

REINVIGORATING ETHICS IN CORPORATE GOVERNANCE IN THE NIGERIAN BANKING SECTOR

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Abstract

The major concern for both private and the public sectors of Nigerian economy is the issue of corporate governance. Evidence from the past decades show that, the banking sector was engulfed in mixed fortunes, resulting in occasions of companies' failures and a close loss of public confidence. This paper examined the importance of corporate governance and the degree to which weak corporate governance has affected the Nigerian banking sector. Equally, this paper evaluated how corporate governance impacts performance on the banking sector in Nigeria. The paper employs an analytical research methodology which made use of primary sources such as statutes and case law. Also, secondary sources were consulted, which include journals, articles, books, and materials sourced via the Internet. The study reveals that, several codes of best practice and the legal framework for effective corporate governance are in existence. However, the problem has been that of weak compliance and enforcement. Thus, in order for Nigeria to realize the benefits of excellent corporate governance in the banking industry, it is advised that the regulatory institutions' enforcement mechanisms be strengthened. The courts should reposition to restore public confidence in the judicial system for it to enforce the rights of stakeholders.

Keywords: *Banks, Codes, Corporate governance, Legal, Shareholders and Management*

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1.0 INTRODUCTION

As a result of the interaction between directors, management, shareholders, and stakeholders, the complexity of corporate governance has continued to grow. Following the collapse of the Nigerian banking sector in the early 2000s, corporate governance became a hot topic in public debate in Nigeria.¹ As a result, industry regulators developed corporate governance guidelines in order to avoid yet another episode of company failure.² Corporate governance boosts long-term prosperity of organizations by reducing risk management and improving governance frameworks and efficient succession planning for senior management, regardless of the type of company or its sources of money.³ The economic growth of any nation is connected to its banking sector. The role of corporate governance is of primary concern to depositors, shareholders, and the government due to the immense role of banks in a nation's economy.⁴ The economic growth of any nation is connected to its banking sector. This position was briefly summarized by Fatimoh Mohammed as follows:

The banking institution occupies a vital position in the stability of the nation's economy. It plays essential role in fund mobilization, credit allocation, payment and settlement system, and monetary policy implementation. Management is expected to exhibit good governance practices to ensure the achievement of its objective and avoid the consequences of failure resulting from weak governance practices.⁵

Therefore, shareholders, depositors, and governments are concerned with how banks are governed. The success or failure of a company is consequently dependent on the quintessential role that corporate governance plays.

The problem of poor corporate governance has been a global concern. Numerous strategies have been developed to address the challenges of corporate governance at both the international and municipal levels. This led to different approaches such as the Cadbury Report, Canada (Dey

¹ Anthony Garuba & Gene. Otomewo, "Corporate Governance in the Nigerian Banking Industry", 2015, AFREV, VOL 9 (2) S/N037 April 2015: 104 – 117, DOI: <<http://dx.doi.org/10.4314/afrev.v9i2.8>>. Accessed 25/02/2023.

² Ibid.

³ Business Roundtable, "Principles of Corporate Governance", 2016, Harvard Law School Forum on Corporate Governance. <<http://corp.gov.law.harvard.edu/2016/09/08/principles-of-corporate-governance/>> 25/02/2023.

⁴ Anthony Garuba & Gene Otomewo op cit.

⁵ Fatimoh Mohammed, 'Impact of Corporate Governance on Banking Sector Performance in Nigeria' (2011) 2(2) International Journal of Economic Development Research and Investment 52 <<https://www.icidr.org/doc/ICIDR%20PDF%20contents/international%20journal%20of%20eco.dev.res.invt/impact%20of%20corporate.pdf>> Accessed 8 May 2019

Report), the King's Report of South Africa, (Bosh Report) Australia, the Oxley Sarbanes Act (USA) the OECD Code amongst many others.

