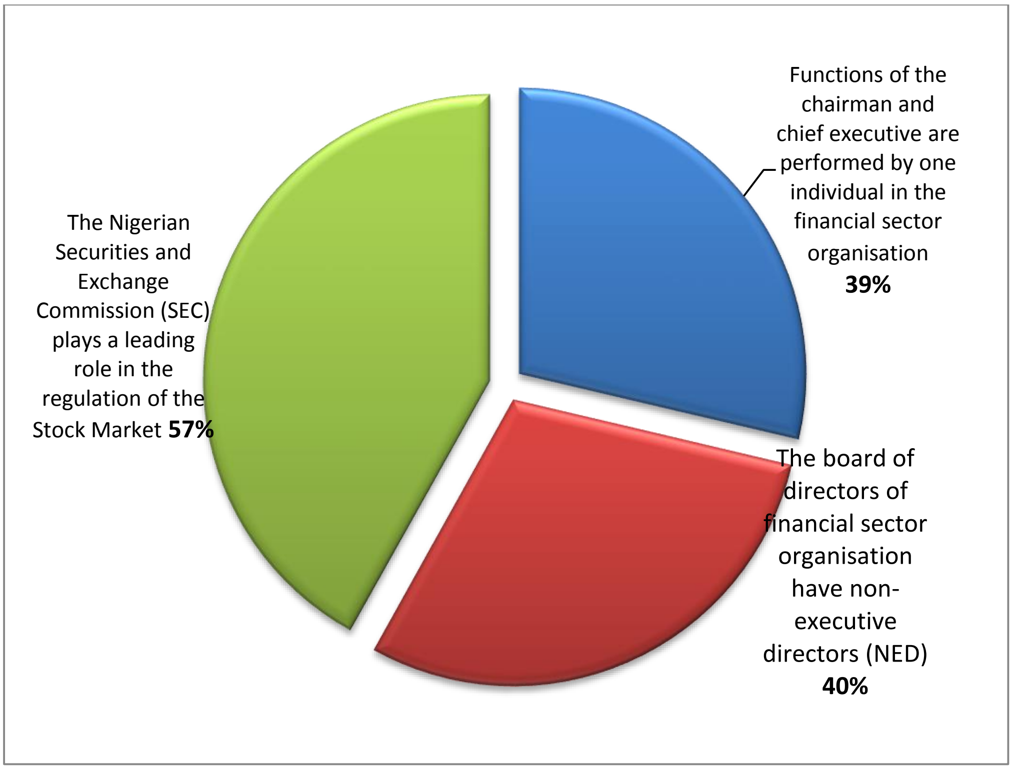


Chart (5: A); Some Features of Corporate Governance Strategies Adopted in the Financial Sector of Nigeria as Perceived by the Respondents. Figures represent percentage responses to respective questions.

Q.1: Corporate governance strategies and frameworks employed by Nigerian banking sector?

In Chart (5A) and Table (5.8), the percentage scores and frequencies as well as mean responses of the respondents in the study are shown. Figure (1) explicitly attempted to depict the features of corporate governance system employed in Nigerian financial service sector. From results presented in (Appendix 1), it could be observed from responses on item 1 that the Nigerian banking sector corporate governance framework characterized by board of directors with full executive powers as opposed to a scenario of Non-Executive Directors (NEDs) thought to have been dominating the governance of the sector queried. Majority of the respondents - 59.6% disagreed to having non-executive directors in their banks' governing body. The mean score for this item was 3.96% implying that the article was rejected or rather disagreed to by majority of the respondents.

Table 5.7 results of data obtained on various researches questionnaire items					
Statements	Total	No of Observations	Mean	% Agreed	Remarks
1. Does the board of directors of your organisation have non-executive directors (NED)?	1480	500	2.96	40.4	Disagreed
2. Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?	1716	500	3.43	56.8	Agreed
3. Are the functions of the chairman and chief executive performed by one individual in your organization?	1484	500	2.97	38.8	Disagreed
4. Does the compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?	1641	500	3.28	53.6	Agreed
5. Does the lack of accountability and transparency through good corporate governance and financial reporting increase corruption in Nigerian economy?	1781	500	3.56	59	Agreed
6. Do you think that the ongoing Nigerian Central Bank reform of the Banking sector will reduce corruption in this area?	1691	500	3.38	56.4	Agreed
7 . Do you think the changes in the leadership of Nigerian regulatory authorities: Securities and Exchange Commission (SEC), Central Bank, Stock Exchange will contribute in reducing corruption in Nigerian economy?	1615	500	3.23	51.4	Agreed
8. Can compliance in corporate governance codes increase investor's confidence in companies listed in the Nigerian Stock Exchange?	1706	500	3.41	58.4	Agreed
9. Does the lack of transparency in the way daily transactions are carried out in the stock market affect investor’s confidence in the stock market?	1731	500	3.46	58	Agreed
10. Does the current problems in the banking sector on effective corporate governance practice affect the stock market?	1649	500	3.30	54	Agreed
11. Does the recent financial meltdown indicate that strong and effective corporate governance is required in the Nigerian economy if companies are to meet their shareholders’ needs?	1752	500	3.50	59	Agreed

12. Can a good practice of corporate social responsibility (CSR) that takes the needs of the company's stakeholder groups into consideration create wealth for its shareholders in the long-term?	1691	500	3.38	57.2	Agreed
13. Do you agree that the corporate governance system within the Nigerian stock market is efficient?	1771	500	3.42	58.0	Agreed

Further findings also showed that majority of the respondents - 61.2% agreed that one person in their organisation was not performing the functions of the chairman and chief executive. The response item on this issue indicated that only 38.8% of the respondents agreed that one individual in their organisations performed the functions of the chairman and chief executive. The mean score for this response item was 2.97% indicating that the respondents rejected the response item. It shows that there is relative separation of functions among directors and CEOs in the industry.

Q.2: How corporate governance regulation affect the Nigerian Stock Exchange?

In Figure (2), responses to items pertaining to how corporate governance regulation affects the Nigerian stock exchange depicted. As can be observed from this diagram and Table (5.7), the Nigerian Stock Exchange was evaluated as having strong influence in terms of leadership. Other findings of this research indicated that the stock exchange governance system has some influence on companies listed on the stock exchange. With respect to the first observation, it was noted that majority of the respondents - 56.8% agreed that the Nigerian Securities and Exchange Commission (SEC) played a leading role in the regulation of the Stock Market in the nation's economy. The mean response score for this item was 3. 45%. This is above the cut-off mean. Therefore, it could be asserted that majority of the respondents affirmed to the position of this item.

In terms of how corporate governance affects the Nigerian Stock Exchange it shows from the analysis in Table (5.8) that many of the respondents - 53.6% agreed that compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attracted foreign investments into the Nigerian economy. The goal of attracting investment into the country is a very important national policy. In addition to the above findings, majority of the respondents - 58.4% equally agreed that in addition to attracting foreign investment into the nation's economy, good corporate governance framework implementation (or compliance codes) could increase investor's confidence in companies listed in the Nigerian Stock Exchange. The mean score of the item of 3.41% was fairly large.

The overall results shown in Chart (5B)

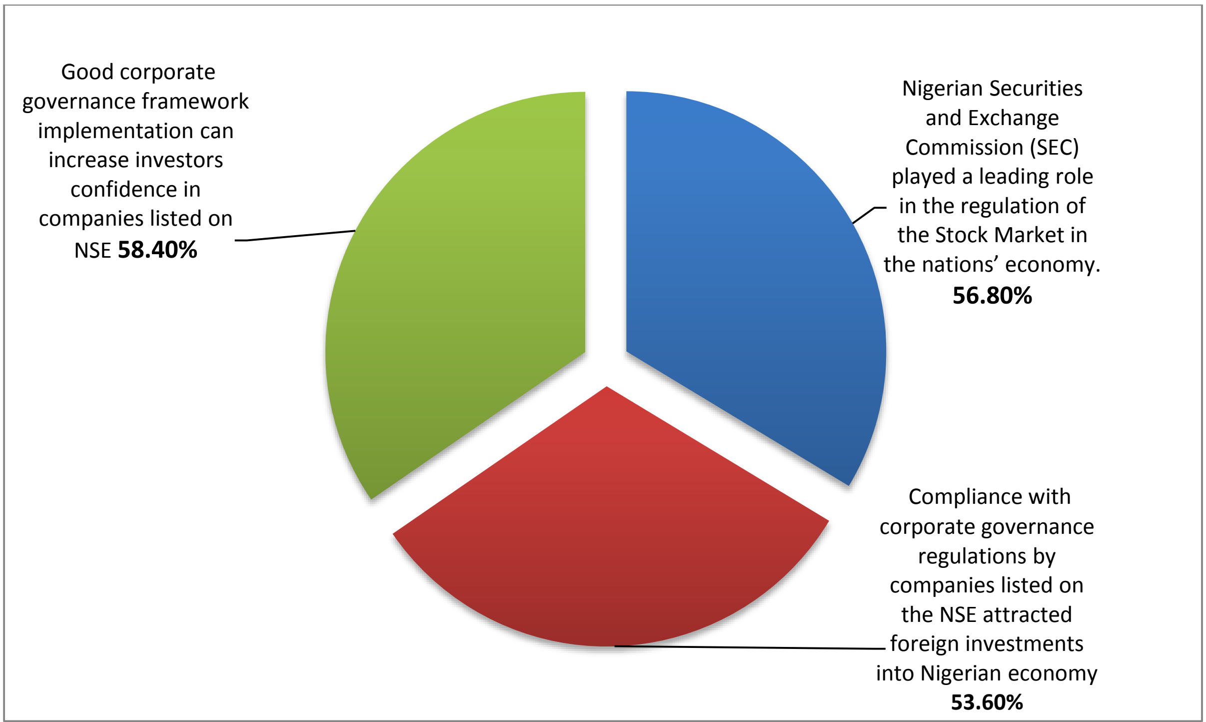


Chart 5: B: Percentage responses to items pertaining to how corporate governance regulation affects the Nigerian Stock Exchange

Q.3: How corporate governance and leadership of the financial sector organisations can affect the services they provide to their stakeholders?

Estimated scores are showing the agreement or disagreements to the responses elicited by respondents with respect the possible influences of corporate governance and leadership of financial sector organisations on the services they provide to their stakeholders can seen in Table (5.8). There was a reassuring agreement that governance and leadership of financial sector organisations affected the services they provide to their stakeholders by respondents in this research study. One of the principal ways by which this happens as accepted by the respondents in this research was through creation of wealth for its shareholders in the long-term. Majority of the respondents - 57.2% agreed to this thing. The respondents who scored the item with a mean of 3.38 believed that this could happen through good practice of corporate social responsibility (CSR) that takes the needs of the company's stakeholder groups into consideration.

Q.4: Effectiveness of corporate governance systems within the Nigerian stock market?

The ratings of the effectiveness of corporate governance system within the Nigerian Stock Exchange shown in Chart (5C) and Table (5.8). It was indicated from the diagram and the table that most of the respondents interviewed agreed that the current problems bordering on effectiveness of corporate governance practice could affect the stock market. The mean for this response item was 3.30. In terms of percentage, 54% of the respondents agreed to the assertion that the prevailing problems in the banking sector on effective corporate governance practice could affect the stock market in Nigeria. To corroborate the above opinion, the overwhelming majority of the respondents 59 % agreed that the recent financial meltdown was a sign that strong and effective corporate governance was required in the Nigerian economy for companies to meet their shareholders' needs.

This item had a mean response of 3.50. It could be stated from the above findings that there is a threat to the effectiveness of corporate governance given the contemporary challenges facing the financial service sector. However, the overall perception about the status of corporate governance system in Nigerian financial service sector indicates that the area is competent. It could be observed from Table 4.8 that 58% of the respondents agreed that the financial sector corporate governance system was efficient. The item had a mean value of 3.42.

The overall results shown in Chart (5C)

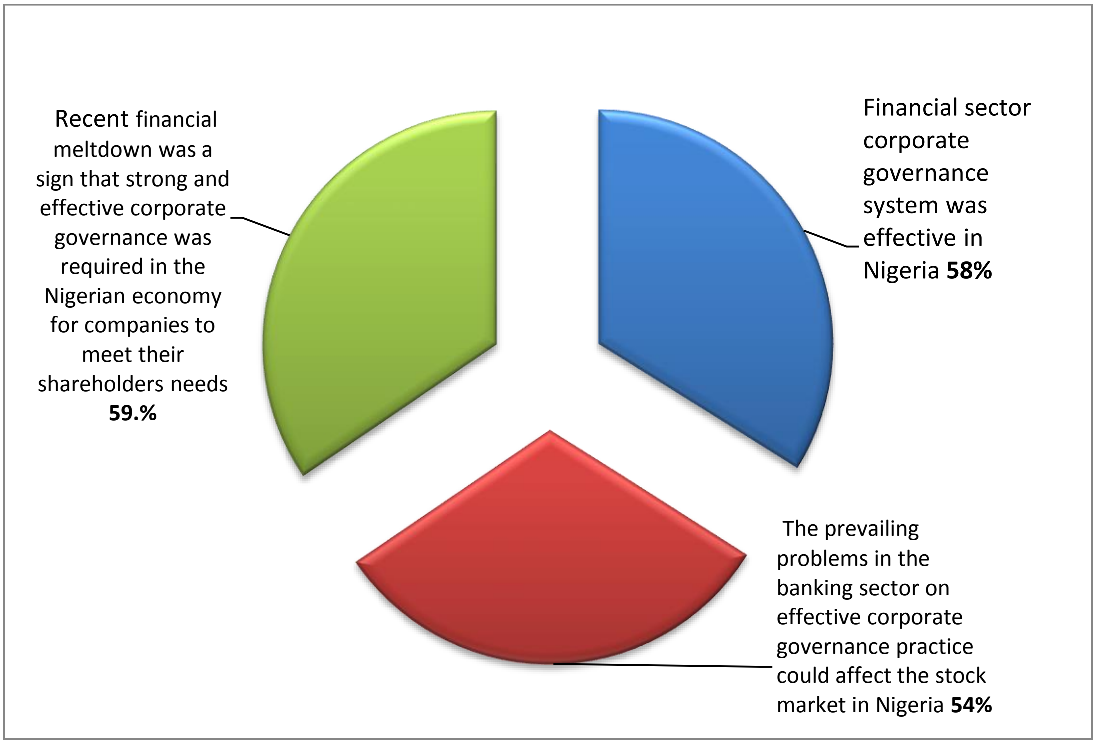


Chart (5C): Percentage responses to items pertaining to how corporate governance regulation affects the Nigerian Stock Exchange?

Q. 5: The role of the financial sector on corporate governance in accountability deliverance to shareholders and stakeholders?

Results of analysis of the role of financial sector corporate governance on delivering accountability to shareholders and stakeholders presented in Chart (5D) and Table 5.8. The findings from this research indicated that accountability by management to shareholders and stakeholders could provide through a regime of good corporate governance in the financial sector of Nigerian economy. The opinion of the majority informs the above assertion - 59% of the respondents in the financial service sector who agreed that lack of accountability and transparency through good corporate governance and financial reporting increased corruption in Nigerian economy.

The overall results are shown in Chart (5D)

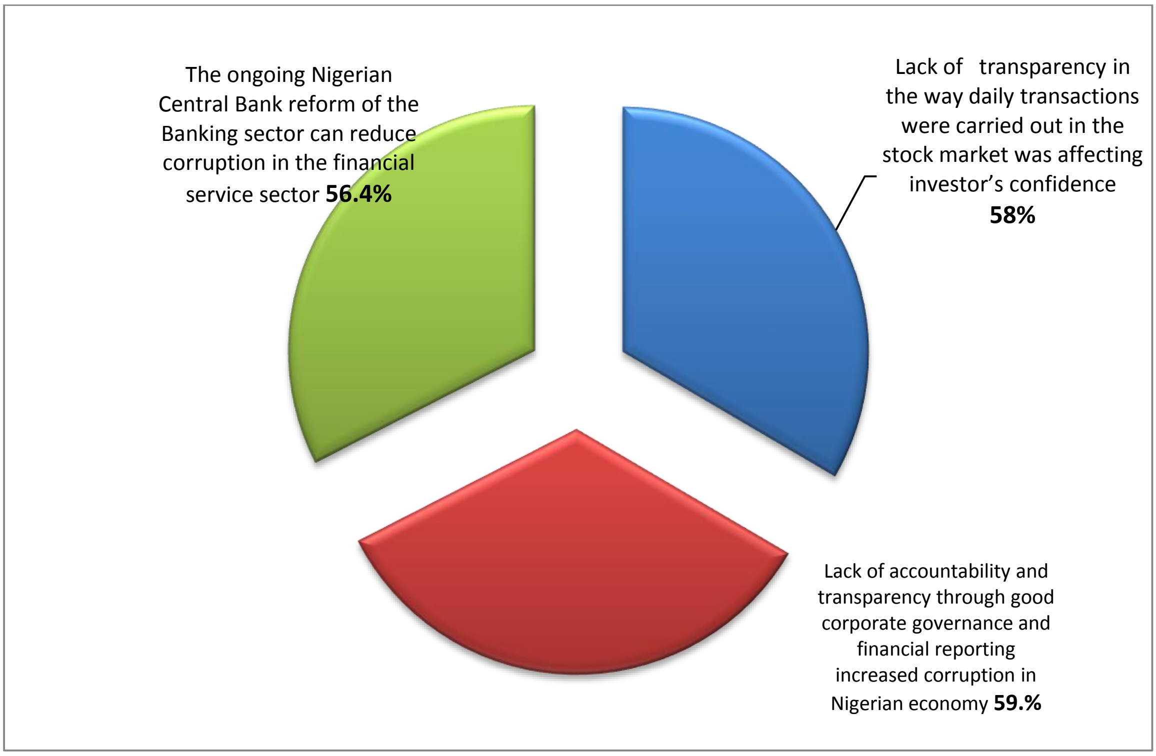


Chart (5D): Percentage responses to items on the role of financial sector corporate governance in delivering accountability to shareholders and stakeholders:

The mean score of the response to this item was 3.56. Majority of the respondents - 58% equally indicated that lack of transparency in the way daily transactions were carried out in the stock market was affecting investor's confidence in the stock market. This item had a mean score of 3.46. It could be observed from the research findings in Table (5.8) that majority of the respondents - 56.4% thought that the ongoing Nigerian Central Bank reform of the Banking sector could reduce corruption in the financial service sector. The mean score for this response item was 3.38. Similarly, many of the respondents -51.4% agreed that the changes in the leadership of Nigerian regulatory authorities including those of the Securities and Exchange Commission (SEC), Central Bank and the Stock Exchange would contribute in reducing corruption in Nigerian economy.

Table 5.8: Responses of respondents to various questionnaire items

Statements	Strongly-Agree %	Agree %	Strongly-Disagree %	Disagree %	No View %	Total	% Agreed	Remarks
1	86 = 17.2%	116 = 23.2%	90 = 18%	108 = 21.6%	100 =20%	500	40.4	
2	142 = 28.4%	142 =28.4%	76 = 15.2%	70 = 14%	70 = 14%	500	56.8	
3	89 = 17.8%	105 = 21%	94 = 18.8%	125 = 25%	87 = 17.4%	500	38.8	
4	117 = 23.4%	151 = 30.2%	69 = 13.8%	82 = 16.4%	81 = 16.2%	500	53.6	
5	181 = 36.2%	114 = 22.8%	73 = 14.6%	69 = 13.8%	63 = 12.6%	500	59	
6	125 = 25%	157 = 31.4%	73 = 14.6%	74 = 14.8%	71 = 14.2%	500	56.4	
7	99 = 19.8%	158 = 31.6%	75 = 15%	95 = 19%	73 = 14.6%	500	51.4	
8	137 = 27.4%	155 = 31%	63 = 12.6%	67 = 13.4%	78 = 15.6%	500	58.4	
9	155 = 31%	135 = 27%	68 = 13.6%	70 = 14%	72 = 14.4%	500	58	
10	124 = 24.8%	150 = 30%	67 = 13.4%	69 = 13.8%	90 = 18%	500	54	
11	167 = 33.4%	128 = 25.6%	68 = 13.6%	64 = 12.8%	73 = 14.6%	500	59	
12	138 = 27.6%	148 = 29.6%	65 = 13%	65 = 13%	84 = 16.8%	500	57.2	
13	140 =28%	150 = 30%	65= 13%	65 = 13%	77= 15%	500	58	

5.17 Chapter conclusion

The analysis of data collected through survey questionnaire in this chapter of the thesis used grounded theory methods open coding and selective coding. The data were analysed in two stages the first using open coding based on *'Likert Scale Methods'* of strongly-agree to strongly-disagree in which tables and figures were used to identify the percentages of respondents answers to each survey questionnaire statements. The results of the study supported with literature of research on corporate governance regulation in the Nigerian Stock Exchange market.

The results from the open coding analysis were further analyse where the Likert scale methods were combined to form Yes or No answers with strongly-agree/agreed representing 'Yes Answers,' while strongly-disagree/disagree and no-view represented 'No Answers.' This enabled the researcher identify the main core categories listed above on tables (5.6) and table (5.7) from the list of core categories It showed that from open and selective coding analysis, a model for corporate governance system produce which is shown above as (model A). This first model will be combined with other models to develop this research and build the final model that represents the substantive theory for corporate governance regulation in the Nigerian Stock Exchange Market in the last chapter (seven) of this thesis.

The purpose of corporate governance in any country is threefold:

- ❖ Facilitate and stimulate the performance of the corporation by creating and maintaining incentives that motivate corporate insiders to maximize firms operational efficiency, return on assets and long-term productivity growth;

- ❖ To limit insiders abuse of power on corporate resources whether such abuse takes the form of insiders' asset stripping or otherwise siphoning off corporate resources for their private use. Alternatively, their causing significant wastage of corporate – controlled resources (the so-called agency problems) – which are otherwise likely to result from insiders self-serving behaviour;

- ❖ To provide the means to monitor manager's behaviour to ensure corporate accountability and provide for reasonably cost-effective protection of investor's funds and society's interests vis-à-vis corporate insiders (OECD Report 23: 6)

The institutions of corporate governance serve to determine what society considers to be the acceptable standards of corporate behaviour and to ensure that corporations comply with those standards. Morck (1994) states that corporate governance is a critical determinant of corporations' growth, development and success in this era of globalization and international competition. Authors such as Mallin (2004), Sarra (2003) and Solomon (2004) have made similar findings. However, their findings on the concept of corporate governance in corporations are viewed within the financial community in a broader, stakeholder-oriented approach to corporate governance. They opine that companies are accountable to the whole of society, future generations and the natural world.

The percentage scores and frequencies, as well as mean responses of the respondents in the study, are shown in Chart (5: A) explicitly attempted to depict the features of corporate governance system employed in Nigerian financial service sector. From results presented in Appendix 1, it could be observed from responses on item 1 that the Nigerian banking sector corporate governance framework was characterised by board of directors with full executive powers as opposed to a scenario of Non-Executive Directors (NEDs) thought to have been dominating the governance of the sector queried. The next chapter of this thesis – (chapter 6) will analyse the results from the semi-structured interview supported with secondary data from the Nigerian Stock Exchange market. The grounded theory axial coding used in the analysis of the results of a semi-structured interview.

Chapter 6: Data Analysis and Application: Semi-Structured Interview and Secondary data

6.1 Introduction

This chapter continues the analysis and application with the analysis of semi-structured interview using Axial coding of the grounded theory research approach discussed in the previous chapters. Axial coding is the process of relating categories to their subcategories termed “axial” because coding occurs around the axis of a category; linking categories at the level of properties and dimensions (Strauss and Corbin 1996: 124). Axial coding enables this thesis to bring the study together to form a whole. The data analysed as categories in open coding and selective coding in chapter 4 is combined with the results of the categories from axial coding analysis.

Further analysis is performe and results to the core categories used for the development of substantive theory. Strauss and Corbin stated that: “axial coding is the act of relating categories to subcategories along the lines of their properties and dimensions, and it looks at how categories crosscut and link.” Further data was collected using semi-structured interview following the analysis of the survey questionnaire in (chapter 5). The interview questions focused on some of the main issues identified from the literature review and survey analysis. The issues identified include the effectiveness of corporate governance regulation in the Nigerian Stock Exchange market and the Nigerian banking institutions.

During the survey of the major stakeholder groups of the Nigerian capital market and banking sector, participants were asked if they would be willing to take part in a semi-structured interview stage for this research and over 50 participants indicated their interest in taking part in the interview. The semi-structured interview questions were sent to 20 of the participants selected based on their positions, experiences and knowledge of the Nigerian capital market. Only 12 people responded and stated that they are willing to take part in a meeting. The participants included: stockbrokers, bank managers, directors, investors and customers from the Nigerian Stock Exchange and banking institutions.

The regulators were from the Securities and Exchange Commission (SEC) and directors from the Central Bank of Nigeria. The semi-structured interview took place over 3 weeks due to time constraint. First, the researcher sent the interview questions (shown below) by email to the 12 participants and gave them one week to go through it before the interview took place. Four people pulled out of the interview at the last-minute stating lack of time which left only 8 participants for the interview. The interviews conducted as follows:

- Two participants interviewed over the phone.
- Three participants interviewed face-to-face
- Three participants sent email with attachments

The attachments addressed some of the interview questions and other relevant information on corporate governance regulation in Nigerian banking and stock market and on the regulatory process in the Nigerian Stock Exchange market. The discussion followed the grounded theory approach in which participants were asked the same questions and provided answers to each questions based on their understanding of the questions. Their experience and knowledge of the issues relating to corporate governance regulation in the Nigerian capital market as well as in the banking and financial services sectors. Below in table (6.1) is the interview questions used for the semi-structured interview:

6.2 The semi-structured interview questions

Table (6:1)

St Clements University
PhD Corporate Governance Regulation in the Nigerian Stock Exchange Market
SEMI-STRUCTURED INTERVIEW QUESTIONS

Question (1)	Does the board of directors of your organisation have non-executive directors (NED)?
Question (2)	Can the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?
Question (3)	Does the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?
Question (4)	Is the ongoing Central Bank reform of the banking sector will reduce corruption in this area?
Question (5)	How important is corporate social responsibility corporate social responsibility (CSR) in creating shareholders wealth in the long run?

Thank you
Uchenna Ogbu
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Ph.D. Corporate Governance
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6.3 Axial coding analysis of semi-structured interviews

Below are the results of the analysis of the semi-structured interview question using grounded theory method of axial coding. This will be followed with the analysis of secondary data collected for this research including information on corporate governance regulation in the Nigerian Stock Exchange market and the banking and financial services sectors.

Strauss, (1987) said that axial coding involves several essential tasks, and included the following:

(i) Laying out the properties of a category and their dimensions.

(ii) Identifying the variety of conditions, actions/interactions and consequences associated with the phenomenon (in this case the corporate governance regulation in Nigeria).

(iii) Relating a category to its subcategories through statements denoting how they are related to each other.

(iv) Looking for clues in the data that denote how major categories might relate to each other (Strauss and Corbin, 1996).

In terms of this research study, corporate governance systems are identified through the following:

(a) The Nigerian Corporate Governance Systems
(b) The Combined Codes of Best Practices
(c) Corporate Objectives
(d) Shareholders Values
(e) Stakeholders Values
(f) Business Ethics
(g) Accountabilities of Directors
(h) Responsibilities of Directors

Glaser considers that axial coding "…undermines and confuses the very method that he (Strauss) is trying to build" Glaser (1992: 61). This process forces the data and negates theoretical coding. The grounded theorist should code categories and properties and allow theoretical codes to emerge where they will. Strauss and Corbin consider that axial coding allows a more focused means of discovering and relating categories. As Strauss and Corbin (1990) stated:

> “We develop each category (phenomenon) in terms of causal conditions that give rise to it, the specific dimensional location of this phenomenon in terms of its properties, the context, the action/interaction strategies used to handle, manage, respond to this phenomenon in light of that context, and the consequences of any action/interaction that is taken. Furthermore, in axial coding we continue to look for additional properties of each category, and to note the dimensional location of each incident, happening or event.” (p. 115).

The axial coding enables this research to provide answers to the questions such as why or how, where, when and in so doing the researcher can uncover relationships among categories from the result of open coding and selective coding in chapter 4 through to axial coding. The final combined core categories from the results of the three coding methods of the grounded theory will be use to develop a substantive theory for corporate governance system for the Nigerian stock exchange market. The process of application of grounded theory methods to the core categories enraged from the coding analysis enable the thesis developed a substantive theory on corporate governance.

Interview Question (1):
Does the board of directors of your organisation have non-executive directors (NED)?

All the five participants interviewed answered this question. A stockbroker who was interviewed face-to-face said his company represents many of the banks listed in the Nigerian Stock Exchange and claims that the board of directors of these banks has non-executive directors (NEDs) in their boards. He said:

> “Nigerian banks have NEDs in their boards that bring experience and leadership to the affairs of the boards. However, some of these banks do not give their NEDs a free hand in the issues of management and supervision of the executive members of the boards. Some of the banks that have powerful chief executive officers (CEOs), run the bank as their personal company rather than as public institutions with hundreds of thousands of shareholders. As a result, there have been issues of corruption and mismanagement of customers and shareholders’ funds resulting to five bank CEOs being charged with corruption by the EFCC in 2009.”
>
> (Stockbroker)

The stockbroker was of the opinion that banks shares are the main drivers in the Nigerian Stock Exchange market accounting to 50% of the total value of capital market issues which have to do with unethical behaviours by directors of these banks and how they affect the market. Non-executive directors play a leading role in the boards of companies listed on the Stock Exchange. It is one of the conditions for listing in the stock exchange that companies must have NEDS in the board. The NEDs bring experience and leadership to the boards helping the executive director and advising top management of the organisation on issues relating to audit the committee, internal control and advising on the interest of small shareholders and other stakeholders of the organisation.

A senior bank director interviewed over the phone claimed that all companies listed on the Nigerian Stock Exchange have NEDs in their boards with some of the NEDs chairing the board committees and acting as chairman of the company to meet corporate governance rules.

> "Good leadership by independent directors contributes to the performance of the Nigerian stock market which is the second biggest by capitalisation after South Africa capital market in Africa." (A senior Bank Director)

One of the participants who is an investor on the capital market on answering the same question said that:

> "I think that there are many problems facing public organisations listed in the Nigerian stock market because of lack of independent directors sitting on the boards of these companies. Those that have independent directors have not performed better than the companies that have no such directors on their boards. Some the independent directors on the boards of the listed companies are not truly independent directors, and their appointments are not made public by the companies as such appointments goes to friends and relations or ex- top government officials. Shareholders should have a say regarding the persons appointed as an independent director in their company."
>
> (An Investor in the capital market)

A Director from the Central Bank of Nigeria one of the regulators of the banking and financial services sector gave the following answer to question one:

> "As regulators of the banking and financial service sectors ensuring that more non-executive directors are appointed to the board of public listed companies and banks is important to provide checks and balances in the boards and provide confidence in the capital market and banking in Nigeria. Those institutions with no NEDs on their board will not be allowed to continue listing in the stock exchange."
>
> (CBN Director of Operation)

A bank customer interviewed face-to-face gave his view on the banking sector as follows

> "The current 25 leading Nigerian banks were as a result of the harmonisation of the banking sector by the Central Bank of Nigerian which reduced the number of banks from 89 banks to 25 banks. Some of these banks play a leading role in Africa. Therefore, having more non-executive directors on their board has contributed to the success of the Nigerian banking and financial services sector. Bank customers are no more losing their money as a result of bank closures arising from mismanagement by the directors of such banks. I think that the Central Bank should do more to reduce the number of banks to 12 from the current 25. The Governor of the CBN would have used the bailout of 9 of the underperforming banks in 2010 to reduce the number of the banks to 12."
>
> (A Bank Customer).

Axial Coding Category: The main categories from the analysis of interview answers given in question one above relate to the independence of Non-executive directors.

Interview Question (2):
Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?

The responsibility of the Nigerian Security and Exchange Commission (SEC) as regulators of the Stock Exchange Market is to ensure that listed companies on the Stock Market implement all corporate governance regulations. The Director General (DG) of the Commission is expected to provide good leadership and ensure that there is investors' confidence in the in the Nigerian stock exchange market through effective corporate governance regulation. While the interviews for this research were being conducted, there were problems in the leadership of the SEC that resulted in a probe by the House of Representative in Nigeria, which investigated the near-collapse of the capital market during the financial meltdown of 2008 to 2010.

Below is the view of a participant in this interview:

> "I think that the current leadership of the Nigerian Securities and Exchange Commission is on track in the transformation of the Nigeria capital market with changes that will provide effective corporate governance regulation in the Nigerian economy. The problems facing the direction of the commission is that some do not see the changes the DG is making to put the country's stock market in the same level with those in developed economies. We should all support the director general of the commission in developing new corporate governance for the capital market."
>
> *(A* Stockbroker).

A senior bank director interviewed claimed that the DG is providing effective leadership to Securities and Exchange Commission and since taking office in 2008 there has been many changes in the financial regulation resulting to a new corporate governance codes for all companies listed on the Nigerian stock market.

> "The leadership of the Securities and Exchange Commission (SEC) is working hard to stop unethical practices within some members of the commission and in the capital market and to ensure effective implementation of the new corporate governance code. The commission is doing a good job which will soon transform the Nigerian Stock market into a global capital market."
>
> (Senor Bank Director).

An investor thinks that the Securities and Exchange Commission should do more for effective implementation of corporate governance regulation by companies listed in the Nigerian stock exchange market.

> "There are still problems with the leadership of the Nigerian Securities and Exchange Commission. SEC has not been playing good role in the regulation of the capital market compared with those in the UK, USA and other advanced economies. However, the new leadership of the commission is doing well in its ongoing transformation of the Nigerian capital market. If the new corporate governance code for the capital market implemented properly and effective monitoring put in place, the Nigerian capital market will meet the level of the global

capital market in advanced economies. The lack of practical implementation that results to lack of confidence in the Nigerian capital market by investors."

(An Investor in the capital market).

A CBN Director of Operation had the following to say on the role of the leadership of the Securities and Exchange Commission in the regulation of the Nigerian capital market:

"The current management of the Securities and Exchange Commission is working very hard with the Governor of the CBN in developing the institution (SEC) for effective regulation of the Nigerian Stock Exchange market. The Director-General of the Commission is providing effective leadership for the transformation of the Nigerian capital market that will provide investors' confidence in the capital market."

(CBN Director of Operation)

Another participant who is a bank customer also had the following to say:

"The result of the House of Representative investigation into mismanagement of funds and corruption by the management of the Securities and Exchange Commission shows that we have a long way to go to develop institutions that stakeholders will have confidence. In fact, the commission itself needs transformation, and the government will do well to implement all the recommendations of the House Committee probe on the near-collapse the capital market. One of the recommendations was to replace the Director General, who does not have the 15 years of experience required by law to be the Director General of SEC. The terms of the current board of directors of SEC has expired, but the Minister of Finance is yet to appoint a new board for the commission. It created a lack of confidence in the capital market. I can say from personal experience that government agencies in Nigerian are all corrupt, selfish and only interested in their selfish interest rather than the public interest, and the leadership of the SEC is not different."

(The Bank Customer)

Axial Coding Category: The core category from the above analysis relates to the issues of mismanagement and corruption.

Interview Question (3)

Does the compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?

In order to attract foreign direct investments Nigeria needs corporate governance that focuses on meeting the needs and interests of the wider stakeholders. Multinationals and International investors will want to see an effective and good corporate governance regulation in the Nigerian stock exchange market. The financial meltdown of 2008 to 2010 shows that strong corporate governance is necessary if the country is to attract foreign direct investment (FDI). All those interviewed support effective compliance of corporate governance codes by companies listed on the Nigerian Stock Exchange Market. The stockbroker interviewed stated that compliance with corporate governance regulations will attract foreign direct investment as investors will want to show that risk as a result of unethical business practices and mismanagement of investors' funds reduce if companies comply with corporate governance codes.

"The problems are not about regulation or business law but the management and implementation of such rules and regulations," (A Stockbroker).

One of the participants also had this to say:

> "I think that the CBN and SEC are responsible in ensuring full compliance with corporate governance regulation in the Nigerian banking and capital market. While one can say that the governor of Central Bank Nigeria has shown strong leadership in dealing with the banking bailout which helped prevent the total collapse of the Nigerian Banking and financial services sector which is the backbone of the Nigerian capital market. On the other hand the Securities and Exchange Commission leadership and management has not shown a good example for the capital market and the problems faced by the commission some said is affecting the implementation of the corporate governance regulation in the Nigerian capital market",

(A Senior Bank Director).

The capital market investor suggested that:

> "Compliance with corporate governance regulation by companies listed on the Nigerian capital market is important if international investors are to come to Nigeria to invest in different economic sectors of the Nigerian economy not just the banking and financial sector,"

The Capital Market Investor).

> "The bold action was taken by the new Governor of the CBN on the bailout and merger of five non-performing banks by removing their CEOs and charging them with corruption and mismanagement of shareholder's funds in 2010 shows good leadership. The injection of N45 billion into the banking sectors helps prevent the collapse of not only the Nigerian banking sectors but also the capital market during the global banking crisis of 2008-2010. The transformation of the Nigerian Stock market with a new corporate governance code is a step in the right direction provided by the CBN and SEC to ensure that the continuation of the growth of the Nigerian capital market meets international standard."

*(*A CBN Director of Operation)

> "The Nigerian economy is driven by two key players - the banking sector and the Nigerian capital market. Compliance with corporate governance codes is essential for continued growth of the Nigerian economy. The aim of the Federal Government transformation agenda is the diversification of the economy into non-oil sector and implementation of corporate governance regulation is the key to transforming the Nigerian economy."

(The Bank Customer).

The answers given by the five participants shown above indicates that stakeholders understand the role of effective corporate governance regulation in driving the Nigerian Stock Market as well as providing funds for investment in the economic development of the country. The Federal Government is working towards making Nigeria one of the top 20 economies in the World by the year 2020 (known as Vision 2020). Good corporate governance and financial regulations are keys to achieving this. Both the CBN and SEC as regulators of the banking and financial services sector will make sure that companies listed in the Nigerian capital market meet international standards in their corporate governance reporting to their shareholders if more foreign investors are to invest in the Nigerian economy.

Axial Coding Category: The core categories from the answers given by the participants relates to the issues of effective leadership within the regulators of the banking and the capital market.

Question (4)

Do you think that the ongoing Central Bank reform of the banking sector will reduce corruption in this sector?

This question was important as the new governor of the Central Bank of Nigeria (CBN) began the process of reforming the banking sector within three months of taking over in 2009. The governor faced with the global financial and banking crisis of which began in developed economies in 2008 and moved over to developing economies in 2009. Many countries started different financial and economic reforms and bailouts to support their banking sectors in order to avoid financial and banking collapse. Nigerian banking sector was heading for total collapse, and the new CBN governor set up a committee which he chaired to look into the affairs of the banks and how to help the Nigerian banks avoid near-collapse of the sector.

The committee found that in addition to the global financial meltdown, about 5% of the banks in the country had negative equity in their bank balances because of corruption and mismanagement of customers and depositors money. The CBN governor ordered the closure of nine banks found to have negative equity. The CEOs of these nine banks were removed and charged to court for corruption and mismanagement of their customers and shareholders funds. The governor of the CBN bailed out the nine banks in financial trouble with N45 billion and by 2010 6 of the 9, banks were taken over by other banks and the remaining 3 merged to form a new bank. The action by the CBN saved the Nigerian banking system from near collapse.

Some researchers stated that without the reform by the CBN, the Nigerian banking and financial sectors would have collapsed.