It is pertinent to note also that the idea of corporate governance of companies and banks has been a major concern for lawmakers in economies of developed countries for a significant number of years. The issue of corporate governance came to the fore from a series of failures of high-profile companies. According to Akpan, banking sector also witnessed a few failures; known examples include Alpha Merchant Bank Ltd, Savannah Bank Plc, Societe Generale Bank Ltd; Capital Finance Ltd, and others.⁶ Oladapo Olanipekun subsumed that the main reason for the global financial crisis and abrupt failure of large companies was non-compliance with the underlying principles of corporate governance.⁷ Therefore, it can be posited that banking supervision cannot operate properly if thorough corporate governance is not set up. Banking supervisors, therefore, have a duty to guarantee that there is efficient corporate governance at all banking establishments.⁸

In Nigeria, the problem of corporate governance has been given utmost importance by all players in the sectors of the economy, most notably in the banking sector. For instance, the Central Bank and the Nigerian Deposit Insurance Corporation's joint investigation resulted in the removal of five (5) CEOs of banks in 2009. According to CBN the removal of these CEOs from office asserted that weak corporate governance practices were the reason behind the collapse of the banks, and this was a significant part in the terrible performance of these banks.⁹ The aforementioned showcases the vital role that corporate governance holds in the collapse and success of organizations.

Stephen Ojeka states that in 2009, between August and October, the Governor of the Central Bank of Nigeria, in executing its powers enshrined in section 35 of the Banks and Other Financial Institutions Act, declared the removal of the CEOs and Board of directors of some commercial banks owing to problems identified with poor corporate governance practices. The banks which were affected are FinBank Plc, Union Bank Plc, Oceanic Bank Plc, Afribank Plc, Intercontinental

⁶Akpan N, 'Internal Control and Bank Fraud' (2007) 95 Economic Journal 118

⁷Oladapo Olanipekun (ed) *Banking: Theory, Regulation, Law and Practice* (Au Courant 2016)

⁸ Heidi Vander Bauwhede and Marleen Willekens, "*Disclosure on Corporate Governance in the European Union*" (University of London Press 2009)

⁹ Central Bank of Nigeria, 'Code of Corporate Governance for Banks and Discount Houses in Nigeria' <[https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20\(3\).pdf](https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20(3).pdf)> accessed 7 May 2019

Bank Plc, and Platinum Habib Bank (PHB) Plc.¹⁰ Banks possess a significant role in the monetary condition of any nation. Markets may lose trust in a bank's capacity to appropriately deal with its assets and liabilities, where there is poor corporate governance that could result in a liquidity crisis. Consequently, studies on bank governance are significant because banks play significant roles in supervising their customers' credits against bankruptcy and corporate financial distress.

The major concern for both the private and the public sectors of the Nigerian economy is the issue of corporate governance. Previous decades' reports have shown that the banking sector was engulfed in mixed fortunes, resulting in occasions of companies' failures and a close loss of public confidence. The ramifications of the aforementioned on the dilapidating economy are adverse. The sector's issues are outcomes (directly or indirectly) of bad corporate governance.

Tragically, Nigerian banks still exhibit a lot of laxity concerning corporate governance. According to a poll conducted by the Securities and Exchange Commission (SEC) and published in April 2003, corporate governance was at a rudimentary stage, with just around 40% of quoted corporations, including banks, having recognized corporate governance standards in place.¹¹ In most known instances of bank failures in Nigeria, weak or poor corporate governance was identified as one of the key factors.

Poor internal control structure, indifference to internal control measures, and neglect of the canon of cautious lending and fraudulent practices are some of the apparent shapes that corporate governance took. This became a disturbing characteristic of the Nigerian banking system. It has been proposed that sound corporate governance practices in the banking sector play a significant role in the general advancement of Nigerian economy.¹²

The board of directors plays a key role in the corporate governance of banks. The quality of persons on the board of several banks is not proven to be of honour or rectitude, and at times, they are not autonomous of the executive or some other high-ranking official who makes them subject to their impulses and whims. Despite the fact that the governance of banks is typically placed on

¹⁰ Stephen Ojeka, 'CEOs Removal and Bailed Out Banks in Nigeria: Does Absence of Good Corporate Governance Practices Responsible?' [2014] 2(4) Euro-Asian Journal of Economics and Finance 418-430
<<http://eprints.covenantuniversity.edu.ng/7252/1/Ojeka%2C%20Iyoha%20and%20Ikpefan%20.pdf>> Accessed 6 March 2023.