This would have led to the collapse of the Nigerian Stock Exchange market as well. Others claim that CBN's action to bail out the banks that were having financial problem saved the Nigerian economy from total collapse. Others were of the view that the CBN governor created more problems by using public funds to bail out private banks. And that the N45 billion would have been used by the government to create jobs for millions of unemployed young people or alternatively use the bailout money to invest in education, health and other areas of the Nigerian economy.

According the CBN (2006),

> "In Nigeria, a survey, by the Securities and Exchange Commission (SEC) reported in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only about 40% of quoted companies, including banks, had recognized codes of corporate governance in place. Specifically for the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country".

The five participants interviewed for this research studies gave their views as follows:

The Stockbroker said:

> "The CBN governor's action was good as it stopped the total collapse of the Nigerian banking and financial sectors. The 25 banks between them owned over 50% of the shares traded in the Nigerian Stock Exchange Market as well as supporting many other companies that trade in the stock market. If the CBN did not take such action, the banks and the stock market would have been affected creating problems in the Nigerian economy."
>
> "As for whether the actions of the CBN governor has reduced corruption in the banking sector I will say no because most of the senior managers in those banks are still occupying their offices. The top directors of the 9 banks who were removed and charged to court did not receive significant punishment from the court that would have acted as a deterrent to stopped others from corrupt practices not only in the banking sectors but other public and private organisations."

The Senior Bank Director said:

> "The CBN reform was to ensure that the public did not lose any of their deposits and savings with the banks. It has helped to reduce corruption and provide confidence in the Nigerian banking system which is key to the economic development of the country. If the N45 billion were not used to help the troubled banks, the effect would have been the collapse of the banking sector that would have resulted to bigger problems to the country's economy growth. Also think that the action of the Central Bank and the EFCC that charged the CEOs of the affected banks to court have served as a significant lesson to other bankers who mismanage their customers' funds. In a way, corruption in the banking sector has reduced, and customers are now being provided with better services than they were getting before the reform."

> “The Nigerian capital market has been performing better than most capital markets in Africa as a result of the ongoing reform by the CBN. More investments are now coming to Nigerian economy because of the confidence in the capital market, and the banking sector brought about by the reform and transformation of the banking and financial sector by the CBN. Corruption has reduced and board of directors and their management are now being very careful in the way they finance projects and providing loans to companies without security has stopped”
>
> (Capital Market Investor).

The director of Operation in the CBN said:

> “Banking reform is an ongoing process and the CBN is developing many processes that will help reduce corruption and improve services to the whole economy because without effective banking system the economy cannot develop. The CBN reform did not stop at supporting the nine banks that were in trouble, but has continued with effective banking regulation. The recent ‘Cashless society’ role out in Lagos State was a success and will be introduced in six other States across the federation to reduce corruption and risk in the sector”
>
> (CBN Director of Operation).

> “The cost and conditions of getting loans from the banks in Nigeria are more expensive than in other African countries. Moreover, it is the responsibility of the Central Bank Governor to bring such costs down for small businesses instead of using public money to help big banks. How does the CBN justify using public money to help banks while the cost of doing business in the country is so high for companies? Small businesses are adding this higher interest rate charged by banks to their costs.”
>
> (Bank Customer).

Axial coding category: The core category from the results of the analysis of question 4 relates to the issues of effective regulation and corporate governance reform within the banking and financial services sectors.

Interview Question (5)
How important is corporate social responsibility (CSR) in creating shareholders wealth in the end?

Corporate Social Responsibility (CSR) is a way company can contribute to social issues in the communities in which their operations based. As companies activities affect the local communities and societies in which they carry on their businesses, they are expected to play a leading role on issues that affect their stakeholders through their CSR policies. Gone are the days when managers are only expected to focus on projects that contribute to the profitability of the organisations without engagement with stakeholders through their CSR policies to help meet the needs of local people. Researchers who support the shareholder theory that focuses on profit maximisation for the shareholders. The shareholders who own the organisations through their shareholdings are now seeing the positive impact of corporate social responsibility by companies that in turn contribute to shareholder profit.

Friedman's (1970) view is that the modern corporation has no social responsibility to society but only to its shareholders who are the owners of the business. Influences such as globalisation of capital markets, increase in institutional investors, greater shareholders activism, stakeholders expectations and growing importance of corporate governance issues have all been stated as factors for effective CSR, (Omran et. al. 2002; Mills 1998, Fera 1997). However, those who support the stakeholder theory claim that all stakeholders of the organisation (e.g. managers, workers, customers, suppliers and communities) contribute to the profitability of the company by offering their services in the case of workers and buying their goods and services in the case of customers.

Therefore, they should benefit from the achievements of the organisations as the stakeholders contribute to such achievements. (Nwanji, 2006, Phillips 2003, Freeman 1984) Creating shareholder wealth requires the contribution of all the stakeholder groups of the organisation. Therefore, there is a good argument in support of the organisation using CSR policies to meet the needs and interests of the organisation's stakeholder. All the five participants interviewed contributed to the question on CSR:

> "A company helps the local communities where it operates through corporate social responsibility in issues affecting the local environments, building local roads and training local youths for jobs. Such actions in the long-run contribute to the wealth of the shareholders,"
>
> (The Stockbroker).

The Senior Bank Director said that: Corporate social responsibility is a good way for companies to contribute more to the society in which they conduct their businesses. The participant suggested that:

> "Companies who see CSR as a way of risk management by engaging with society through projects that benefit all stakeholders of the company is good for the company and its shareholders. Many banks in Nigeria have used CSR to help local people directly and indirectly, and the benefits for the company are that the local people will see the bank as an excellent institution in business. Shareholders can benefit from CSR issues that improve the image of the company and create wealth for shareholders,"
>
> (Senior Bank Director).

The capital market Investor stated that:

> "If a company invests on CSR that promotes its products and services to its customers, workers and local people, such investment can be good for the owners of the company. The problem with corporate social responsibility is that companies can find it difficult to have a programme that benefits all its stakeholders needs as the needs of such stakeholders sometimes conflict with each other thereby creating more problems for managers."

The CBN director of operation interviewed stated that:

> "The CBN has good projects that support different stakeholder groups giving money to churches and Christians who have lost their loved ones from activities of hardened Muslim militant group called Boko Haram. The Bank also gave money to Muslims, who lost their loved ones from Boko Haram Group and their actions for example bomb blasts. Multinational corporations operating in Nigeria support local peoples all over the country. They also help state governments with implementation of social projects and sports that benefit local communities. The issue of protecting the local environment by multinational oil corporations benefits both the company and its shareholders by reducing cost of operations resulting to increase in shareholders' wealth." (CBN Director of Operation).

> "The big banks and companies operating in Nigeria only use corporate social responsibility to sell more goods and not for helping its customers. If companies contribute to social responsibility in one hand, they will make the money from their customers from the other hand by selling their goods higher prices. It may be that in developed countries, corporate social responsibility does help local people but in Nigeria corruption and self-interest by managers does not reflect the benefits of CSR to their customers or to their shareholders." (Bank Customer).

As stated above, CSR has been defined in many ways. CSR is about how companies manage the business processes to produce an overall positive impact on society. (Baker 2002). WBCSD defined CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce and their families as well as of the local community and society at large" (Holme and Watts 2000:5). (The authors suggested that Corporate Social Responsibility "is concerned with the ways an organisation exceeds the minimum obligations to stakeholders specified through regulation and corporate governance." (Nwanji, 2005).

Freeman (1984: 25) claims that: "A stakeholder in an organisation is any group or individual who can affect or is affected by the achievement of the organisation's objectives." A Stakeholder theory is a theory of organisational management and ethics, and it is distinct because it addresses morals and values explicitly as a central feature of managing organisations. (Phillips 2003:16)

Axial coding category: The core categories from the analysis of the answers for question 5 relate to the issues of engagement with corporate social responsibility

6.4 Discharge of regulatory function by stock exchange market

There is a familiar maxim which holds that the lack of money is the root of all evil. In the same vein, one can say that the lack of regulation is the root of all problems in capital market. The Nigeria stock exchange had worked as a self-regulatory organization (SRO) since 1961 until SEC established in 1979. In the USA, the New York stock exchange had worked for more than 100 years as an SRO when the US congress enacted the Securities Exchange Act of 1934 that established the US SEC. An SRO is an organisation of operators that regulate themselves with or without government oversight. SROs are one of the best examples of tiered regulation.

A tiered system of securities regulation permits many securities activities to take place without direct regulation approval by the Apex securities regulator because other regulatory safeguards are in place. The objectives of self-regulation are to protect members from loss through default by other members and to maintain public confidence in the market.

6.5 Axial coding core categories

Table (6.2):

Axial Coding Category: (1)	The core category from the analysis relates to the issues of mismanagement and corruptions
Axial Coding Category: **(2)**	The main categories from the analysis of interview answers given in question one relates to the independence of Non-executive directors
Axial Coding Category: (3)	The core categories from the analysis of the answers for question 5 relate to the issues of engagement with corporate social responsibility.
Axial coding category: **(4)**	The core category from the results of the analysis of question 4 relates to the issues of effective regulation and corporate governance reform within the banking and financial services sectors.
Axial coding category: (5)	The core categories from the analysis of the answers for question 5 relate to the issues of engagement with corporate social responsibility.

6.6 Terms of the main categories emerged from the analysis

Main categories resulting from the analysis of the survey questionnaire data presented in Chapter: 5. the terms of the main categories can be stated as follows:

Table (6.3):

YES	**NO**
we have: 57%, 59%, 66%, 58%, 58% 59% 57%	we have: 59%, 61%, 46%, 48%, 45%
NSEC playing a leading role	Effective corporate governance practice
Accountability and transparency	Weak leadership of Nigerian regulatory authorities
Central Bank reform to reduce corruption	Weak compliance does not attract foreign investments
Compliance in corporate governance codes creates confidence in the market	Separate chairman and chief executive roles
Lack of transparency in daily transactions affects investor confidence	Non-executive directors (NED)
Effective corporate governance requirements	
Corporate social responsibility (CSR) creates shareholder's wealth	

Both coding analysis of all the data collected for this thesis will apply in developing models for substantive theory on corporate governance system in the Nigerian Stock Exchange market. It will be discuss in Chapter 7 of the thesis, and the results will form a model for corporate governance system in the stock market.

6.7 Analysis of secondary data

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 lay out by the Central Bank of Nigeria (CBN). This code has the force of law behind it. The 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, etc. will have to take a closer look at the climate within which the corporate governance regime operated and decide whether to adopt one backed by law.

The CBN code on corporate governance (2006) 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 certify accounts does not attract a criminal penalty. The Sarbanes – Oxley Act provides some protection for whistle-blowers but in Nigeria, any whistle-blower 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 corporate governance regime within a broader framework as defined by the SEC/CAC code of best practices 2003.

6.8 Major functions of self-regulatory organisation

- Day to day market supervision
- Rules of their practice that include ethical standards (code of conduct)
- Licensing and qualification examinations for personnel of member firms.
- Inspection and discipline of members and associated persons
- Dispute resolution between members and customers.

For self-regulation to work, the SRO must can comply with the securities laws and enforce compliance by its members. The SRO must have rules that give all of its members adequate representation in the administration of its affairs. They must have rules that are designed to prevent fraud and to promote 'just and equitable principles of trade. In addition, the SRO must have an appropriate procedure for bringing disciplinary actions against its members and persons associated with its members. Self-Regulation works best when SRO members have a community of interest and when membership is required by law or business necessity. Furthermore, SROs are usually at their best when they have the expertise and resources to operate, and there ought to be an enforceable contract between them and their members.

6.9 Regulatory function of Nigerian Stock Exchange

The Nigeria Stock Exchange carries out enforcement of its rules and regulations through the legal and compliance department. The department has a special unit called compliance unit whose responsibility is to monitor activities and any breach of the rules and regulations thereby protecting market integrity. The unit also carries out onsite inspection of all stock brokering firms to ensure that all books properly kept, brokers fund are not mixed with those of clients in the same account and that all payments for sale of shares are made using cheques. The unit also carries out analysis of annual audited accounts of stock brokering firms as well as their monthly share box load as part of its off-site functions.

Indeed, surveillance is the heart of any exchange self-regulatory framework work as well as being the core of its corporate governance obligations. In furtherance of its regulatory functions, NSE has a separate market surveillance unit under the research and information technology department, who watches all trades done on the floor in real time and flag trades that may seem abnormal or unusual. The unit also ensures compliance with published trading rules and established codes of conduct. It also investigates and resolves complaints and disputes. The market surveillance module of SEMS administrator is where current and historical data is searched with user-defined criteria to produce short and long-term comparisons. The market surveillance module also installed in some SEC computers at Abuja for Monitoring trading activities on the NSE in real time.

In addition to the two units discussed earlier, there is the quotations and listing Department that monitors the performance of quoted companies. Some of the functions of the Stock Exchange in this context include. (a) Provision of liquidity to shareholders through an efficient secondary market for securities using the latest technology for reliable trading settlement system. (b) Provision of effective regulatory framework. (c) Regular provision of relevant information to market operators. On the other hand, the quoted companies are required to make full disclosure and do so promptly. They also require furnish the NSE with information on their performance and to obtain prior written approval before certain publication as well as to accept instructions from the NSE.

6.10 Instrument of regulation by the Nigerian Stock Exchange

The investigation aim at ascertaining dealing abuse - issuer fraud, insider dealing, false markets, etc. certain surveillance alerts warrant in-depth investigations. Therefore, investigation includes a review of all transactions by the member firms and customers in a particular security over a specified time. The compliance unit, market surveillance unit, the listing department and joint monitoring committee (JMC) involved in relevant parties and documents request. Wherever a person such as a trader, officer, director or employee of a member body contravenes the exchanges rules, and regulations, any one or more of the following penalties may imposed:

- a letter of warning;

- a formal reprimand;
- a fine;
- the making of restitution to any person who has suffered a loss as a result of actions or lack of actions by a member or approved person;
- the temporary suspension of the member or approved person;
- the expulsion of the member or approved person; and
- any other penalty or remedy determined to be appropriate under the circumstance.

The Exchange reserves the right to impose penalties as they see fit after assessing all mitigating or aggrieving factors. Can adduce any tangible proof that in keeping with its avowed commitment to uphold the tenets of corporate governance, the NSE is truly performing its regulatory functions as earlier admitted? The answer to the question above could be gleaned from the information wholly lifted undiluted from the 2006 edition of the Nigeria Stock Exchange Annual Report and Accounts as report below (with permission).

6.11 The Nigerian stock market activities

Several factors influenced the level of activity in the secondary market during the period under review. These include improved awareness of the opportunities in the stock market, better operating results by some quoted companies, available large flat especially in the banking sector investment activities of pension funds and low-interest rates on deposit in a money market. Turnover on the exchange closed the year N470.25 billion up by 79% on the N262.9 billion recovered in 2005. Average daily activity rose from 107.6 million shares worth N1.1 billion in 2005 to 150.9 million shares valued at N1.94 billion in 2006. The bulk of the transactions were equities that accounted for N468.6 billion or 99.6 % of the turnover value.

The Federal Government development stocks sector recorded a turnover of N1.6 billion as against million 580 million units valued at N624.81 billion recorded in 5, 448 deals in the over-the counter (OTC) market which commenced operations during the year. The exchange's Federal Government (FG) Bond Turnover Ratio improved closing at 14.7% up from 12.42 in 2005. The total market value of listed securities was N5.12 trillion representing an increase of 76.55% at the end of the year. The listing of new securities (equities and bonds) explains in large part the market capitalization growth achieved during the year. The Banking subsector recorded many supplementary issues and the listing of scheme shares arising from mergers and acquisitions elicited by industry consolidation. Moreover, macroeconomics stability and improved corporate results caused a rise in stock prices.

The NSE all-Share index rose by 37.8% to close the year at 33,189,300. Interestingly, this is the second highest growth since year 2000 only exceeded by the 64.3% recorded in 2003. On August 18, 2008, the list had attained an all-time high of 35,068,840 before dropping to its end of year position. Due to high lending rates in the money market and a slowdown in banking operations at the height of the banking sector reform, there was greater recourse to the stock market by companies and the Federal Government during the period. In 2006, the Exchange considered and approved 69 applications for new issues and mergers and acquisitions valued at N1.65 trillion as against 52 applications for new issues valued at N730.54 billion in 2005.

The non-banking corporate issues accounted for 25% of the new issues approved in 2006 with 48 applications valued at N419.01 billion while the banking sector accounted for 43% with 18 applications valued at N703.51 billion. The Federal Government bond issued accounted for N527.41 billion or 32% of the total amount approved during the year. The number of securities listed on the exchange increased to 293 up from 287 in 2005 despite listing 28 securities including 21 banks. Additionally, four new subsectors were created on the daily office list- mortgage companies, road transportation, leasing and The foreign listings subsector which resuscitated with the admission of the sub-regional Ecobank transnational Incorporated (ETI) on September 11, 2006.

They brought the number of subsectors in the equity sector of the daily official list to 31. The airline subsector was renamed "aviation subsector to enable the exchange to accommodate ancillary service providers in the aviation sector that seek listing on the exchange. Two companies were reclassified on the daily official list to reflect changes that had occurred in those companies. UTC Nigeria Plc was moved from conglomerates subsector to Food/beverage & Tobacco subsector while C and I leasing plc moved from managed Funds subsector to the newly created leasing subsector.

6.12 Information technology management

The exchange commenced the update of its Lagos trading floor on December 18, 2006 to meet greater challenges in the New Year. Consequently, stockbrokers had to trade remotely from their various offices during the reconstruction period. Full remote trading was successful which further demonstrated the robustness of the exchange is trading system. The exchange concluded the review of its rules and regulations in 2006. The revised rules and regulations of the exchange reflect recent developments in the marked including internationalization and automation of the trading system.

There was the emphasis on investor protection and 'know-your-client' issues among other details, which members were, implored to observe diligently in their market dealings. In keeping with the Exchange's commitment to investor protection and the maintenance of discipline in the market, the dealing license of Morgan trust asset management limited was revoked during the year for unauthorised disposal of client's shares and related offences. By year-end, two other stock brokering firms were on suspension for breaching the rules of the market. ***(The NSE Annual Report & Account 2006)***

6.13 Chapter conclusion

This chapter used axial coding system of grounded theory method to analyse the data collected from the semi-structured interview conducted during the research for this thesis. The views of the participants were presented based on how each participant's response addressed the questions asked. As stated above, the aim of axial coding analysis is further to identify categories that relate to the issues in question. Taken statements or words that are found to be common between each answer given by the participants do this. In general, the analysis identified areas from the answers given by the participants who best answered the questions.

There was also an analysis where there were agreements between the participants as well where their answers differed from each other's answers. The results of the study are related to the literature on corporate governance regulation in Nigeria. The chapter also analysed secondary data relating to corporate governance in Nigerian capital market. Here the researcher presented studies from key regulators of the Nigerian stock exchange market and the banking regulations from both the Central Bank of Nigeria and the Nigerian Securities and Exchange Commission. The roles and the activities of the stock exchange market were given as part of the study.

Overall, the results of the study indicated that the Nigerian Stock Exchange market faced with many problems during the banking and financial global crisis of 2008/2009 but the market regulators did well to save the capital market from near collapse. In some cases, both the Governor of the Central Bank and the Director-General of Nigerian Securities and Exchange Commission showed good leadership in dealing with the problems faced by the banks and the stock market. The next chapter which is chapter 7 deals with the findings from the data analysis in chapters 5 and 6 of the thesis.

Chapter 7: Discussions and Application: Constructing a Substantive Theory

7.1 Introduction

This chapter begins the process of developing a substantive theory on corporate governance regulation in the Nigerian Stock Exchange using the results of data analysis from the survey questionnaire, semi-structured interview and secondary data. (see Chapters 5 and 6) of the thesis above. The process of developing a substantive theory start with the evaluation of the core categories that emerged from the results of opening coding, selective coding and axial coding of data collected for the study. Developing a substantive argument starts with the process of theoretical coding that relate selective categories together. In this study, the categories that results from the data analysis in Chapter 5 and Chapter 6 will be used here for the process of theory development.

In Glaser and Strauss' original book (1967: 45), it states that the problem should 'emerge.' This does not necessarily work in practice as it depends on the context of the study. For doctoral research such as this, the researcher will not be able to say that the 'research problem will emerge' when faced with writing a thesis within a short period of three years. However, the grounded theory coding helps shape the research problem. The aspects of it do emerge when coding where coding and the categories that result from it were based on the percentages resulted from the analysis. Theory building through theoretical coding is relating selective categories to each other, examining the categories and submerging them to arrive at main categories and to name the classes. It is through this process that the percentages that represent the categories from the results of the data analysis in chapter (6) named and shown above in tables (6.2) and table (6.3).

These set of named categories the results of the three coding process of the grounded theory methods (open, selective and axial coding) relating to corporate governance regulation in the Nigerian Stock Exchange Market listed below. As stated in chapter three of this thesis, Howell (2013: 24) said:

> "Theory can be positivistic or law orientated in the natural sciences universal laws, whereas in the social sciences law - like regularities are developed. Both natural and social scientific laws should enable prediction, and this theoretical perspective is a universal law-oriented understanding of theory relating to a positivist paradigm of inquiry and methodology in the pursuit of regularities and prediction. Theory in this context is concerned with immutable laws and prediction."

The purpose of selective coding is to bind relevant groups together to form a grounded theory around a core category or categories. Once the core categories established, the next task is to link other categories to the core categories.

Nwanji, (2006) claim in his research that using axial coding recommended by Strauss and Corbin (1996) the researchers should:

(i) relate categories (sub-categories) by analysing statements of relationships (i.e. hypotheses)

(ii) verify the statements of relationships against actual data,

(iii) develop and establish categories in terms of the properties and dimensions

(iv) Identify and tentatively explore routines variations in the data.

The main purpose of axial coding is to establish a relationship between the categories obtained during open coding and selective coding analysis in terms of causal conditions context, intervening factors, action and interaction strategies and consequences.

- ❖ In this thesis, the axial coding categories established identify effective corporate governance regulation as antecedent of ethical values that is antecedent to several other categories. In terms of grounded theory methods, the results of the analysis of the semi-structured interview reflect the main categories developed from the survey analysis in relation to Meso theories of shareholder and stakeholder models of corporate governance.

- ❖ Applying axial coding recommended by Strauss and Corbin (1998) the categories identified from both open and selective coding based on the analysis of all the data collected for this research study can now be established as the central core categories that emerged from this research.

- ❖ As can be seen from the above analysis the core categories identified from the results of the coding process of the survey questionnaire, the semi-structured interview and the secondary data discussed below.

Therefore, listed below is the main core categories that ‘emerged’ from the results of the data analysed in the previous chapters. The list reflects the views from the participants in relation to the problems and issues of corporate governance regulation in developing countries focusing on the Nigerian Stock Exchange. As could be seen from the list, some of the terms identified as categories have a positive effect while others have a negative effect on corporate governance and the regulation of the Nigerian capital market.

The list of the core categories from the results of the grounded theory analysis relating to the corporate governance regulation from the Nigerian stock exchange:

- ❖ NSEC playing a leading role
- ❖ Accountability and transparency
- ❖ Central Bank reform to reduce corruption
- ❖ Central Bank reform to reduce corruption
- ❖ Compliance in corporate governance codes creates confidence in the market
- ❖ Lack of transparency in daily transactions affects investor confidence
- ❖ Effective corporate governance requirements
- ❖ Corporate social responsibility (CSR) creates shareholder's wealth
- ❖ Effective corporate governance practice
- ❖ Weak leadership of Nigerian regulatory authorities
- ❖ Weak compliance does not attract foreign investments
- ❖ Separate chairman and chief executive roles
- ❖ Non-executive directors (NED)

7.2 Grounded theory - theoretical coding

The next stage in the process of developing a substantive theory is a comparative evaluation of the results of the findings from the research study using the core categories listed above. The model or models of corporate governance system for the Nigerian stock exchange markets then developed from the core categories. This is done through the process of theoretical coding. Theoretical coding is the basis of grounded theory. The essential relationship between data and theory is a conceptual system. The code conceptualises the underlying patterns of the data. Glaser (1978, p. 55) claims that: “in generating a theory by developing the hypothetical relationships between conceptual codes (categories and their properties) which have been generated from the data as indicators we discover a grounded theory.”

Locke (2001) speaks of coding paradigms as:

> "Theoretical schemes or conceptual templates for thinking about possible theoretical categories, how these categories might relate to each other, and what their integration might add up to. To assist in the process of bringing integration and organisation to working categories, Glaser offers some 18 families of what he calls theoretical codes or paradigms to help the researcher think analytically about and theorize the possible category combination. The coding paradigms provide ways to think about the categories and to clarify and organise what relationship each category has to other working categories. These paradigms allow researchers flexibly to consider various theoretical systems, selecting and composing one that fits with their data." (Cited in Nwanji 2006, p. 74).

As stated in this thesis, the selection of a particular coding paradigm or framework enables researchers to develop a particular type of theory around which they orient their substantive and methodological work over time. This demonstrates an increasing clarification of and commitment to a particular approach or way of understanding social action. Strauss' collaborator, Corbin describes the shape of Strauss' understanding of social reality in the following terms: "In all of his work, action is the moving organising force of his theoretical conceptualisations and is always seen in processual terms, i.e. responding to changes in structural conditions." (Corbin 1991: 18)

This understanding, of course, strongly echoes Dewey's conception of social experience adapting on an ongoing basis to the problems of living (Rennie 1998). Consequently, when we look at the coding paradigm that Strauss advocates we see more emphasis on action in its interest in strategies, tactics and interactions. Furthermore, there is a concern with structural conditions not only at the micro level, but also at much broader social levels. This is clearly articulated in other methodological works (Strauss and Corbin 1998; Locke 2001) advocating that the analyst's composed grounded theories include macro-structural conditions that impinge on the studied phenomena, such as corporate governance systems. To this end they also offer a macro coding paradigm 'conditional matrix' that directs the analyst to inquire into and specify the broad social, historical and economic conditions that may have a bearing on and influence the phenomenon.

In this thesis, the phenomenon is the effectiveness of corporate governance regulation in the capital market. As Locke states, this move to link micro and macro elements represents a further clarification of what a sociological theory of action should look like. In practice, however, few grounded theory studies include this conditional matrix. (Howell, 2002; Nwanji, 2006; Charmaz, 2014;).

7.3 Economic development and the corporate Governance regulation

Prior to the adoption of the structural adjustment program (SAP) in Nigeria in 1986 and the concomitant introduction of wide reforms in the economic. The topography of Nigeria financial sector was extremely regulated and repressive. Pre-reform policies were command-driven as interest rates, allocation of financial resources, as well as entry and exit conditions, were quantitatively and highly regulated. This undermines resource allocation efficiency and fostered financial distortions and inefficiencies, hindering economic growth and development. Consequently, a series of financial sector reform mobilization for development and repositioning the sector to weather the global challenges ahead were embarked on.

It was observed that financial sector reform progress in Nigeria constrained by economic conditions that were not conducive for the development of a dynamic market-oriented financial sector. For instance, the reforms did not facilitate financial deepening while competition limited owing mainly to the oligopolistic structure of the industry. Real interest rate remained negative for most of the period and savings growth rate was rather sluggish. However, the capital market segment recorded substantial progress as private sector participation rose albeit not incommensurate level with demand. Before the adoption of economic reform measures of the 1980's, extensive public ownership, management and control of productive and social infrastructures institutions predominantly characterized most African economics.

The theoretical rationale for this research was not unconnected with the imperially inherited postulation that economic development can only be fast-tracked through massive government intervention in economic activities. Learning on this ideological construct, reinforced with the desire to wrestle economic power from foreigners, government of African countries embark on large-scale development plans as well as the wholesale nationalization, indigenization and conversion of existing corporate enterprises, primarily foreign-owned entities, to state-owned enterprises. This led to an enlarged and predominant public sector. Ironically, rather than serve as a catalyst for the achievement of the core mandate of jump starting the nascent economics and complementing political independence with economic vibrancy, through the increased indigenous participation in economic activities.

The state-owned entities became huge liabilities and drained pipes of the countries meagre and hard earned resources. Studies showed that by the end of 1970s, the average African Country's public enterprise sector accounted for over 17% of Gross Domestic product (GDP) compared with a worldwide average of about 10%. For Nigeria, the public sector grew so large that the ratio of government expenditure to GDP ranged between 30% and 40% in the oil boom years, and remained above 20% since the early 1980s and 1990s while public investment stood at over 70% during the same period.

7.4 Consequences of Government's intrusion

The expanded government size naturally culminated in the regulation of all sector of the economy in a bid to protect state interest as well as steer the economy to its desired growth path. This led to:

- Frequent interjections by government coupled with conflicting policy reversals.
- Weak government appointment of management staff
- Weak and minimal supervision and monitoring of financial reporting.

In addition, the near lack of prerequisite operational autonomy of the Central Bank of Nigeria (CBN) faster the financial sector problems. The Nigeria financial sector being an integral component of the economy, consequently posted poor returns, which affected negatively on the existing corporations that depended on the well-being of the financial sector for their survival. The financial sector was highly repressive, characterized by interest rate controls, selective credit guidelines, ceilings on credit expansion, use of reserve requirements and other direct monetary control instruments. State-owned financial institutions dominated it while entry restricted, and the markets highly were segmentalised. In line with its development objectives, the government continued to fund and subsidized the operations of state-owned enterprises, including financial institutions like the stock exchange market.

By the end of 1990s, it became quite apparent that the dwindling revenue fortunes of government could no longer sustain the debilitating financial positions of these state-owned enterprises, particularly as the government's ability to honour financial obligations to creditors wanted. This marked the genesis and emergence of institutional reforms in the economic topography of Nigeria. It was at this stage that the country found her up until 2002 when the idea of corporate governance was introduced and adopted by the financial and industrial sectors. The outcome of the adoption of the principles of corporate governance by the financial and industrial sectors is seen in the Central Bank of Nigeria annual report and accounts for 2006 as reproduced below.

7.5 Capital and financial account of the CBN

In 2006, pressure on the capital and financial account moderated as the deficit of N2,827 billion recorded in 2005 narrowed to N2,672.4 billion. Foreign direct investment increased by 89.5% to 573.8 billion. The sizeable improvement in foreign direct investment was attributable to the positive effect of the robust macroeconomic environment. An improve business environment complement by a good corporate governance culture, a favourable country rating by two international rating agencies which boosted investors' confidence. The general shift by investors to emerging and developing economies that tended to post higher return on investment vis-a-vis other destinations and the de-listing of the of the country by financial action task force (FATF)

. Net claims on the rest of the world remained enormous at N2.620.8 billion representing credits in respect of the activities of resident companies, especially the oil and gas sectors. The deficit in the long-term capital (amortization due) further widened by 19.3% to N752.1 billion, representing the enormous claims on the Federal Government for the exit from the Paris Club of creditor's debt buy-back. (CBN Annual Report & Account 2006).

7.6 Foreign direct investment in Nigeria

With a population of 160 million, Nigeria offers investors a low- cost labour pool, abundant natural resource, and potentially the largest domestic market in sub-Saharan Africa. The Federal Government and development strategy (NEEDS) and capital controls have been remarkable liberalized especially with respect to foreign direct investment (FDI). The Nigeria investment promotion commission (NIPC) Act of 1995 allows 100% foreign ownership joint ventures or new production-sharing agreements. Industries considered crucial to national security such as guns; ammunition and military and paramilitary apparel reserved for domestic investors. Foreign investors must register with NIPC, after incorporation, under the companies and allied matters Act 1990.

The Act prohibits the nationalization or expropriation of foreign enterprises except in the case of national interest. Other legal frameworks that influenced capital flows into Nigeria include the adoption of corporate governance, the securities and exchange act of 1999. Others are the foreign exchange institutions Act of 1995, the money laundering Act of 2003, the banking and other financial institutions Act of 1991. The national office for technology acquisition and promotion Act of 1979. The government has also substantially opened up Nigeria's telecommunication sector. The telecommunications Act of 2001 authorizes the Nigeria communications commission (NCC) to issue licenses to existing and prospective service providers. Telecommunication deregulation has led to the issuance of licenses for fixed wireless networks, internet services and VSAT (tiny aperture terminal) satellite telecommunications equipment services.

In 2006, Nigeria and China signed a US $ 8.3 billion contract for the construction of the railway line from Lagos to Kano as part of an integrated transportation system for the country covering land, air and maritime transport. Also during the year, the Chinese Government granted Nigeria a $billion loan facility of which a substantial amount use on the rail project. The project would create additional 50,000 jobs. Similarly, the government of Australia proposed an investment package totalling about $5 billion from its private investors to assist in the development of the Nigerian energy sector. The Nigerian National Petroleum Corporation (NNPC) and its joint venture partner, Mobil oil-producing Nigeria (MBN), and a consortium of eight Nigerian banks are to provide $600 million for investment in the oil and gas sector.

The Nigeria investment promotion commission established a one-stop investment centre. The process, coordinated by the NIPC, provides frontline services that guarantee the approval time of 24 hours for business entry. The one stop shop (OSS) covers investments in all sectors of the economy, including oil and gas. The core benefits of the process are a reduction in the cost of doing business in Nigeria, ease of FDI and investment tracking, and simplification of procedures. The OSS process would shorten and simplify administrative procedures and guidelines for the issuance of business approvals, permits and licences thereby removing the bottlenecks faced by investors in establishing and running businesses in Nigeria. Types of services available in the first phase of OSS include business incorporation, registration and information.

The process is under one roof at NIPC, involving officials of the NIPC, the corporate affairs commission (CAC), the Nigerian Immigration Service (NIS), the Nigerian customs service (NCS), and the Federal Inland Revenue service (FIRS). Also involved are the National office for technology acquisition and promotion (NOTAP), the Federal Capital Territory (FCT), the National agency for food, drugs administration and control (NAFDAC), and the Central Bank of Nigeria (CBN). Other participating government agencies in the first phase are the National bureau of statistics (NBS), the ministry of solid minerals development, the ministry of finance and the standards organization of Nigeria (SON)

(CBN Annual Report & Accounts 2006).

7.7 Market capitalization of quoted companies

From the figures in Table (6.1) below which shows the market capitalization of quoted companies in Nigeria, the foreign 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 percent (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 the country prepared for her presidential and other general elections in 2006/2007.

Table: (7.1) Market capitalization of quoted companies

(Thousands of Naira)

CATEGORY AGRICULTURE	**2002**	2003	2004	2005	2006
	4,804,636	9,686,309	9,635,638	11,739,219	15,964,000
FINANCIAL	245,269,414	374,061,528	691,984,794	1,250,169,733	2,198,156,500
Banking	233,472,484	354.146.779	662,712.600	1,212,128,545	2,142,745,700
Managed funds	3,856.914	4,388.,248	4,181.842	3.641,102	3.018,100
Insurance	7,938,016	15,526,498	25,080,352	34,400.081	52,392,600
MANUFACTURING	317,372,825	618,775,120	782,787,141	853,692,367	1,186,991
Breweries	146,244,218	340,052,129	467,235,923	409,434,955	444,430,290
Building Materials	39,412,069	53,542,529	48,631,315	114,692,868	35,847,702
Chemical & Paints	1,929,218	2,99,190,820	4,463,018	14,786,122	7,979,700
Food, & Brewery	110,463,308	1,999,190,558	239,295,130	294,572,836	336,926,500
Industrial & Domestic	5,092,615	5,311,818	5,500,071	6,377,718	6,561,500
Packaging	2,971,919	3,488,187	3,107,524	4,585,159	4,073,300
Health Care	671,919	10,159,484	11.611,259	16, 024,860	26,490,100
Textiles	4,270,788	4,039,596	2,942,902	3,217,849	2.179
COMMERCIALS	143,429,301	281,695,692	393,609,908	377,047.745	612,322
Automobiles & Tyres	2.212,275	2,435,794	3.204,885	5,294,090	10,956
Conglomerates	69,672,183	85,759,689	92,014,200	123,218,420	333.671
Commercial / Services	302,901	337,541	105,000	100,000	80
Computer & Office	408,191	351,631	656,686	459,860	999
Footwear	78,394	72,561	121,130	96,395	220
Machinery/Marketing	54,643	45,517	49,729	39,901	38
Petroleum/Marketing	70,700,714	192,692,961	297,458, 097	247,839,080	266,355
SERVICES	11,848,760	17,046,855	24,287,555	30,844,249	57,050
Construction	6,017,844	5,8994,370	5,024,846	10,161,296	16,602
Real Estate	4,000,000	6,660,000	8,900,000	9,625,000	15,180
Engineering Technology	523,950	320,243	428, 721	338,249	346
Airlines	538,000	3,200,000	2,602,000	2,034,000	5,679
Printing & Publication	768,966	972,240	884,508	974,640	2,020
Hotel & Tourism	-----	---	6,440,408	6,125,039	5,819
Maritime	------	---	--	1,586,027	1,411
FOREIGN LISTING	24,874,821	23,632,495	23,632,495	376,568,759	156,649

TOTAL	**747,599,756**	**1,324,897,999**	**1,925,937,531**	**2,900,062,072**	**5,120,943**

Table: (7.1) *(Source: The Nigerian Stock Exchange, 2007)*

7.8 Corporate governance boost investors' confidence

The importance of effective corporate governance to corporate and economic performance cannot be over – emphasised in today's global marketplace. Corporations perceived as adopting international best corporate governance practices are perceived to be below international and local investors than those whose practices are perceived to below international standards. For corporations operating in Nigeria, the impetus to imbibe international best practices in the conduct has become more a matter of survival. Those found in their conduct has become more a matter of survival than anything else as those found wanting have suddenly left in the lurch.

For the banking industry in Nigeria, this has become necessary given that the circumstance that brought about systemic distress in the banking industry in the 1990s were as a result of the absence of good corporate governance strategy by the banks. The emphasis on the banking industry at this junction does not imply the absence of another sector of the Nigeria economy. Rather, the policy position the banking industry occupies in the Nigeria economy is pivotal such that any distortions experienced in the industry usually have a ripple and crippling effect on almost the entire economy.

7.9 Ineffective corporate governance culture

According to the Director-General of the SEC:

> "It was not without cause that the Securities and Exchange Commission (SEC) in collaboration with the Corporation Affair Commission (CAC) inaugurated a 17-member committee on June 15, 2000 in Nigeria on corporate governance in order to align with the international best practices and to fast track global convergence on local," (2000: 5).

The Basel Committee on banking supervision published guidance in 1999 to assist banking supervisors in promoting the adoption of sound governance practices by banking organization in their countries. Guidance drew from principles of corporate governance that were published earlier that year by the Organization for Economic Co-operation and Development (OECD) with the purpose of assisting governments in their efforts to evaluate and improve their frameworks for corporate governance. Moreover, to provide guidance for financial market regulators and participants in financial markets. To align the standards of corporate governance practices in the banking industry with international best practice, the Central Bank of Nigeria introduced a new code of corporate governance for Nigerian banks in April 2006, which was a vast improvement on the former system of corporate governance.

According to the Central Bank of Nigeria (CBN), the challenges arising from consolidation Nigerian Banks have just concluded a newly stipulated N25 billion minimum paid – up capital exercise tagged 'consolidation.' However, such issues as information technology (IT) and cultural integration, is bound to put to the skills and competences of boards and managements in improving shareholder values and balances same against other stakeholder interests in a competitive environment. The CBN increased this to N35 billion after the global banking crisis of 2008/2009 to ensure that the Nigerian banks can be competitive in the growing African financial and banking sector. The CBN said the code, which was mandatory for all banks, was developed to compliment the earlier ones and enhance their effectiveness for the Nigerian banking industry.