¹¹ See Article 1.3 of the 2006 CBN Code of Corporate Governance for Banks in Nigeria Post Consolidation.
<<https://www.cbn.gov.ng/out/Publications/bsd/2006/corp.Govpost%20con.pdf>> accessed 6 May 2021

¹² Alex Omarkhanlan, Niyam Taiwo and Uche Okorie, The Role of Corporate Governance in the Growth of Nigerian Bank, Journal of Business Law Ethics, Vol 1 December 2013. <http://core.ac.uk/download/pdf/79125512.pdf> Accessed 25/02/2023.

the board of directors, they nonetheless fail to meet up standards in carrying out their duties. Even in cases where the duties of the board are stated, the legal requirement and standards are not complied with by banks, thereby making the high ethical standard of banking business not to be observed. Most often, operational procedures are not followed, high insider abuses, thus leaving the structure feeble, which leads to fraudulent practices among members of the company i.e., the Board, management and staff.¹³

Many problems such as the inconstancy in the duration of office, incompetence, mutual disagreements, and animosity best describe the management condition of the Nigerian Banking industry. Board members and top management staff frequently exploit this environment by partaking in arbitrage opportunities instead of making plans for corporate profit and survival plans. Other issues such as fraud, boardroom quarrels, insider abuses, feeble internal control framework, and frequent contravention of statutory regulation are what describe new-age banks.¹⁴

2.0 CONCEPTUAL CLARIFICATIONS

For a proper understanding of the subject matter under consideration, it is important to clarify some terms such as corporate governance, ethics in the banking sector, and principles of banking ethics such as integrity, neutrality, reliability, transparency, and information abuses.

2.1 Corporate Governance

Generally, the term corporate governance, which is novel, refers to the rules, processes, or laws by which institutions are operated, regulated, and governed. It developed with the primary purpose of promoting a transparent and efficient banking system as it will engender the rule of law and encourage division of responsibilities professionally and objectively.

In the International foray, the Organization for Economic Cooperation and Development (OECD), defines the term as:

Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the

¹³ Olarewaju Adeyanju, Code of Ethics and Professionalism: Implication for Bank Failure in Nigeria. Research Journal of Finance and Accounting Vol. 5, No. 19, 2014. <<http://core.ac.uk/download/pdf/234630188.pdf>.> Accessed 25/02/2023.

¹⁴ Ibid.

structure through which the company's objectives are set, and the means of attaining those objectives and monitoring performance are determined.¹⁵

The Economic Commission for Africa describes it as:

The mechanism through which corporations (whether private, publicly traded, or state-owned) and their management are governed. It involves a set of relationships between a company's management, its board, its shareholders and its other stakeholders, and also provides the structure through which the objectives and the monitoring of performance are determined¹⁶

The Central Bank of Nigeria Code of Corporate Governance for Banks and Discount Houses defined corporate governance as:

The term corporate governance refers to the rules, processes, or laws by which institutions are operated, regulated, and governed. It is developed with the primary purpose of promoting a transparent and efficient banking system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner.¹⁷

Per Nelson Ogbuanya, Corporate governance is concerned with the processes by which corporate entities are governed. It is the exercise of power over the enterprise direction, the supervision, management and control of enterprise action, with the concern for the effect of the enterprise on other parties, particularly the stakeholders, and accountability of corporate administrators.¹⁸ Having analyzed various definitions of the term, it can be posited that corporate governance alludes to the technique wherein companies are controlled, overseen and coordinated.

2.2 Ethics in the Banking Sector

Ethics can be defined as a system of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good

¹⁵ OECD, G20/OECD Principles of Corporate Governance, (2015) OECD Publishing, Paris
<<https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf>> Accessed 2May 2020

¹⁶ Economic Commission for Africa, 'Guidelines for Enhancing Good Economic and Corporate Governance in Africa' [Final Draft, 2002] 5 <<http://repository.uneca.org/bitstream/handle/10855/5544/Bib-39457.pdf?sequence=1>> accessed 29 January 2020

¹⁷ See Introduction of the Code Of Corporate Governance For Banks And Discount Houses In Nigeria
<[https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20\(3\).pdf](https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20(3).pdf)> accessed 2May 2020

¹⁸ Nelson Ogbuanya, Essentials of Corporate Law Practice in Nigeria, 2nd Edition, (Novena Publishers Limited, Lagos 2014) 328

and bad. Professional ethics regulate the relationships among members of the relevant profession and with society, and define organizational ethics and in-house behavioral culture by imposing certain rules for resolution of problems originating from inside or outside the organization. Performing the investment and saving functions by playing the role of a unifier and mediator in the society between parties offering and demanding funds, banks, as a part of marketplace, mainly and naturally target the profitability and productivity principles. This requires them to operate in strict compliance with certain professional and organizational ethical principles. Departing from the objectives of growth of banking system, enhancement of banking service quality, best use of resources, creation of a fair and honest competitive environment among banks, and prevention of unfair competition, banks are required and expected to regulate their relations with each other and other organizations, and with their customers, shareholders and employees in accordance with these ethical principles discussed hereunder.