Specifically, the CBN code much like the others, was designed to address issues of weak corporate governance, curb disagreements between board and management. Relating to areas of boardroom squabbles, ineffective board oversight functions, fraudulent and self-serving practices among members of the board, management director and staff, as well as overbearing influence of chairman or managing director/chief executive officer, especially in family – controlled corporations. The system is also expected to mitigate weak internal controls, non-compliance with laid down internal controls and operation procedures, ignorance of and non-compliance with rules, laws and regulations guiding corporate business and passive shareholders.

Poor risk management practices resulting in large quantum of non-performing credits including insider- related credits, abuses in lending, including lending in excess of single obligor limit, sit-tight directors. Even where such directors fail to make meaningful contributions to the growth and development of the organization (bank) and succumbing to pressure from other stakeholders. For instance, shareholders appetite for high dividend and depositors' quest for high interest on deposits are inimical practices that the CBN code seeks to discourage. The thinking of the apex bank is that a well-defined code of corporate governance practices should help organization overcome such difficulties. The report on the observance standards and code of corporate ROSC (2004) provides evidence on observations of non-compliance with international standards of auditing and professional code of ethics as follows:

- In several case mostly in small and medium enterprises and audit firms), due to a lack of qualified accountants and pressure on audit fees, the auditors also prepare the same financial statements that they audited. This fact is not disclosed in the audit report.

- Due to a combination of weak accounting culture and pressure exerted by clients due to relatively audit fees and competition in the audit market, some auditors refrain from applying rigorous audit procedures in order to obtain sufficient, appropriate audit evidence that supports their opinion on the fair presentation of financial statements. As a result, the integrity of the financial statements may be compromised, notwithstanding excellent presentation and disclosures in accordance with accounting standards.

- Quality control methods appear to exist only in the multinational firms. While quality control arrangements vary widely and are unsatisfactory among medium-sized firms, they do not exist among the sole proprietorships.

- Unless associated with the international network of accounting firms, most audit firms have no access to quality practice-oriented manuals.

- Most firms have limited access to technical expertise to assist with queries.

- Medium and small audit firms do not have skills for auditing in a computer information systems environment. *(ROSC 2004, Para. 46)*

7.10 Investors' confidence in companies listed on the NSE

In the mid-1990s, the Nigerian banking sector suffered 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. Worse still, Nigeria was under the ruler-ship of the military junta that had to all intents and purposes turned the country into a 'Shariah State.'

Other sectors of the economy suffered as well as there was massive capacity underutilization in the manufacturing sector. Unemployment rate soared, and there was widespread disaffection among the citizenry. This situation continued until the early 2000 when a new democratic government was ushered in and thus began the series of reforms-both political and economic which the country has continued to witness. The introduction and enforcement of corporate governance by the regulatory authorities on publicly quoted companies is one of the reform programs.

In addition, one of the best means of gauging investors' confidence in quoted companies is when the shares of the companies are fully subscribed by them. Since the formal introduction of corporate governance in Nigeria capital market observers have been witnessing the following scene reported below. The following information is a verbatim report from the Annual Report and Accounts 2007 of one of the listed banks in the Nigerian stock exchange- The Intercontinental Bank Plc:

> "The banks 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 at the initial listing price. In 2006, we undertook a public offer at N13.50 per share, a 125% increase over the IPO price and 158% over the original rate. 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 original listing price in 2002. The growth potentials in the bank's equity price still look very promising."
>
> (Intercontinental Bank Plc Annual Report and Accounts 2007:10)

Also in page 19 of the same Annual Report & Accounts 2007, 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 course of the past year by a number of leading names in the international financial community for various forms of operational relationship, especially with the directive for Nigerian banks to enter into professional partnerships with international banks for the purpose of managing the country's foreign reserves and cutting – edge skills transfer. Knowing the broad – ranging implications of such relationships, particularly for maximizing shareholder – value, adopted a most painstaking approach in devising our strategy for international economic 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, for the purpose of managing Nigeria's foreign reserves and mutually – beneficial business relationship."

Also in March 2007, reached agreement with a consortium of five international financial investors capital emerging market partners Africa fund II, aid global emerging markets fund ii, rand merchant bank and Rico for the investment of $161 million (n20.25 billion) in the bank's cumulative irredeemable convertible equity. This, inflow, combined with public offering results have endowed with the financial strength needed to establish a leading presence for bank not just in Nigeria, but internationally. (intercontinental bank plc, annual report & accounts 2007:19)

7.11 Further evidence on investors' confidence in the NSE

The Nigerian Stock Exchange has been organizing its investor education initiative in the past years. The aim had been to sensitize the peoples' awareness on the immense benefits accruable to an investor in shares. Recently the NSE after organizing an open forum awareness seminar in major state capitals in the country undertook a tour of major international capital cities like Tokyo, Canberra, Atlanta and New Jersey in USA. The foreign tour tagged; 'the NSE international investment road show' aimed at attracting both foreigners and Nigerians in diaspora to come and invest in companies listed on the Exchange. Prospective investors assured that the NSE believes in and enforces adherence to corporate governance principles among its members and other listed organizations.

Back home, this awareness campaign seemed to have succeeded going by this front page publication in one of the leading newspapers specialized in reporting activities on the capital market as reproduced below.

The STOCKWATCH publication of September 23, 2007 had on its front page the following:

> "FIRMS RAISE N1.24 trillion in public offers" **-**The primary market has been upswing this year as the Nigerian Stock Exchange has considered and approved a total of 42 applications for the issuance of 113.4 billion shares with value in excess of N1.24 trillion as against 46 applications for the issuance of 141.3 billion shares valued at N775.24 billion considered and approved in 2006. The Exchange further stated that the single largest capital raising issue of N100 billion through a dual offer approved for First Bank Plc. It was learnt that out of the number of issues approved this year, 19 applications to raise N488 billion have concluded, and the Banking sub-sector dominated the new issues approved in the review period with ten applications valued at N746.8 billion. The Insurance subsector had 14 applications with value in excess of N80.4 billion. The President of Nigerian Stock Exchange disclosed in his address at the 46 Annual General Meeting of NSE that the Exchange had achieved growth in most performance indicators when compared with 2006 statistics. He said the number of listed companies and securities increased from 202 and 293 to 209 and 311 respectively. The All share index, which stood at 33,189.30 by December 2006 had by August this year risen to 50.291.09 while market capitalization that opened at N5.12 trillion closed at record high of N9.12 trillion."
>
> **(STOCKWATCH Newspaper 2007:1)**

7.12 Chapter conclusion

The discussion of data carried out in this section has further buttressed the fact that good corporate governance is an essential growth factor in both public and private organizations. This import premised on its purpose in ensuring transparency and due diligence within these organizations. 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 rom the media, the public and governments. This chapter provided the methodological overview for the book, which employs a grounded theory methodology for the study of corporate governance systems.

The methodology underpinned by a phenomenological / interpretive / constructivist / objectivist paradigm of inquiry and will construct and develop a substantive theory to further our understanding of formal theory as well as the empirical nature of UK companies' corporate governance practices. The empirical investigation will focus on directors and attempt to identify the difference between said and actual ethical perspectives in relation to business ethics. For instance, the effectiveness of corporate governance regulation in the Nigerian capital market how directors understand their corporate governance decisions in practice.

The data collected for this research is analysed using grounded theory methods, which is a process of reducing raw data into concepts that are designated to stand for categories. The categories are then developed and integrated into a substantive theory Strauss and Corbin (1990) and Howell (2000). This process is achieved by coding data, writing memos, and formulating diagrams. As stated in this chapter, data will be coded and analysed using the three coding methods of the grounded theory model of open coding, axial coding and selective coding.

Chapter 8: Conclusions and Recommendations

8.1 Introduction

As stated in the introduction chapter of the thesis, this study investigates the effect of corporate governance regulation in the Nigerian stock exchange market. It employs grounded theory methodology for the analysis of data systemically collected for the study using a survey questionnaire and semi-structured interview. This chapter discussed the findings from the results of the data analysis and drew conclusions in relation to the research objectives. As stated in the literature, corporate governance is a system by which companies are directed and control. The boards of directors are responsible for the leadership and governance of their organisations.

The shareholders role in governance is to appoint the directors as their agents to manage the affairs of the company and appoint the auditors to monitor how the directors have managed the affairs of the company. It is also the responsibility of the board of directors to prepare the annual financial reports as part of their stewardship and report to the shareholders at the annual general meeting (AGM) of the company. The board of directors must also prepare the corporate governance report which should accompany the annual report and accounts stating how the company has complied with the combined code of corporate governance. Where full compliance was not possible, the board must prepare a report explaining the reasons for non-compliance with any parts of the UK corporate governance code. This is known as the 'comply or explain rule.'

In the case of corporate governance regulation in Nigerian, all companies listed in the Nigerian stock exchange are expected to include corporate governance reports within their annual reports and accounts and submitted to the Nigerian stock exchange when filing their accounts. It is a condition of the listing rule of the exchange for companies trying to raise money from the capital market to include corporate governance report within their prospectus. Some of the areas of the corporate governance codes that companies should report their compliance or explain reasons for non-compliance include the appointment of non-executive directors or independent directors, members of the audit committee, the composition of the boards of directors and directors' remuneration. The findings from this research show that as much as 30% of companies listed on the Nigerian Stock Exchange do not comply with the corporate governance regulation and some do not prepare corporate governance reports.

8.2 Evaluation of the findings from the results of the data analysis

The result of the data analysis in Chapters 5 and 6 adopted a mixed methods analysis employing qualitative and quantitative research analysis. The results from the survey data analysis transformed into quantitative data using percentages, tables and charts to identify open coding and selective coding categories. The analysis of the data from the semi-structured adopted the axial coding analysis of the grounded theory methods to identify core categories relation to the corporate governance regulation in the Nigerian stock exchange Market. The categories emerged from the theoretical coding system of the grounded theory analysis evaluated below to draw conclusions for the thesis.

The Results from the open coding analysis: As demonstrated in chapter four, open coding is the vital first step of the grounded theory analysis. In many ways, open coding is the primary strength of the grounded theory methodology – from a detailed and 'open coding' analysis of the survey questionnaire data is unique and give insights on the development of a substantive theory for corporate governance regulation in the Nigerian stock exchange market. The emerging results from the mixed methods analysis using the theoretical open coding method help the researcher develop the dimensions of the research questions and problems. The categories that emerged from the open coding method of analysis based on Likert - scale methods of strongly agreed to strongly disagree presented as percentages (see tables 5.2 and 5.3). Further analysis employs charts shown in Chapter 5 of the thesis represented by figures (5.1) to figures (5.12).

The Results of Selective Coding: For the selective coding analysis the survey data was grouped into 'Yes and No' answers using a mixed method analysis that further transformed the results into percentages as presented in chapter four (see table 5.5). The results were then presented using charts clearly to identify the theoretical coding categories shown in the numbered charts (1) to (12) in chapter four showing the percentages of the 'Yes' results and the percentages of the 'No' results. As shown in the table below the categories are a combination of percentages and terms their represent as neither having a positive (Yes) impact on corporate governance regulation. They are also alternatively, a combination of percentages and their terms that have a negative impact on corporate governance regulation within the Nigerian stock market.

For example, accountability and responsibility (59%) shows a positive impact which in this results means that there are accountability and transparency within the Nigerian Stock Exchange in relation to its corporate governance regulation. This could lead to investors' confidence in the Nigerian capital market. Central Bank of Nigeria reform is (66%) which is a positive impact that will reduce corruption in the stock market. However, concerning the 'No results' ineffective corporate governance practice shows (59%) as the highest code saying no to the question meaning a negative impact that suggests ineffective corporate governance practices which may lead to corruption. This has a negative impact on corporate governance regulation in the Nigerian stock market. As noted in the literature, Glaser (1978) defines selective coding as the stage at which coding is limited to only those categories that relate to the core category.

Table (8.1): **The terms of the core categories from open coding analysis of survey data**

Results have positive impact (Yes) (57%, 59%, 66%, 58%, 58% 59% 57%)	
Regulators playing a leading role	57%
Accountability and responsibility	59%
Reform and regulation reduce corruption	66%
Compliance with corporate governance codes ceate confidence	58%
Transparency	58%
Ethics and governance	59%
Results have negative impact (NO) (59%, 61%, 46%, 48%, 45	
ineffective corporate governance practices	59%
Weak leadership of regulatory authorities	61%
non-compliance do not attract foreign investments	46%
Separate of the role of chairman and chief executive officer	48%
lack of independent non-executive directors (NEDs)	45%
Engagement with corporate social responsibility (CSR)	50%

The Results from Axial Coding: The semi-structured interview data analysed in chapter five of the thesis above using axial coding of the grounded theory methodology. The analysis based on continuous qualitative analysis resulting to further categories on corporate governance regulation in Nigerian stock exchange market. The core categories that emerged based on the issues or terms that were common from the results of the study. Axial coding allows this research study to relate categories to their subcategories, termed 'axial' because coding occurs around the axis of a category; linking categories at the level of properties and dimensions (Straus and Corbin 1996; Nwanji and Howell 2004). The axial coding enables the researcher to bring together the views from the stakeholders interviewed for this research study to form subcategories. Further subcategories also identified from the analysis of secondary data presented above in chapter five. In terms of this research axial coding on corporate governance regulation in developing the country for the Nigerian stock exchange, market identified as the following terms:

Table (8.2): **Core categories resulted from axial coding analysis of semi-structured Interview presented in chapter five of the thesis.**

Axial Coding Category:	*The core category from this analysis relates to the issues of mismanagement and corruption*
Axial Coding Category:	*The core categories from this analysis relates to the independence of Non-Executive directors*
Axial Coding Category:	*The core categories from the answers given by the participants relate to the issues of effective leadership within the regulators*
Axial Coding Category:	*The core categories from the results of the analysis here relates to the issues of effective regulation and corporate governance reform within the banking and financial services sectors.*
Axial Coding Category:	*The core categories from the analysis here relates to the issues of engagement with corporate social responsibility*

8.3 Developing a substantive theory for corporate governance

Open coding is the process of breaking down, examining, comparing, conceptualising, and categorising data. The aim of open coding is the development of classes. Axial coding requires re-building the data (fractured through open coding) in new ways by establishing relationships between categories and between categories and their sub-categories. Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships and filling in categories that need further development or refinement. It is through this process that all the interpretative and objective work done over the course of this research is integrated to form a substantive theory on corporate governance. Data obtained through semi-structure interviews and survey questionnaire from stakeholder from the Nigerian Stock market is analysed using grounded theory methodology to enable the development of a substantive theory on corporate governance regulation. (Nwanji and Howell, 2007; Charmaz, 2014).

In this research study, the core categories developed from the data analysis in Chapters 5 and 6 can be represented with tables that will be further developed as models of corporate governance regulation for the Nigerian stock exchange. Both sets of survey analysis results shown as categories of issues and terms resulting from the analysis. The next stage in developing a substantive theory is the comparative analysis of results of survey data and the results of the semi-structured interview. The substantive theories are shown in (tables 8.1) and (table 8.2) as a set of statements around the core categories from the results of theoretical coding analysis.

The final development of the model for corporate governance regulation in the Nigerian stock exchange market is the building of the core category tables into models with the first model from opening coding and selective coding (table 8.1) above which is represented below as model A.

Table (8.3): **Models developed from the study**

Model A	The core categories from the result of the theoretical axial coding analysis shown in table (8.2) can also develop into a model of corporate governance regulation in the Nigerian stock exchange market.
Model B	In developing substantive theory, both sets of models are used to build the final model for corporate governance regulation in the Nigerian Stock Exchange market, which represent the substantive theory for this research, based on the results of the findings from this research study.
Model C	The model for the substantive theory for corporate governance regulation for the Nigerian stock exchange market shown as (Model C)

The main categories resulting from the open coding analysis of the survey questionnaire data is presented below as an example of theoretical coding for corporate governance regulation in the Nigerian Stock Exchange market:

Figure 8.1: **(Model A).**

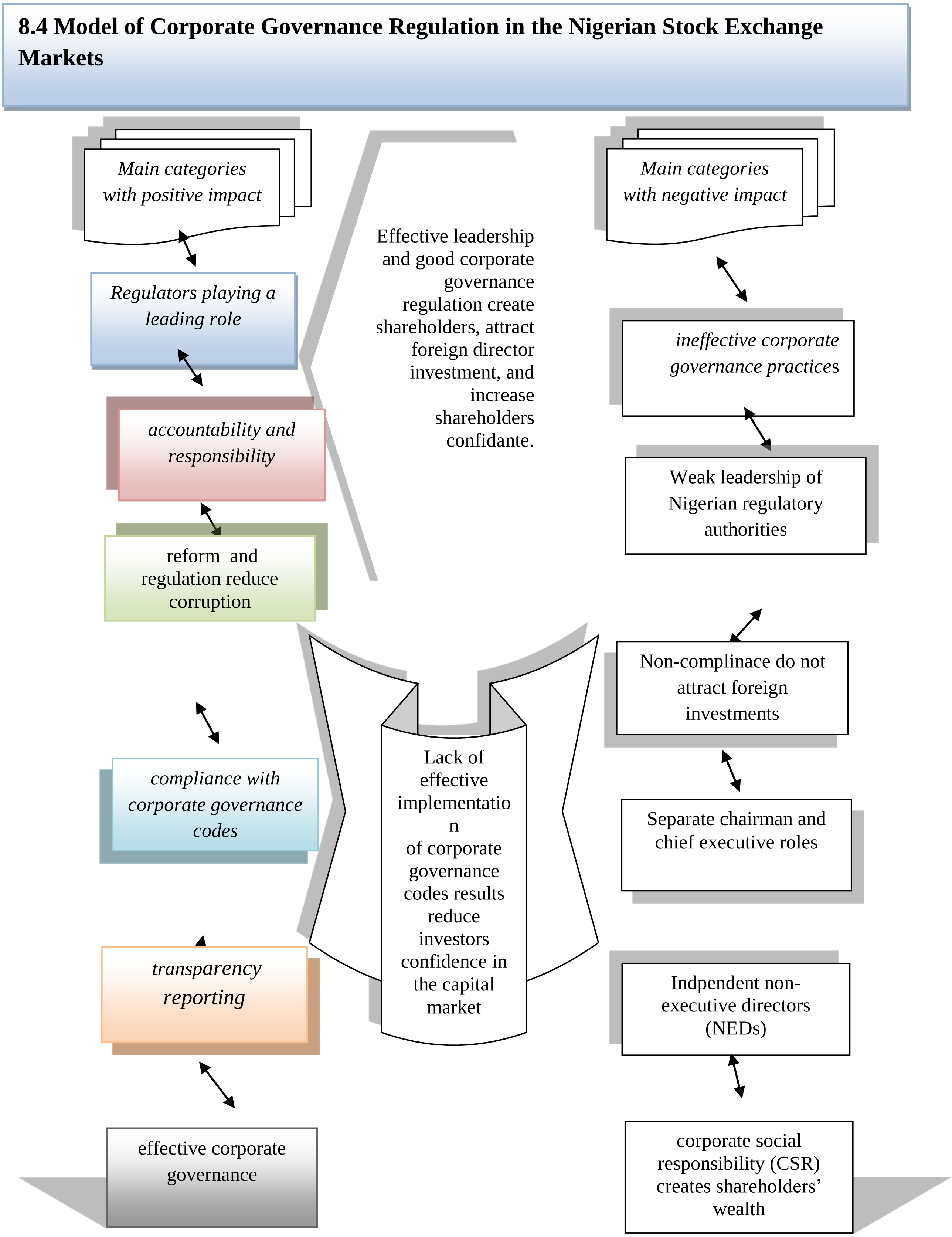


Figure 8.2 Model B

8.5 Model (B): ***Models of Corporate Governance in the Nigerian Stock Exchange NSE***

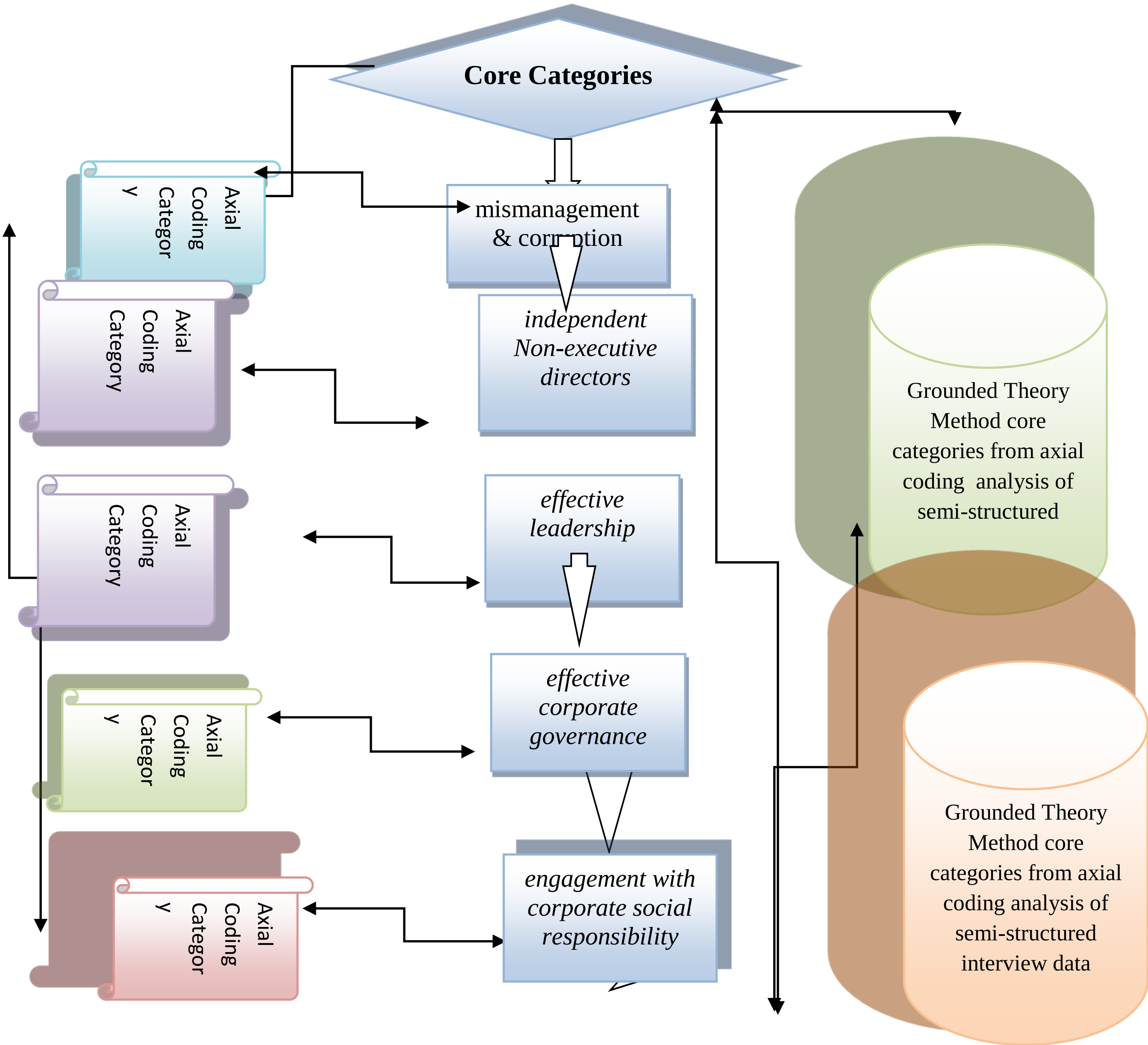
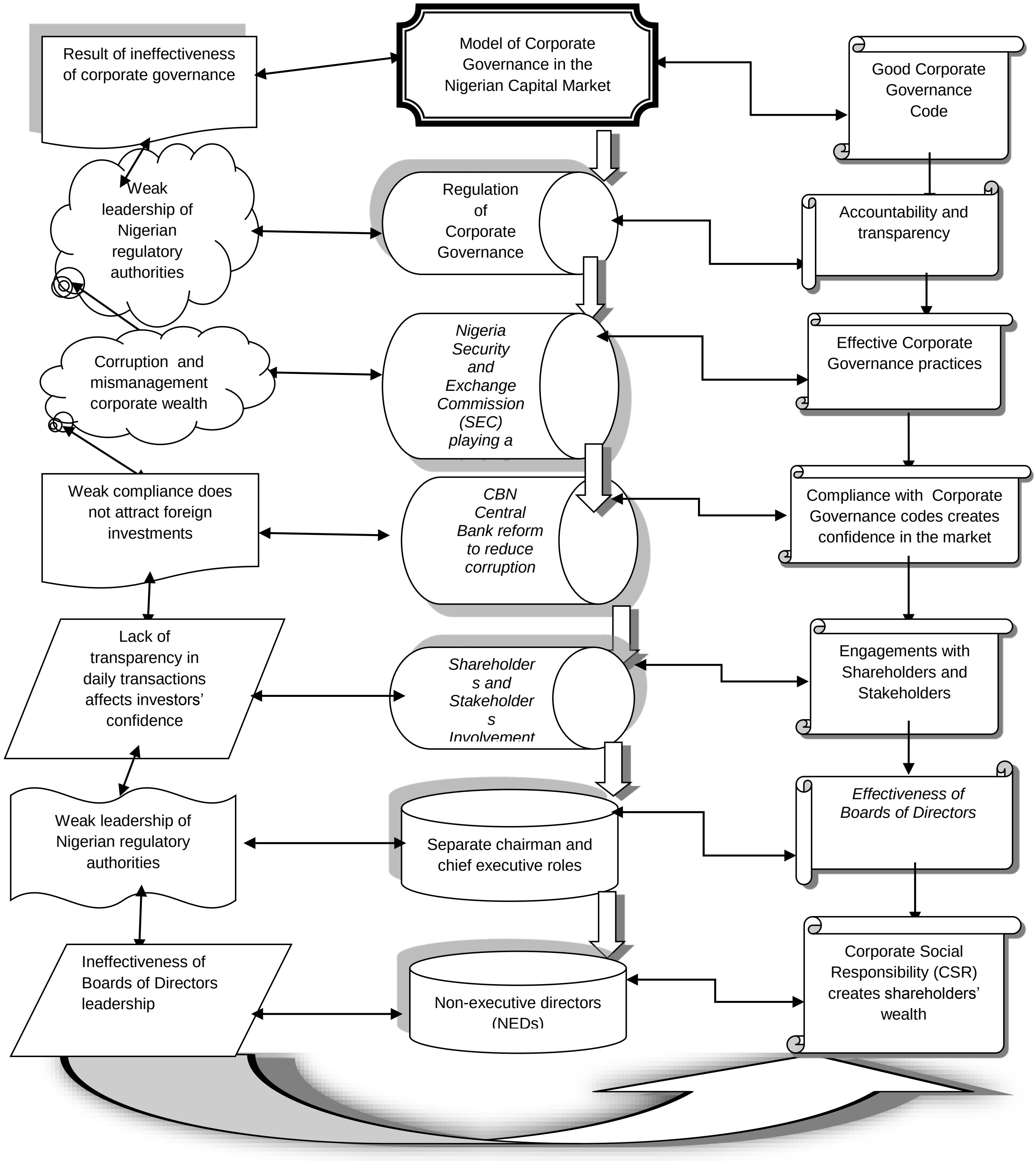


Figure 8.3: **Model (C)**

8.6 Model of a substantive theory for corporate governance system



8.7 Substantive theory for corporate governance system

The effectiveness of corporate governance regulation from the Model of Corporate Governance system results to good Corporate Governance Code for the Nigerian Stock Exchange Market. Good Corporate Governance Code / Model of Corporate Governance in the Nigerian Capital Market / Result of Ineffectiveness of corporate governance. The statement of substantive theory developed from the thesis shows that:

- ❖ Accountability and transparency / regulation of corporate governance system / weak leadership of Nigerian regulatory authorities
- ❖ Effective corporate governance practices / NSEC Nigeria Security and Exchange Commission playing a leading role / Corruption and mismanagement of corporate wealth
- ❖ Compliance with corporate governance codes creates confidence / Central Bank (CBN) reform to reduce corruption / Weak compliance does not attract foreign investments.
- ❖ Engagement with Shareholders and Stakeholders / Shareholders and Stakeholders involvement / Lack of transparency in daily transactions affects investor's confidence
- ❖ Effectiveness of Boards of Directors / Separate chairman and chief executive roles / Weak leadership of Nigerian regulatory authorities
- ❖ Corporate Social Responsibility (CSR) creates shareholders' wealth / Non-executive directors (NEDs) / Ineffectiveness of Board of Directors leadership

8.8 Conclusions of the thesis

The thesis focused on the effectiveness of corporate governance regulation in developing countries – an empirical study of the Nigerian Stock Exchange market. This research study provided the general overview of the global concepts on corporate governance issues in Chapter 1. In addition, attempted to unravel why there is still a high number of high profile corporate collapses that had occurred even when the companies presented annual report and accounts excellently prepared. The research highlighted the fact that, even though, most businesses make good annual report and accounts if they have a weak system of corporate governance it may lead to the collapse of such organisation.

Many countries around the world have made efforts to forestall the collapse of corporations operating within their economy. They constitute various bodies and committees to fashion out the best corporate governance principles to adopt that relates to their socio-economic decisions. In Nigeria, the "Securities and Exchange Commission (SEC) in collaboration with the Corporate Affairs Commission were mandated to identify weaknesses in the current corporate governance practices" (2003). Code of Corporate Governance in Nigeria – Securities…. (http://www.ecgi.org/codes/documents/cg_code_nigeria_oct2003_en.pdf_br).

8.9 Main research objectives

The primary aim of this research study, as stated in Chapter 1 is to evaluate the effectiveness of corporate governance regulation in developing countries using Nigerian Stock Exchange Market as a case study. The following individual research objectives use for the research:

- To assess corporate governance regulation in developing countries and Stock Exchange Markets
- To evaluate the impact of corporate governance regulation and policies in the Nigerian Capital Market.
- To examine the effectiveness of corporate governance policies provided by management to shareholders and stakeholders of the Stock Exchange markets under study.
- To analyse the efficiency of the Regulatory Bodies in Nigeria, the Security Exchange Commissions (SEC) and the (Central Banks of Nigeria) CBN

8.10 The statements of substantive theory on corporate governance

Accountability and transparency in corporate governance in Nigeria and other developing countries: The shockwaves generated by the unexpected collapse of such corporate giants as Enron, Parmalat and Royal Ahold and others across the globe. The bank failures experienced in Nigeria in the mid - 1990s have made many accountants and auditors to appraise their professional responsibilities critically. It will enable them remain relevant in view of the current emphasis on internationally acceptable best practices on corporate governance. "The Nigerian Accounting professions such as the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) are committed to their the professional ethical codes." They are the base of trust, transparency, accountability and honesty in the management of the nation's resources". On the irksome relationship between ICAN and ANAN - Weekly Trust. (2008) (http://www.dailytrust.com.ng/weekly/index.php/comments/8734-on-the-irksome-relationship-between-ican-and-anan_br).

They enlighten the public that corporate failures are not synonymous with audit failures. Indeed, the global business environment is in a state of flux with corporate governance occupying the center stage of their spectacular economic transformation. If the spate of corporate failures continues unchecked, the result will be the destruction of global capitalism when leading shareholders withdraw their financial support for the corporate community. This new system of thought has prompted such arch communist states like China and Russia to see the need to embrace a market-oriented system with shareholder accountability and greater corporate transparency. Even a country like Saudi Arabia where the norm used to be that most existing corporations dominated by government or family block holdings.

It affects constraining influence on the extent to which corporate governance initiatives could implement effectively in such countries. Nowadays, the influence of corporate governance has brought about regulation and development of African Stock Exchange Markets. The corporate governance regulation deal with the protection of shareholders from unfair dealings. The enthronement of fairness, efficiency and transparency in security transactions and regulating and monitoring disclosures by companies.

Corporate governance has indeed come to stay and in Nigeria, the issue of corporate governance has so far centred precisely on the banking industry (2012). In order to align the standards of corporate governance practices with international best practices, the CBN introduced a new code of corporate governance for Nigerian Banks in April 2006. This code was a vast improvement on the former system of corporate governance. The fundamental difference of the new system when compared with the previous code is that compliance with its provisions is now mandatory. However, the story about corporate governance in Nigeria is not limited to the banking industry alone. *Evaluating the Effects of Corporate Governance on the ...* (http://aripd.org/journals/rcbr/Vol_1_No_1_December_2012/4.pdf_br).

Other sectors of the national economy are fast embracing the concept of corporate governance. The impetus to imbibe international best practices in their conduct has become more a matter of survival than anything else. The foreign providers of capital apart from demanding positions on the board have continued to insist that Nigerian organisations must be more transparent as required by global standards. The result is a complete overhaul of the reporting and accounting procedures as Nigerian corporations strive to measure with their foreign counterparts. Having regard to issues raised in Chapter 1 to Chapter 5 of this thesis, the following are findings as statement of a substantive theory of corporate governance regulation:

The preparation of the year annual report and accounts by any organisation does not necessarily prevent its collapse if such organisation did not comply with corporate governance codes. Every board and management of such organisation must ensure strict adherence to approved accounting principles. The companies will have to subject their operations to strict internal control mechanisms. The world jolted by the collapse of such corporate giants like Enron, Parmalat, Royal Ahold and others. The issue should not leave there. Every organisation, which intends to be a going concern must endeavor to acquaint itself with the facts resulting in such failures in order to install preventive measures.

Some of the collapse corporate entities engaged the services of top professional accountants and auditors, but this did not stop them from collapse. The OECD principles and the Cadbury Code Report of 1992 are use as benchmarks in the development of corporate governance codes by countries and organisations around the world. However, this should not be the rule to be rigidly followed. Every country should tailor her corporate governance system bearing in mind their peculiar socio-economic and political constitution. Their corporate governance systems should have global appeal in order to attract foreign investors.

In drawing up their corporate governance code, the concerned country or organisation should endeavour to spell out clearly the role of the members of the board of directors. In addition, the role of other stakeholders and the rights and limitations of shareholders. The board should also ensure that their accountants and auditors strict adherence to existing international accounting standards and rules. It was a sad era when Nigeria was under a military regime in this 21st century. The experience then was that most rules and regulations, corporate or otherwise decreed into existence. During the military regime there were no rules and regulations guiding the NSE.

However, research has revealed that an ideal corporate governance code requires full compliance by the officers involved. Alternatively, else they were bound to explain why they did not obey the dictates of the system. This practice if adopted, will go a long way in boosting the confidence investors have in a particular organisation, and the organisation's credibility rating would be high. Independence of Non-Executive Directors of the Board: This thesis has as one of its findings the fact that participants agree that the Nigerian Stock Exchange (NSE) has carried out their regulatory functions.

While this is so, the management of the NSE must ensure that it has made arrangements for continuous training of its supervisors. It will enable them informed about modern trends and new technologies to aid the discharge of their duties efficiently. 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 so that their views will carry weight in the board's decisions. In order to bring an independent view to bear on the board, the non-executive directors have to be truly independent. Richard Bowker named as an independent non-executive director ... (2012). (http://www.sportspromedia.com/movers_and_shakers/richard_bowker_named_as_an_independent_non-executive_director_of_the_footba_br

The basic standards of independence require that for non-executive directors (NEDs) to be deemed independent, they should not connect with the immediate family of the members of management. NEDs should not have financial dealings with the company and their management as significant distributors, suppliers, customers or advisers. They should also not connect to any tax-exempt entity that is receiving significant amounts of money from the company. It is up to the board to apply these broad criteria to particular 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 (1990) 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. It is for this reason that directors, whether or not they have operational responsibilities, have a monitoring role and are responsible for ensuring that the necessary controls over the activities of their organisations is adequate. Boards should include a sufficient number of independent non-executive members with appropriate competencies. Responsibilities should include monitoring and contributing effectively to the strategy and performance of management, staffing key committees of the board, and influencing the conduct of the board as a whole.

Accordingly, independent non-executives should comprise no fewer than three members and as much as a substantial majority. Audit, remuneration and nomination board committees should be composed wholly or predominantly of independent non-executives. The board should not be dominated by any one individual or group of people. 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 provide to the directors. (http://www.ecgi.org/codes/documents/cadbury.pdf_br.

The cardinal principle of financial reporting is that the view presented be right and fair and should not perform with the intention of misleading the users. Boards should aim for the highest level of disclosure consonant with avoiding damage to their competitive position. They should also seek to ensure the integrity and consistency of their statements, and they should meet the spirit as well as the letter of reporting standards. *"The Role of corporate governance in coping with Financial,".* http://www.caclubindia.com/articles/the-role-of-corporate-governance-in-coping-with-financial-crisis-corporate-scandals-and-failures-18844.asp_br

Listed companies are currently required to publish their full financial statement annually and half-yearly reports in the interim. In between these major announcements, boards may need to keep shareholders and the market in touch with their company's progress. The guiding principle once again is openness, and boards should aim for any intervening statements to be widely circulated to ensure that there is no information asymmetry. *Significance of Financial Reporting: Business Finance* ... (2009). (http://www.123helpme.com/significance-of-financial-reporting-view.asp?id=167289_br)

The findings of this thesis support other studies and in the context of the literature that sound corporate governance practices by listed companies on NSE can encourage investors both local and international. The mass of secondary data presented in chapter five supports this assertion. The company or the board should not discourage shareholder activism whether by institutional shareholders or organised shareholder groups. Shareholders with larger holdings (institutional and non-institutional) should act and influence the standard of corporate governance positively. *Code of Corporate Governance in Nigeria - Securities ... (SEC 2009)* (http://www.sec.gov.ng/files/20090408535917Corperate%20Goverance%20itd.pdf_br). The next finding from this research, which 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 enterprises that adopt and implement corporate governance codes are likely to attract credible investors into its fold. An active management will improve the performance of businesses. Code of Corporate Governance for Banks, in addition, discount houses in Nigeria. Thus, the effectiveness with

which the boards of such companies discharge their corporate, and statutory responsibilities will substantially affect the overall 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 the framework of accountability and transparency.
(http://www.cenbank.org/Out/2014/FPRD/Circular%20on%20Code%20of%20Circular%20on%20Corporate%20Governance%20and%20Whistle%20Blowing-May%202014%20(3).pdf_br)

8.11 Recommendations from the research findings

Conducting this research has no doubt raised many issues. However, the most important of them 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. Even when these materials found, they are usually of foreign authorship with little or scanty reference to the Nigerian economy. It should not be the situation if the knowledge of and awareness of the code and its precepts were appreciated and understood by operators and officials alike in the nation's capital market. This research recommends, for this reason that the government and corporate groups should ensure the availability of enough reading materials on the subject of corporate governance. Corporate organisations should organise seminars or workshops on corporate governance often, and they should ensure the availability and accessibility of the papers presented at such seminars in order to aid researchers.

- Corporate governance principle globally acclaimed as the panacea to corporate failure.. However, in addition to a code of best practices for corporate governance; enforcement and compliance with company legislation by the regulatory authorities and all infringements must be sanction.

- The adoption of corporate governance though well intentioned will still not be successful if there is a prevalent incidence of corruption in our national 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 Commission (ICPC). They and the Nigerian Police must be well funded, equipped and trained to be able to wage the war against crime and uproot corruptions. (http://saharareporters.com/2011/07/12/between-efccicpc-and-adoke%E2%80%99s-irresponsible-utterances_br)

- This research recommends a concerted effort by the government, apex regulatory authorities in the nation's capital market and other concerned stakeholders always to ensure that corporate governance legislation does not become obsolete or ineffective. They can achieve this by being in regular contact with their counterparts abroad through attending or sponsoring their members to international seminars and workshops in order to keep abreast of current ideas and resolutions on the topic.