2.3 Principles of Banking Ethics

According to Article 1 of the Banks Association of Turkey, principles of banking ethics are applied in all kinds of affairs and relations of banks with each other or with their customers, shareholders and employees, and with other organizations. It is to assure sustainability of the existing reputation and reliability of banking profession in the public, and to enhance and maintain such reputation and reliability feelings termed as professional dignity, and to protect and maintain stability, consistency and confidence in banking sector.¹⁹

It is noteworthy that, principles of banking ethics are not only meant for protecting the rights and interests of savors, and assuring confidence, stability and consistency in fiscal markets, and ensuring effective operation of deposit, credit and payment systems, and preventing transactions and practices. It may lead to material damages and losses in economy, supervising the public benefits and social utility and protecting the environment. Banks are required to act in tandem with the general principles such as:

(a) **Integrity:** Stick to the principle of integrity in all their relations in the course of their operations;

(b) **Neutrality:** Departing from the basic principle of “Respect towards human underlies the success,” do not ever discriminate among their employees and customers, and refrain from biased

¹⁹ Article 1 of the Banks Association of Turkey

behaviors; and abstain from any discrimination of ethnicity, religion, financial and social status, or sex in provision of their services;

(c) **Reliability:** Provide clear, understandable and accurate information to their customers within the frame of mutual trust in all their services and operations, and perform their customer services timely and completely;

(d) **Transparency:** Keep their customers clearly, understandably and frankly informed about their rights and obligations, and benefits and risks regarding the products and services offered to them. Also, before giving any product, service or advice, efficiently assess their customers and financial capacity, status and needs of their customers, and offer their products and services accordingly;

(e) **Supervision of Public Benefits, and Respect to Environment:** In all of their activities, do not only target profitability, but also take pains in supporting and sponsoring social and cultural events and activities in the light of the principles of supervision of public benefits and respect to environment;

(f) **Fight Against Laundering of Proceeds of Crime and Combat Against Financing of Terrorism:** Within the framework of international norms and national applicable laws and regulations, adopt it as an important principle to combat against laundering of proceeds of crime, corruption and similar other acts, and act willingly to cooperate with each other and with other relevant entities and organizations and concerned official authorities, and take the required actions in their own organization, and organize training programs for their personnel;²⁰

(g) **Information Abuse:** Take all kinds of measures and actions in order to prevent abuse of insider information of themselves and their customers.²¹

2.4 International Dimension of Corporate Governance in the Banking Industry.

The corporate governance crisis in the banking industry raised major issues and played a significant role in determining the improvement process addressed by financial regulators and governments around the world. Several financial crises that occurred recently in the United States such as Enron and WorldCom and, in Europe such as Parmalat and Ahold weakened confidence in

²⁰ The Banks Association of Turkey: Principles of Banking Ethics. Accessed at <tbb.org.tr/en/content/upload/dokuman/136/Bankaclik_Etik_likeleri.pdf> 25/02/2023.

²¹ Ibid.

the financial reporting of publicly quoted organizations.²² The goal of several reforms introduced was to enhance corporate governance implementation and reinstate investors' trust in the financial reporting both at the national and international levels.²³ Examples of international regimes on corporate governance include the Sarbanes-Oxley Act of 2002 in the United States and the Organization for Economic Cooperation and Development at the highest level of the European Commission. It can be argued that sound standard governance might be a requirement for profitable business.²⁴ The financial disaster emanated from the United States, despite the U.S. being judged a good example in respect of established stability and governance.²⁵ The financial crisis advanced from the United States to other nations, both developed and emerging countries. Debate on corporate governance misconduct evolved when Enron, WorldCom, and Tyco collapsed in 2001-2002 and when the financial catastrophe of Bear Stearns, Lehman, AIG, and others in 2008-2009 revealed self-seeking and dishonesty that provoked the collapse of major U.S. organizations.