- The government and those who design education curriculum must put heads together to find a way to include the teaching of the tenets of corporate governance in secondary and tertiary levels of education. This way it would be a natural reflex for future leaders of industry to imbibe and implement the principles of the code of corporate governance.

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

Four elements identified from the findings of the thesis regarding the Nigerian Stock Exchange:

i. They have powers to make laws affecting companies,
ii. They can supervise the activities and books of existing organisations,
iii. They can apply appropriate sanctions if there is any observed infringement of existing rules and regulations.
iv. The principles of corporate governance thrived best when they applied across the board without regard to the person or status.

For a country to have adequate corporate governance system, the government and regulatory authorities should create an enabling policy and macroeconomic environment to minimise or eliminate distortions and competitive inequities. The regulatory bodies should rigorously implement the requirement of 'fit and proper' in the approval of new directors especially in the financial service sector. There is also a need to install a credible system of rewards and sanctions including the diligent implementation of corporate governance code

8.12 Areas for further research

Research studies on corporate governance have increased since the Cadbury report of 1992 on the financial aspect of corporate governance in developed countries such as UK and US. In addition, in academic research studies at the doctoral level, there has been increasing in corporate governance research following the Enron Corporation and WorldCom collapse in 2001. Since the Banking and Financial crisis of 2008/2009 research on corporate governance regulation have been on the increase as well. However, in developing countries particularly in Africa, little research has been conducted on corporate governance regulation focusing on Stock Exchange. The benefit of this study is that it provide a starting point for more studies in this area. The characteristic study of rotation and elevation technique (http://umpir.ump.edu.my/1955/_br).

Other areas for further research should include:

- Studies on comparative analysis by comparing corporate governance regulation in more African countries.
- Mixed method research approach using both qualitative and quantitative research approach.
- Grounded theory research to develop a substantive theory with data collected from both developing and developed countries.
- Research studies on the effectiveness of corporate governance regulation and the impact on corporate performance.
- Research on how effective implementation of corporate governance codes affects investor's confidence in the Nigerian economy, and that would be suitable areas for future studies.
- Leadership, governance and its effectiveness in reducing corruption in developing countries such as Nigeria can further contribute to research on corporate governance. There may be other areas for further studies, but the above areas are relevant to this research that could deal with the problems and issues identified in this research study.

8.14 Weakness and limitations of the research

Like any other research study, there are weaknesses and constraints from this study. As stated in chapter one of this thesis, the focus of this research is on the effectiveness of corporate governance regulation in developing countries using the Nigerian Stock Exchange market and banking sector as a case study. The main weakness of this research is in relation to data collected for the study. While the survey questionnaire data collected from 500 stakeholders in the Nigerian stock exchange market, and banking are useful. It is not the case with the semi-structured interview in which only seven key stakeholders were interview out of the expected 20 people who showed an interest in the meeting.

The view of five participants is too small to represent the opinions of the majority stakeholder groups within the stock exchange market which is the subject of this study. The use of only the Nigerian capital market as a case study cannot be said to represent corporate governance regulation in developing countries in Africa. For this reason, the findings and conclusions drawn from this study are only applicable to Nigerian economy and cannot reflect corporate governance regulation in other African countries such as South Africa or Ghana. Grounded theory qualitative research cannot be generalised which is a major limitation of research like this. Another limitation of qualitative research is that sometimes, the researcher's personal view or paradigm may affect the outcome of the study.

The findings from qualitative studies cannot undergo testing as quantitative research studies, which can be tested and generalise. Lack of previous studies in the Nigerian corporate governance regulation since the near-collapse of the Nigerian Stock Exchange Market and the near-collapse of nine major Banks in Nigeria is also a limitation of this research study. However, the researcher believes that this research study provide us with further understanding of the problems and issues relating to the Nigerian Stock Exchange market. As the second biggest Exchange in Africa after South African Stock Exchange market, the Nigerian Exchange plays a critical role in the development of Africa's markets. The outcomes of this studies take into account the weaknesses and limitations is the research.

The results contribute to knowledge in the areas of corporate governance regulation in Africa. In addition, the use of the results discussed in chapters 5 and 6 and the conclusions and recommendations drawn in this section will help improve research on corporate governance regulation in Nigerian and other African countries. Other researchers who want to conduct research in this area will find the outcome of this studies useful and a starting point for their education. (http://education-af.blogspot.com/2011/09/traditional-approaches.html_br).

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Appendices:

Appendix (1)

Table (4.1)**: Assumptions made by researchers**

Ontology	*Whether the object of investigation is the product of consciousness (nominalism) or whether it exists independently (realism).*
Epistemology	*What our grounds of knowledge are.*
Human Nature	*Whether humans interact creatively with the environment (voluntarism) or whether they are passive objects (determinism).*
Methodology	*Nomothetic or ideographic approaches to evidence collection*

Appendix (2)

Features of Positivist and Phenomenological Paradigms

Table (4. 2):

	Positivist Paradigm	Phenomenological Paradigm
Basic beliefs:	World is external and objective. Observer is independent Science is value-free.	World is socially constructed and subjective. Observer is part of what is observed. Science is driven by human interest.
Researchers should:	Focus on facts Look for causality and fundamental laws Reduce phenomena to simplest elements Formulate and test hypotheses.	Focus on meanings Try and understand what is happening Look at totality of each situation. Develop ideas through induction from evidence.
Preferred methods:	Operationalise concepts so they can be measured Take large samples Use multiple methods to establish different views of phenomena.	Small samples investigated in depth or over time.

Appendix (3)

Table (4.3): ***What Do We Believe Exists? – Ontology*** *(see Appendix 3)*

Positivism	**Realism**	**Interpretivism**
(1) The social world is similar to the natural world in terms of the way in which it can be studied	*1. The social and natural worlds are different, but it is possible that the basic principles involved in the study of each are similar.*	*1. The social world is very different to be natural world*
2. The self-consciousnes of human beings is not a significant factor in our ability to understand social behaviour.	*2. Human consciousness is only a significant factor when people act collectively (not individually) to change the social world.*	*2. Human consciousness is highly significant.* *People act consciously in order to create and recreate their social existence.*
3. It is possible to establish clear cause and affect relationships when studying social behaviour	*3. Causal relationships can be established in relation to human behaviour, but such causality tends to be limited in time and space.*	*3. It is not possible to make cause and effect statements about the social world that are "true for all time". Limited - and very specific - causal statements can be made.*
4. The social world has an objective existence over and above human (subjective) consciousness. In this sense, reliable valid knowledge is discovered in the same way that natural scientists are able to discover knowledge about the physical world. The task of the researcher is to uncover this knowledge.	*4. The social world has an objective existence over and above individual consciousness (we experience it as something real). However, through collective social action it is possible to produce structural change.*	*4. The social world is experienced subjectively and has no objective existence that is independent of people's everyday behaviour. Knowledge about the social world is created, not simply discovered.*
5. Human behaviour is determined by the nature of institutional relationship in society. Individual behaviour is determined by the needs of institutions - the problem they must solve in order to exist.	*5. Individual behaviour is determined by the nature of structural relationships in society. Only collective social action can alter the structure of these relationships.*	*5. Human behaviour is the product of the way in which people interpret the social world. It is not determined by social structures.*

Appendix (4):

Table 4.4: Survey Questionnaire of NSE

PhD CORPORATE GOVERNANCE
Survey questionnaire of Nigerian Stock Exchange members and staff on corporate governance practices and regulation in Nigeria. *(St Clements University)*

Please tick one answer only: Strongly-Agree Agree Disagree Strongly-Disagree No-View
1 2 3 4 5

Status in your organization: A: Top Level [ ] B: Middle Level [ ] C: Supervisory [ ],
D: Junior staff [ ] or E: Investor [ ]

Length of Service: A: [5 -9 years], B: [10 -14 years] C: [15 -19 years] D: [Over 20 years]

Does having independent directors on the board of directors of your organisation improve board effectiveness and good corporate governance regulation.
Ans. 1 2 3 4 5

The NSE Nigerian Security and Exchange (NSE) plays an important role in the regulation of the Stock Market. Ans. 1 2 3 4 5

For effective check and balance the function of the chairman and chief executive should not be performed by the same individual in your organisation.
Ans. 1 2 3 4 5

The Nigerian Stock Exchange has discharged its regulatory function.
Ans. 1 3 4 5

Corporate governance aided companies listed on the NSE attract more foreign partnership than before. Ans. 1 2 3 4 5

Corporate governance has boosted investor' confidence in companies listed on the NSE.
Ans. 1 3 4 5

There should be transparency in the way daily transactions are carried out in the stock market.
Ans. 1 2 3 4 5

With the current problem in the banking sector on effective corporate governance practice the stock exchange should put its house in order by adopting good corporate governance practices.
Ans. 1 2 3 4 5

The recent financial meltdown indicates that strong and effective corporate governance is required in the Nigerian economy if companies are to meet their shareholders' needs.
Ans. 1 2 3 4 5

Companies that incorporate the needs of their wider stakeholder groups can attract create wealth for their shareholders in the long-term. Ans. 1 2 3 4 5

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public. If you would please like to take part in the interview on this issue that will enable me gather more information for this study, kindly leave your contact below:

Name:---

Tel:--Email:---

Thank You

Uchenna Ogbu
PhD Researcher
St Clements University
email: cogbuphd@aol.com

Appendix (5)

Table (5.2):

Survey Questionnaire Statements using Likert –Scale Methods (see Appendix 5)

Statements	Strongly-Agree	Agree	Strongly-Disagree	Disagree	No View	Total
1	86	116	90	108	100	500
2	142	142	76	70	70	500
3	89	105	94	125	87	500
4	117	151	69	82	81	500
5	181	114	73	69	63	500
6	125	157	73	74	71	500
7	99	158	75	95	73	500
8	137	155	63	67	78	500
9	155	135	68	70	72	500
10	124	150	67	69	90	500
11	167	128	68	64	73	500
12	138	148	65	65	84	500

No. of respondents who completed each survey statement

Appendix (6)

Table (5.3): **Percentages of Survey Questionnaire Statements**

Statements	Strongly-Agree	Agree	Strongly-Disagree	Disagree	No View	Total
	%	%	%	%	%	
1	86 = 17.2%	116 = 23.2%	90 = 18%	108 = 21.6%	100 = 20%	500
2	142 = 28.4%	142 =28.4%	76 = 15.2%	70 = 14%	70 = 14%	500
3	89 = 17.8%	105 = 21%	94 = 18.8%	125 = 25%	87 = 17.4%	500
4	117 = 23.4%	151 = 30.2%	69 = 13.8%	82 = 16.4%	81 = 16.2%	500
5	181 = 36.2%	114 = 22.8%	73 = 14.6%	69 = 13.8%	63 = 12.6%	500
6	125 = 25%	157 = 31.4%	73 = 14.6%	74 = 14.8%	71 = 14.2%	500
7	99 = 19.8%	158 = 31.6%	75 = 15%	95 = 19%	73 = 14.6%	500
8	137 = 27.4%	155 = 31%	63 = 12.6%	67 = 13.4%	78 = 15.6%	500
9	155 = 31%	135 = 27%	68 = 13.6%	70 = 14%	72 = 14.4%	500
10	124 = 24.8%	150 = 30%	67 = 13.4%	69 = 13.8%	90 = 18%	500
11	167 = 33.4%	128 = 25.6%	68 = 13.6%	64 = 12.8%	73 = 14.6%	500
12	138 = 27.6%	148 = 29.6%	65 = 13%	65 = 13%	84 = 16.8%	500

The results of the respondents' views are represented by percentages (percentage)

Appendix (7)

Table (5:4):

Survey Questions of Nigerian Stock Exchange members and staff on corporate governance practices and regulation in Nigeria

I am doing a PhD Corporate Governance at St Clements University. I am conducting a study on the impact of corporate governance on regulation and practices in the Nigerian Stock Exchange. This questionnaire is required to generate original data for analysis on the subject matter of study. Kindly complete the questionnaire and return to me. Please be assured that the information derived from this questionnaire will be treated with utmost confidence and names will not be shown in the summary of findings.
The summary of findings from this research will be made available to everyone who completes this survey questionnaire.

Personal Information: (Your answers will be treated in confidence and personal information will not be included in the study).

(Please tick one answer only Yes or No) **A** YES NO

1. Does the board of directors of your organisation have non-executive directors (NED)?

   YES NO

2. Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?

   YES NO

3. Does one individual in your organization perform the functions of the chairman and chief executive?

   YES NO

4. Does compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?

   YES NO

5. Does lack of accountability and transparency through good corporate governance and financial reporting increase corruption in the Nigerian economy?

   YES NO

6. Do you think that the ongoing Central Bank reform of the banking secto[illegible]duce corr[illegible]n this sector?

   YES NO

7. Do you think the changes in the leadership of Nigerian regulatory authorities: Securities and Exchange Commission (SEC), Central Bank, Stock Exchange will contribute in reducing corruption in the Nigerian economy?

   YES NO

8. Can compliance in corporate governance codes increase investors confidence in companies listed in the Nigerian Stock Exchange?

   YES NO

9. Does lack of transparency in the way daily transactions are carried out in the stock market affect investors' confidence in the stock market?

   YES NO

10. Do the current problems in the banking sector on effective corporate governance practice affect the stock market?

    YES NO

11. Does the recent financial meltdown indicate that strong and effective corporate governance is required in the Nigerian economy if companies are to increase their shareholders' wealth?

    YES NO

12. Companies that incorporate the needs of their wider stakeholder groups into their corporate social responsibility (CSR) can create wealth for their shareholders in the long-term.

    YES NO

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public. If you are prepared to take part in an interview on this issue that will enable me gather more information for this study, please tick this box. Put box here

Appendix (8)

Table (5.5):

Analysis of Results of Survey Questions Methods			
QUESTIONS	YES	NO	Total
1	40%	59%	500
2	56.8%	43.2%	500
3	38.8%	61.2%	500
4	53.6%	46.4%	500
5	59%	41%	500
6	66.4%	43.6%	500
7	51.4%	48.6%	500
8	58.4%	41.6%	500
9	58%	42%	500
10	54.8%	45.2%	500
11	59%	42%	500
12	57.2%	42.8%	500

Appendix (9)

Table (5: 6): **The terms of categories can be stated as follows:**

Yes: for Yes, we have, 57%, 59%, 66%, 58%, 58% 59% 57%

-
- NSEC playing a leading role
- *accountability and transparency*
- *Central Bank reform to reduce corruption*
- *compliance in corporate governance codes ceate confidence in the market*
- *lack of transparency daily transactions affercts investors' condifance*
- *effective corporate governance require*
- *corporate social responsibility (CSR) creates shareholders' wealth*

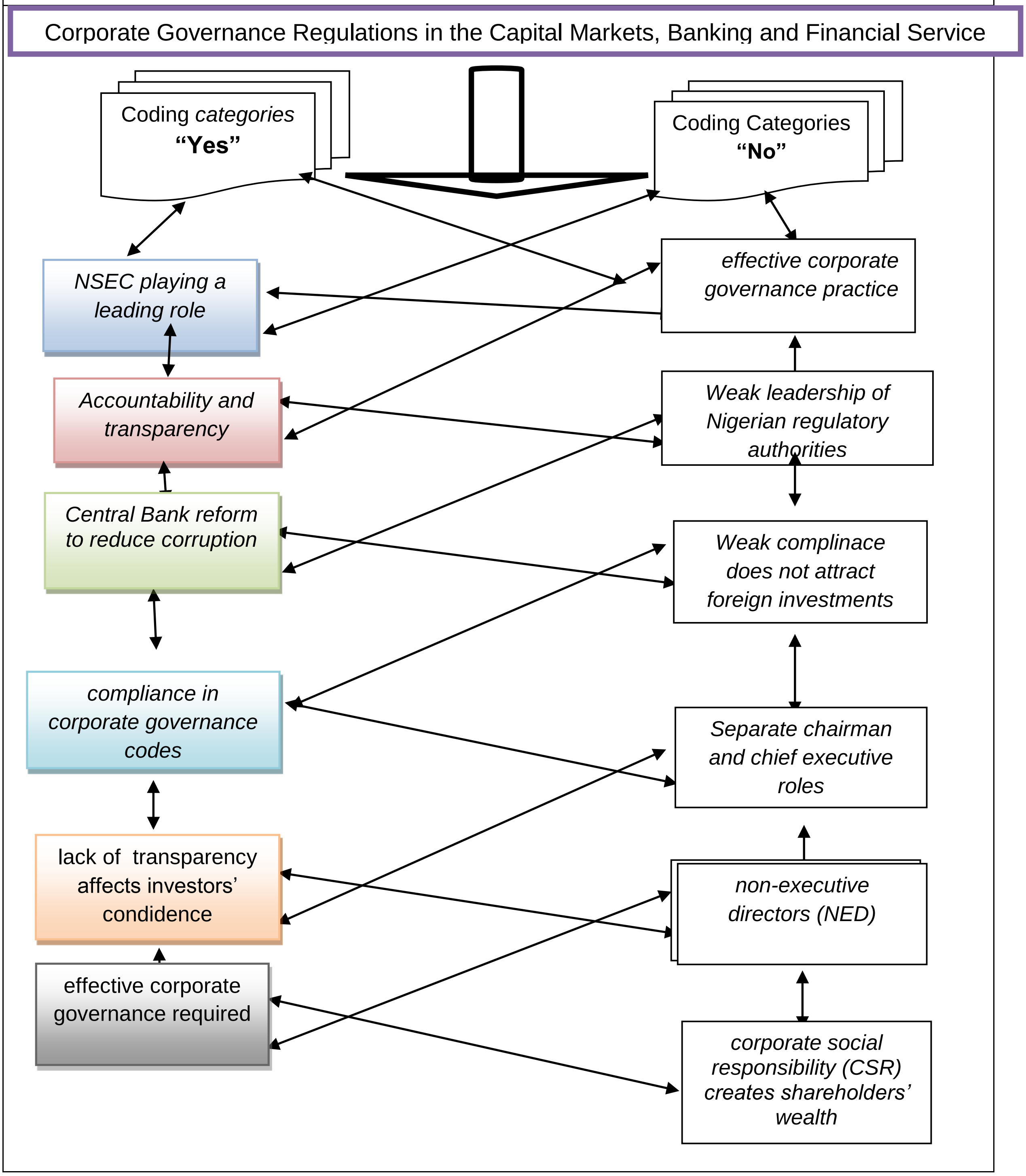
NO: For No, we have 59%, 61%, 46%, 48%, 45%

-
- *effective corporate governance practice*
- *Weak leadership of Nigerian regulatory authorities*
- *Weak complinace do not attract foreign investments*
- *Separate chairman and chief executive roles*
- *non-executive directors (NED)*

Appendix (10)

Table 5.14: Core Categories on Corporate Governance

Model (5: A):



Appendix (11)

Table (5.8):

Results of Data Obtained on Various Researches Questionnaire items

Statements	Total	No of Observations	Mean	% Agreed	Remarks
1. Does the board of directors of your organisation have non-executive directors (NED)?	1480	500	2.96	40.4	Disagreed
2. Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?	1716	500	3.43	56.8	Agreed
3. Are the functions of the chairman and chief executive performed by one individual in your organization?	1484	500	2.97	38.8	Disagreed
4. Does compliance with corporate governance regulation by companies listed in the Nigerian stock exchange attract foreign investments?	1641	500	3.28	53.6	Agreed
5. Does lack of accountability and transparency through good corporate governance and financial reporting increase corruption in Nigerian economy?	1781	500	3.56	59	Agreed
6. Do you think that the ongoing Nigerian Central Bank reform of the Banking sector will reduce corruption in this sector?	1691	500	3.38	56.4	Agreed
7 . Do you think the changes in the leadership of Nigerian regulatory authorities: Securities and Exchange Commission (SEC), Central Bank, Stock Exchange will contribute in reducing corruption in Nigerian economy?	1615	500	3.23	51.4	Agreed
8. Can compliance in corporate governance codes increase investors' confidence in companies listed in the Nigerian Stock Exchange?	1706	500	3.41	58.4	Agreed
9. Does lack of transparency in the way daily transactions are carried out in the stock market affect investor's confidence in the stock market?	1731	500	3.46	58	Agreed
10. Does the current problems in the banking sector on effective corporate governance practice affect the stock market?	1649	500	3.30	54	Agreed

11. Does the recent financial meltdown indicate that strong and effective corporate governance is required in the Nigerian economy if companies are to meet their shareholders' needs?	1752	500	3.50	59	Agreed
12. Can a good practice of corporate social responsibility (CSR) that takes the needs of a company's stakeholder groups into consideration create wealth for its shareholders in the long-term?	1691	500	3.38	57.2	Agreed
13. Do you agree that the corporate governance system within the Nigerian stock market is effective?	1771	500	3.42	58.0	Agreed

Appendix (12)

Table (5: 9): (see Appendix 12)

Responses of respondents to various questionnaire items

Statements	Strongly-Agree %	Agree %	Strongly-Disagree %	Disagree %	No View %	Total	% Agreed	Remarks
1	86 = 17.2%	116 = 23.2%	90 = 18%	108 = 21.6%	100 =20%	500	40.4	
2	142 = 28.4%	142 =28.4%	76 = 15.2%	70 = 14%	70 = 14%	500	56.8	
3	89 = 17.8%	105 = 21%	94 = 18.8%	125 = 25%	87 = 17.4%	500	38.8	
4	117 = 23.4%	151 = 30.2%	69 = 13.8%	82 = 16.4%	81 = 16.2%	500	53.6	
5	181 = 36.2%	114 = 22.8%	73 = 14.6%	69 = 13.8%	63 = 12.6%	500	59	
6	125 = 25%	157 = 31.4%	73 = 14.6%	74 = 14.8%	71 = 14.2%	500	56.4	
7	99 = 19.8%	158 = 31.6%	75 = 15%	95 = 19%	73 = 14.6%	500	51.4	
8	137 = 27.4%	155 = 31%	63 = 12.6%	67 = 13.4%	78 = 15.6%	500	58.4	
9	155 = 31%	135 = 27%	68 = 13.6%	70 = 14%	72 = 14.4%	500	58	
10	124 = 24.8%	150 = 30%	67 = 13.4%	69 = 13.8%	90 = 18%	500	54	
11	167 = 33.4%	128 = 25.6%	68 = 13.6%	64 = 12.8%	73 = 14.6%	500	59	
12	138 = 27.6%	148 = 29.6%	65 = 13%	65 = 13%	84 = 16.8%	500	57.2	
13	140 =28%	150 = 30%	65= 13%	65 = 13%	77= 15%	500	58	

Appendix (13)

Table (6:1): The Semi-structured Interview Questions
St Clements University ***PhD Corporate Governance Regulation in the Nigerian Stock Exchange Market*** ***SEMI-STRUCTURED INTERVIEW QUESTIONS***
Question (1):
Does the board of directors of your organisation have non-executive directors (NED)?
-- -- ---
Question (2):
Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?
-- -- -- -------------------
Question (3):
Do you think that the Nigerian Securities and Exchange Commission (SEC) plays a leading role in the regulation of the Stock Market?
-- -- -- -------------------
Question (4):
Do you think that the ongoing Central Bank reform of the banking sector will reduce corruption in this sector?
-- -- ---
Question (5)
How important is corporate social responsibility corporate social responsibility (CSR) in creating shareholders wealth in the long run?
Thank You
Uchenna Ogbu
PhD Corporate Governance Researcher
St Clements University
email: cogbuphd@aol.com

Appendix (14)

Table: (7.1)

MARKET CAPITALIZATION OF QUOTED COMPANIES

(Thousands of Naira)

CATEGORY	2002	2003	2004	2005	2006
AGRICULTURE	4,804,636	9,686,309	9,635,638	11,739,219	15,964,000
FINANCIAL	245,269,414	374,061,528	691,984,794	1,250,169,733	2,198,156,500
Banking	233,472,484	354.146.779	662,712.600	1,212,128,545	2,142,745,700
Managed funds	3,856.914	4,388.,248	4,181.842	3.641,102	3.018,100
Insurance	7,938,016	15,526,498	25,080,352	34,400.081	52,392,600
MANUFACTURING	317,372,825	618,775,120	782,787,141	853,692,367	1,186,991
Breweries	146,244,218	340,052,129	467,235,923	409,434,955	444,430,290
Building Materials	39,412,069	53,542,529	48,631,315	114,692,868	35,847,702
Chemical & Paints	1,929,218	2,99,190,820	4,463,018	14,786,122	7,979,700
Food, Brewery & Tobacco	110,463,308	1,999,190,558	239,295,130	294,572,836	336,926,500
Industrial & Domestic Products	5,092,615	5,311,818	5,500,071	6,377,718	6,561,500
Packaging	2,971,919	3,488,187	3,107,524	4,585,159	4,073,300
Health Care	671,919	10,159,484	11.611,259	16, 024,860	26,490,100
Textiles	4,270,788	4,039,596	2,942,902	3,217,849	2.179
COMMERCIALS	143,429,301	281,695,692	393,609,908	377,047.745	612,322
Automobiles & Tyres	2.212,275	2,435,794	3.204,885	5,294,090	10,956
Conglomerates	69,672,183	85,759,689	92,014,200	123,218,420	333.671
Commercial / Services	302,901	337,541	105,000	100,000	80
Computer & Office Equipments	408,191	351,631	656,686	459,860	999
Footwear	78,394	72,561	121,130	96,395	220
Machinery (Marketing)	54,643	45,517	49,729	39,901	38
Petroleum (Marketing)	70,700,714	192,692,961	297,458, 097	247,839,080	266,355
SERVICES	11,848,760	17,046,855	24,287,555	30,844,249	57,050
Construction	6,017,844	5,8994,370	5,024,846	10,161,296	16,602
Real Estate	4,000,000	6,660,000	8,900,000	9,625,000	15,180
Engineering Technology	523,950	320,243	428, 721	338,249	346
Airlines	538,000	3,200,000	2,602,000	2,034,000	5,679
Printing & Publication	768,966	972,240	884,508	974,640	2,020
Hotel & Tourism	0.0	0.0	6,440,408	6,125,039	5,819
Maritime	-	-		1,586,027	1,411
THE FOREIGN LISTING	24,874,821	23,632,495	23,632,495	376,568,759	156,649
Total	**747,599,756**	**1,324,897,999**	**1,925,937,531**	**2,900,062,072**	**5,120,943**

(Source: The Nigerian Stock Exchange, 2007)

Appendix (15)

Table (8.1):

The terms of the core categories from open coding analysis of survey data

Results have positive affect (Yes) (57%, 59%, 66%, 58%, 58% 59% 57%)	
Regulators playing a leading role	(57%)
Accountability and responsibility	(59%)
Reform and regulation reduce corruption	(66%)
Compliance with corporate governance codes ceate confidence	*(58%)*
Transparency	*(58%)*
Ethics and governance	*(59%)*
Results have negative impact (NO) (59%, 61%, 46%, 48%, 45%, 57%)	
(59%)	*ineffective corporate governance practices*
(61%)	*Weak leadership of regulatory authorities*
(46%)	*non-compliance do not attract foreign investments*
(48%)	*Separate of the role of chairman and chief executive officer*
(45%)	*lack of indpendent non-executive directors (NEDs)*
(50%)	*Engagement with corporate social responsibility (CSR)*

Appendix (16)

Table (8.2):

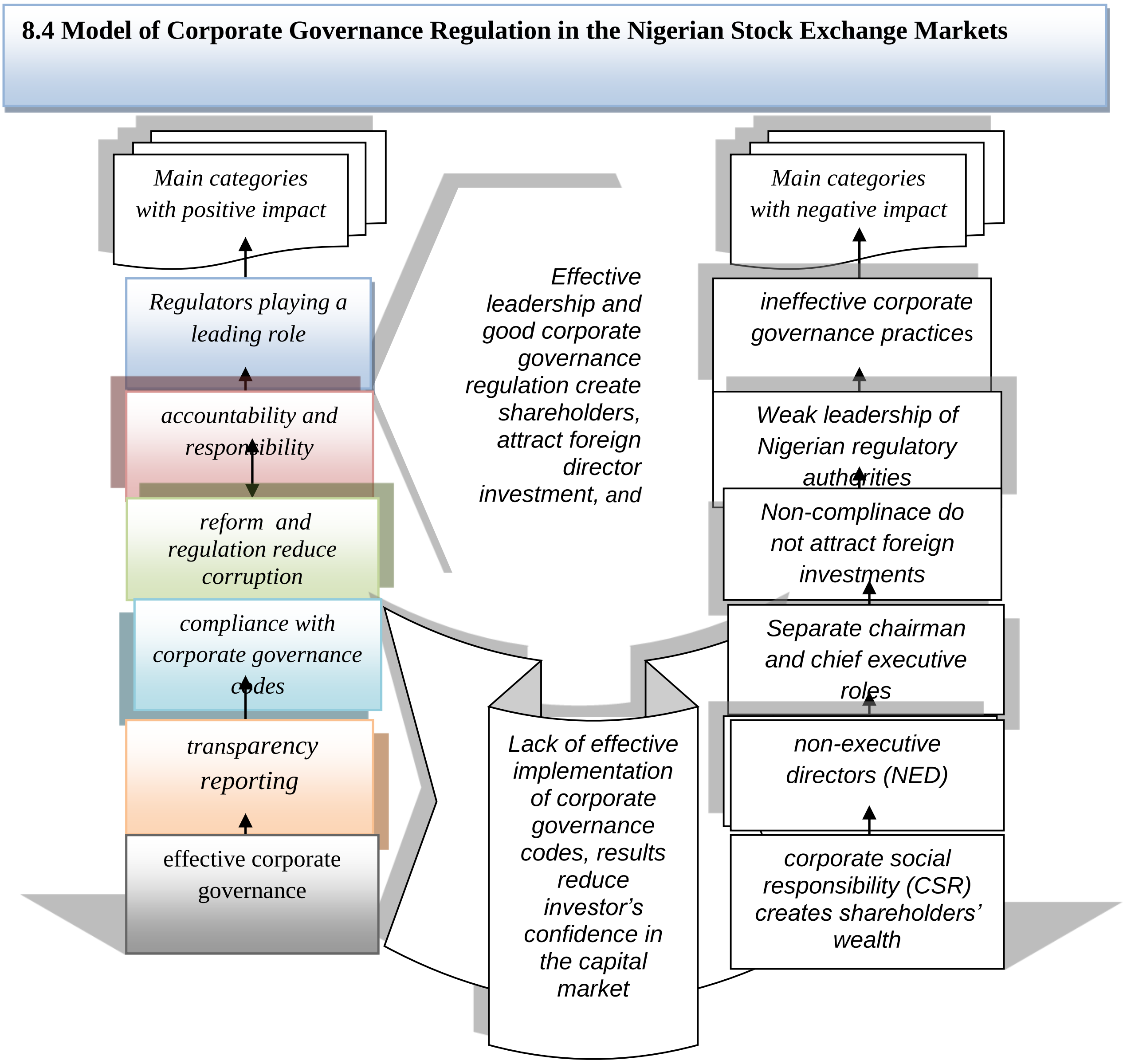
Core Categories resulted from Axial Coding Analysis of Semi-structured Interview presented in chapter five of the thesis.

a) ***Axial Coding Category:*** The core category from this analysis relate to the issues of mismanagement and corruption b) ***Axial Coding Category*:** The core categories from the analysis relate to the independence of Non-executive directors c) ***Axial Coding Category:*** The core categories from the answers given by the participants relate to the issues of effective leadership within the regulators d) ***Axial coding category:*** The core categories from the results of the analysis here relate to the issues of effective regulation and corporate governance reform within the banking and financial services sectors. e) ***Axial coding category:*** The core categories from the analysis here relate to the issues of engagement with corporate social responsibility

Appendix (17)

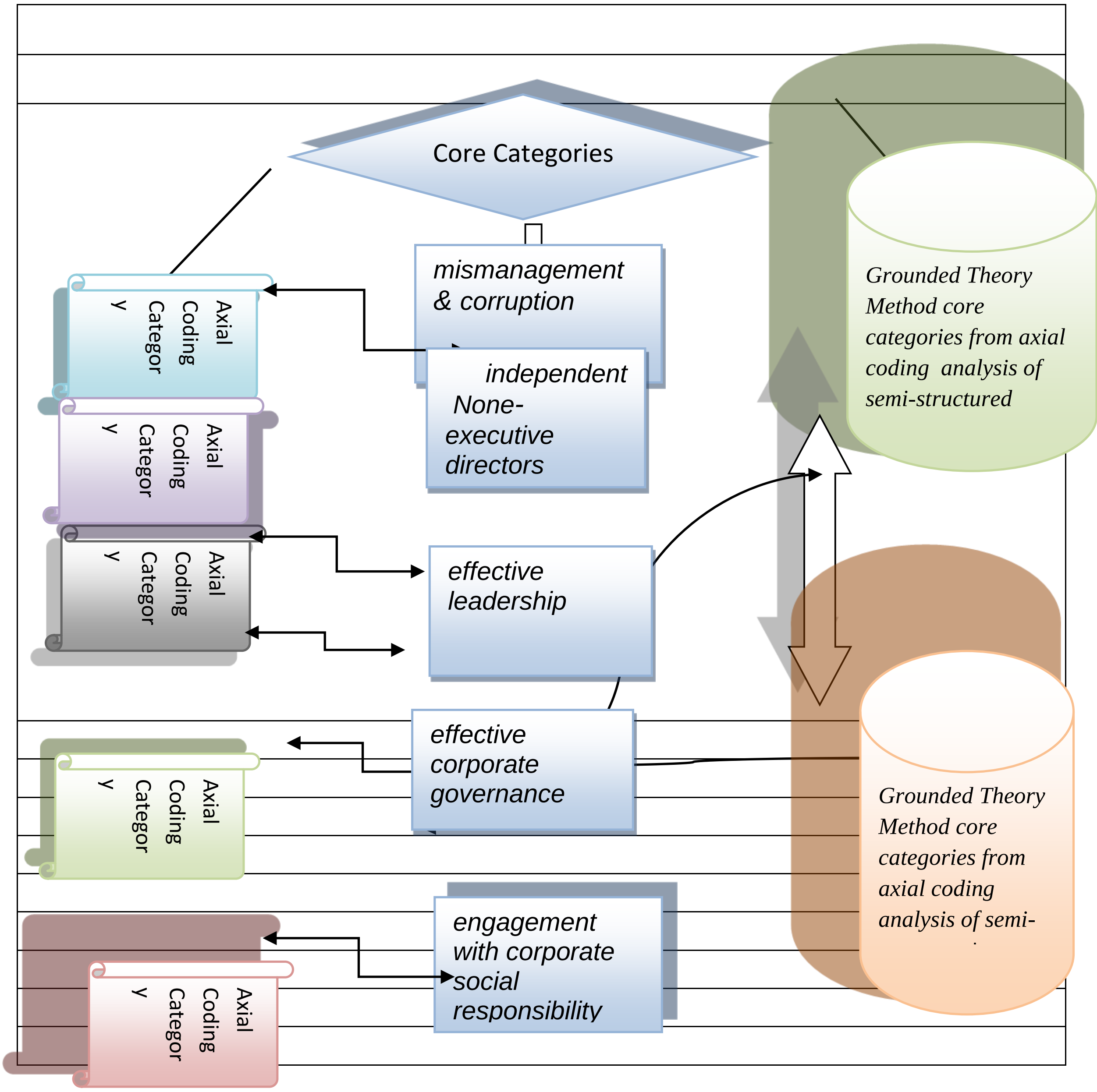
Table. (8.A): Model (8:A)

The main categories resulting from the open coding analysis of the survey questionnaire data is presented below as a model of theoretical coding for corporate governance regulation in the Nigerian Stock Exchange Market: (Model A).



Appendix (18)

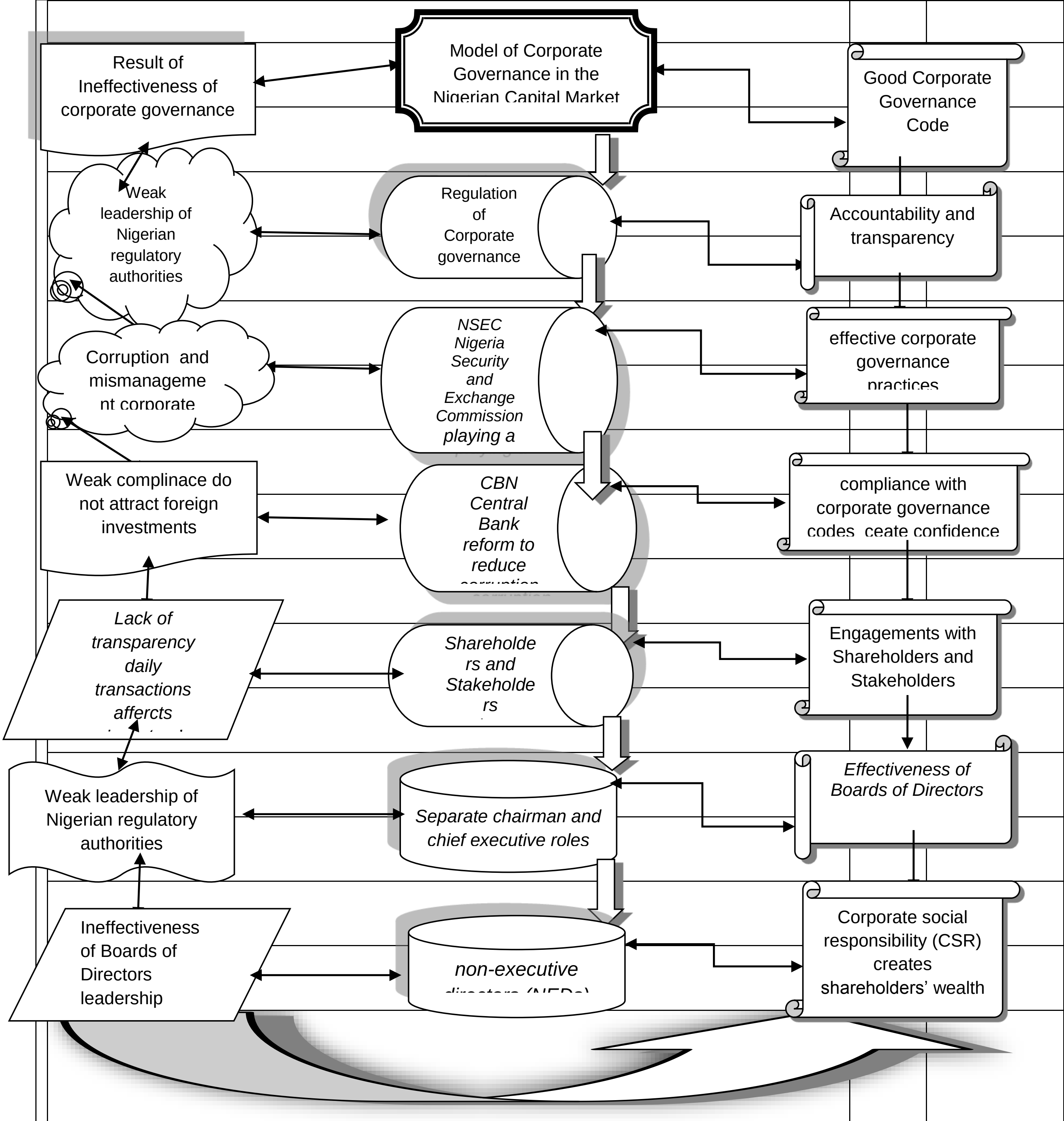
8.5 Model (8: B): ***Models of Corporate Governance System of the NSE***



Appendix (19)

Model (8:C)

8.6 Model of Substantive Theory for Corporate Governance System



Model (C)