The financial crisis of the United States stemmed from human exploitation and inactivity, not because of natural causes or a technology failure. The chief executives and regulators neglected alerts, refused to question, and did not manage emerging risks within the system. The financial system arrangement aggravated the bubble with overly leveraged organizations that frequently had agents investing funds with excessive risk.²⁶ The failure to hazardous subprime lending and securitization led to erratic increases in housing prices and risky lending practices. In short, Angelis and Thomas concluded that poor corporate governance and faulty risk management caused the financial crisis in the United States.²⁷ Most organizations behaved carelessly, took excessive risk with little capital at their disposal, and relied on short-term funding. The vulnerabilities appeared connected to a collapse of corporate governance and regulation.²⁸ As much as organizations pursue profit, fair dealing, responsibility and transparency should be the guide for

²² El-Sayed Ibrahim, Corporate Governance and Investors' Perception of Earning Quality: Egyptian Perspective, *Corporate Governance* Vol. 13, (2013) pp 261 – 273 Doi: 10.1108/CG-02-2011-0011

²³ Ibid.

²⁴ Nelson Waweru, Determinants of Quality Corporate Governance in sub Saharan Africa. *Managerial Auditing Journal* (2014) vol. 29 pp. 455 – 485 Doi:10.1108/maj-07-2013-0897

²⁵ Renee Adams, Governance and Financial Crisis, *International Review of Finance* vol 12, 2012 Issue 1 pp7-38 Doi:1111/j.1468 – 2443 2011.01147.x

²⁶ Yochanan Shachmurove, A Historical Overview of Financial Crisis in the United States, *Choice Global Finance Journal* 22, 217 – 231 Doi: 10.1016/j.gfi.2011.10.012

²⁷ Angelides Phil. and Thomas Bill. *The Financial Crisis Inquiry Report; Final Report of the National Commission on Causes of Financial & Economic Crisis in the United States*, *Choice Review Online*, 48, 1 – 668 Doi: 10.5860/choice, 48-7034

²⁸ Ibid

safe and sustained financial systems. The effects of the financial misconduct destroyed the faith of shareholders, businesses, and the public in the financial industry.²⁹ The U.S. financial system collapsed because of human behaviour, both those of individuals and society, indicating such moral defects as selfishness and self-conceit.³⁰ The global financial crisis of 2007 also affected banks in Nigeria, not because of their direct participation in the world financial market but because of deep-rooted poor corporate governance practices and a lack of an effective risk-management system.³¹ The Organization for Economic Cooperation and Development Steering Group on Corporate Governance asserted that poor corporate governance caused the financial failure in the United States.

The financial crisis of the United States resembled the Nigerian banking sector, with its evidence of misconduct among corporate financial leaders, excessive risk-taking, erosion of shareholder wealth, and disastrous effects on the economy. Corporate governance issues in both Nigeria and the United States exploded because of managerial self-interest, which became evident in their lending practices and negligence of regulations to govern their banks appropriately. The Wall Street and chief executives acted carelessly at the expense of the investors, which caused some of the actors to go to jail for their involvement in the financial crisis. The crisis was also the case in Nigeria, where the government jailed chief executives for their participation and corporate misconduct in the Nigerian banking industry.

3.0 ETHICAL CODES OF BEST PRACTICES IN CORPORATE GOVERNANCE APPLICABLE TO THE NIGERIAN BANKING SECTOR

Financial scandals around the world and the collapse of major corporate institutions in the United States of America³² and Europe³³ have stimulated the expediency for good corporate governance. Good corporate governance is the system by which corporations are governed and controlled with a view of increasing shareholder value and meeting the expectations of the other stakeholders. For the banking sector, the retention of public confidence through the enthronement of good corporate governance remains of utmost importance, given the role of the industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement

²⁹ Ibid

³⁰ Ibid

³¹ Babalola Adeyemi. Corporate Governance and Agency: The Nigerian Banking Sector Experience: European Journal of Business vol 6 (2011) 18 – 28 Doi: 10.2139/ssm.1537632

³² Such as the Enron Scandal 2001, WorldCom Scandal 2002 (which culminated into the Oxley Sarbanes Act 2002) Lehman Brothers Scandal 2008 etc. See <<http://corporatefinancialinstitute.com>>.

³³ Such as BCCI in the UK, Parmalat in Italy, Royal Ahold in the Netherlands and Vivendi Universal in France

system and implementation of the monetary policy. There are various corporate governance codes, both at national and international levels and within specific industries, which serve as a guideline for best practices in corporate governance. The codes are efforts by regulators to avert company failures and mismanagement, consequently leading to a solid banking terrain. The codes aim to guarantee transparency, credibility, integrity, and accountability in the pertinent sectors of the economy. This exposition focuses principally on the Central Bank of Nigeria (CBN) Code of Corporate Governance 2014, being the Code applicable to the banking industry.

3.1 Nigerian Code of Corporate Governance 2018³⁴

On January 15, 2019, the Federal Government of Nigeria unveiled the Nigerian Code of Corporate Governance 2018. It took effect on January 1, 2020, whereas it was created to institutionalize the best practices in corporate governance in Nigeria and develop terrain for sustainable business operations.

Before the Nigerian Code of Corporate Governance (NCCG), various sector-specific codes of corporate governance had been introduced by regulators for their industries. In addition to these, the Securities and Exchange Commission had introduced The Code of Corporate Governance for Public Companies in Nigeria 2011. However, the Code, noticing that none of the sector-specific codes applies across all sectors, created a principle-based approach to specifying the minimum corporate governance expectations placed on companies. The Code, however, does not void sector-specific codes. The Code provides for twenty-eight principles and covers areas such as Board of Directors and Officers of the Board, assurance, relationship with shareholders, business conduct and ethics, sustainability and transparency.

The Code failed to provide for sanctions. This shows that the principles stated therein are merely persuasive and not binding. However, the introductory section of the NCCG states that the Federal Revenue Corporation of Nigeria will monitor the implementation of the NCCG through the various sectoral regulators and registered exchanges are empowered to impose appropriate sanctions for deviations from the NCCG provisions. The Code is also silent on the position of sectoral Codes viz a viz the new Code. Where provisions of the Code and that of the sectoral Codes conflict, there is no clarity on which will supersede. Regardless of this, NCCG demonstrates the country corporate sector's willingness to improve corporate governance standards.

³⁴<https://nambnigeria.org/Nig_Code_of_Corp._Governance_2018.pdf> accessed May 19, 2021

3.2 Central Bank of Nigeria Code of Corporate Governance 2014

The Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses and Guideline for Whistle Blowing in the Nigerian Banking Industry 2014 was issued by the CBN which took effect on 1st October 2014, and repealed the Code of Corporate Governance for Banks in Nigeria Post Consolidation 2006.³⁵

There are adequate provisions for effective implementation of the CBN Code by banks and discount houses in Nigeria, which are mandated to compulsorily implement the Code or face sanctions under **section 60 of the Banks and Other Financial Institutions Act**. Banks' External Auditors are to report annually to CBN the extent of the Banks' compliance with the Code.³⁶ It also imposes the duty to ensure strict adherence to the Code on the board.³⁷ The CBN Code makes provisions on certain key issues such as:

3.2.1 Board Management

The Code made crystalline provisions for the board's main obligations. These comprise responsibility and accountability regarding the affairs and performance of the Bank, characterizing the company's calculated objectives and guaranteeing that its financial and human resources are successfully conveyed towards achieving these objectives.³⁸ Some of the additional responsibilities of the board include ascertaining the experience, knowledge, and skills that members need to accomplish the Bank's objective; the election of high-rank management staff and Chief Executive Officer (CEO) and setting up a succession plan for the top management staff, CEO, and other executive directors. Other responsibilities include creating cutoff points of power and guaranteeing stringent compliance to the Code of conduct for board of directors.³⁹

3.2.2 Composition, Size and Structure of the Board

The size of the board of any bank or discount house shall be limited to a minimum of five (5) and a maximum of twenty (20).⁴⁰ There shall be more non-executive directors than executive directors.⁴¹

³⁵ <<https://www.cbn.gov.ng/OUT/2012/CIRCULARS/FPR/EXPOSURE%20DRAFT%20-%20CORPORATE%20GOVERNANCE%20CODE%20&%20WHISTLE%20BLOWING%20GUIDELINES.PDF>> accessed 6 February 2021

³⁶ Article 2.2 CBN CCG

³⁷ Art 2.1.9 CBN CCG

³⁸ Art 2.1.2 & 2.1.4 CBN CCG

³⁹ Art 2.1.5 & 2.1.6 CBN CCG

⁴⁰ Art 2.2.1 CBN CCG

⁴¹ Art 2.2.3 CBN CCG

The board of banks should have at least two (2) non-executive directors as independent directors, while that of discount Houses shall have at least one (1) as stated in the CBN guideline on Appointment of Independent Directors.⁴² Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in financial and business issues, in consonance with the extant CBN Guidelines on Fit and Proper Persons Regime.⁴³

3.2.3 Separation of Powers

The office of the Board Chairman and Managing Director/Chief Executive Officer must be separate. No one person shall occupy both positions simultaneously in any bank. Also, the position of Executive Vice-Chairman is banned.⁴⁴ No two members of the same extended family shall hold the positions of chairman and Managing Director/Chief Executive Officer or Executive Director of the bank and Chairman or MD/CEO of a bank's subsidiary Company.⁴⁵ No director that is either executive or non-executive shall serve on the Bank's board and a holding company within a group at the same time.⁴⁶ The chairman of the board is not to be a member of any board committee, and a board committee is to be headed by a non-executive director.⁴⁷

3.2.4 Tenure

The Code states the procedure for appointment to the board; this shall be transparent, formal and documented.⁴⁸ Non-executive directors are to serve 3 terms of maximum of 4 years each making a total of 12 years maximum for non-executive directors.⁴⁹ MD/CEO will serve 10 years maximum, that is, two 5-years terms. The MD/CEO is not qualified for appointment in that capacity in the Bank or its subsidiary.⁵⁰ No Director, be it Executive or Non-Executive, shall be permitted to serve on the Boards of a bank and a holding company within a Group simultaneously.⁵¹

3.2.5 Remuneration

⁴² Art 2.2.4 of CBN CCG

⁴³ Art 2.2.2 of CBN CCG

⁴⁴ Art 2.3.1 of CBN CCG

⁴⁵ Art 2.3.3 of CBN CCG

⁴⁶ Art 2.4.6 of CBN CCG

⁴⁷ Art 2.5.3 & 4 of CBN CCG

⁴⁸ Art 2.4.1 of CBN CCG

⁴⁹ Art 2.4.3 of CBN CCG

⁵⁰ Art 2.4.5 of CBN CCG

⁵¹ Art 2.4.6 of CBN CCG

A remuneration policy shall be in place; this shall be divulged to the shareholders in the annual report.⁵² The remuneration levels should attract, retain and motivate executives but should be balanced against the Bank's interest in not paying excessive remuneration.⁵³ Remuneration tied to performance should guard against excessive risk-taking.⁵⁴ A remuneration committee made up of only the non-executive directors will determine the remuneration of the executive directors.⁵⁵

3.2.6 Whistleblowing

There shall be in place whistleblowing policy that should be known to employers and stakeholders. The policy shall contain a mechanism including confidentiality assurance that urges all stakeholders to report any unethical activity to the Bank and/or the CBN.⁵⁶

3.2.7 Conflict of Interest

The Code provides that, the Bank adopt a policy to guide individuals and the board directors in a conflict-of-interest situation.⁵⁷ The board of directors has to manage conflict of interest.⁵⁸ Where Directors are aware of any potential or real conflict of interest that they may have regarding any matter that may come before the board or its directors, they are mandated to promptly disclose it to the board.⁵⁹

3.2.8 Sanctions

Banks and discount houses must adhere strictly and comply with the provisions of the Code. The Code also requires a bank to make returns to CBN every quarter on the status of their compliance with the Code.⁶⁰ Failure to abide by the Code will attract appropriate sanctions in accordance with Section 60 of the Bank and Other Financial Institutions Act or may be stated in any applicable regulation or legislation.⁶¹

4.0 LEGAL AND INSTITUTIONAL FRAMEWORK FOR CORPORATE GOVERNANCE FOR NIGERIAN BANKS

⁵² Art 2.7.4 of CBN CCG

⁵³ Art 2.7.2 of CBN CCG

⁵⁴ Art 2.7.3 of CBN CCG

⁵⁵ Art 2.7.5 of CBN CCG

⁵⁶ Art 5.3.1-2 of CBN CCG

⁵⁷ Art 7.2.1 of CBN CCG

⁵⁸ Art 7.2.2 of CBN CCG

⁵⁹ Art 7.2.3 of CBN CCG

⁶⁰ Article 8.1.2 of CBN CCG

⁶¹ Article 8.1.3 of CBN CCG

These refer to the procedure and method embraced by banking regulators to supervise, control or monitor the operations of any or all banking institutions. These procedures stipulate the boundary within which banks should operate and subjects them to specific regulations, requirements, and restrictions directed at advancing market transparency between banking institutions and their customers.

Various laws and institutions regulate banking business under Nigerian Law. As previously mentioned above, the Central Bank of Nigeria was established as a primary body vested with the powers and responsibility to regulate policy relating to the banking business in Nigeria. The Banks and Other Financial Institutions Act (BOFIA) is somewhat supplementary to the law establishing the Central Bank of Nigeria (CBN). It makes provisions for the general rules for the regulation of banking business in the country. While the CBN Act is concerned with the powers and responsibilities of the CBN, the BOFIA concerns itself with the regulation of banking business per se. In addition to the above, some other principal statutes will be looked at *seriatim*.

4.1 Central Bank of Nigeria (CBN) Act, No. 7, 2007

The Central Bank of Nigeria is established as a body corporate under Section 1 of the CBN Act. It is constituted by a board which is chaired by its Governor. The Governor is a significant factor in relation to the establishment of other banks. He/she exercises wide discretion in the issuance of banking licenses. The Governor is also empowered by the Act to carry on the daily administration of the CBN Act and other allied statutes on banks and banking business. In its exercise of the power to revoke banking licenses, the CBN must act in good faith, and where a license is alleged to have been revoked in bad faith, the party alleging bad faith must provide evidence to defend the allegation.⁶²

The Central Bank of Nigeria shall act as banker to other banks in Nigeria and is also responsible for regulating issues relating to the country's economy, including the banking sector. The Bank is expected to work with other banks to ensure proper financial regulation and provision of financial services in Nigeria, and it may also provide assistance to banks experiencing liquidity challenges in furtherance of its role as financial services regulator. Lastly, the Bank shall provide banking services to banks outside Nigeria.

⁶² *NDIC v CBN* (2002) 4 SC, 128

In order to facilitate its financial services regulation function, the Act provides for the establishment of a Financial Services Regulation Coordinating Committee in section 43 of the Act. The committee is expected to promote the proper functioning of the financial services sector of the country by bringing together all regulators and supervisory bodies to ensure that they coordinate their efforts for a holistic and comprehensive approach to financial services regulation in the country.

4.2 Companies and Allied Matters Act 2020

The statute charged with the incorporation and regulation of companies is the Companies and Allied Matters Act (CAMA) 2020 and the body to oversee compliance is the Corporate Affairs Commission (CAC).

Section 18 of the CAMA establishes the Act as the competent legislation for the registration of companies which provide that as from the commencement of this Act, any two or more persons may form and incorporate a company by complying with the requirements of this Act in respect of registration of such company.

By virtue of Section 35 CAMA, for a company to be registered, the following documents must be submitted to the Corporate Affairs Commission (CAC):

- a) The memorandum of association and articles of association complying with the provisions of this Part of this Act;
- b) The notice of the address of the registered office of the company and the head office if different from the registered office;
- c) Provided that a postal box address or a private bag address shall not be accepted by the Commission as the registered office;
- d) A statement in the prescribed form containing the list and particulars together with the consent of the persons who are to be the first directors of the company;
- e) A statement of the authorised share capital signed by at least one director; and
- f) Any other document required by the Commission to satisfy the requirements of any law relating to the formation of a company.

By virtue of Section 37 and 38(1) of CAMA, once a company is incorporated, it becomes a body corporate by the name contained in the memorandum of association to carry out business.

In the above regard, a company intending to be a bank will have no such authority or rights of a bank until it has been registered under CAMA and licensed by the CBN under BOFIA.

4.3 Banks and Other Financial Institutions Act (BOFIA)

The BOFIA is another legislative enactment that provides for general rules for the regulating of banking business and other financial institutions and for matters connected therewith in the country. In addition to section 66 of the BOFIA, which defines banks and banking business, Section 2(1) provides the requirement that ‘No person shall carry on any banking business in Nigeria except it is a company duly incorporated in Nigeria and holds a valid banking license issued under this Act.’

The following sections of the BOFIA contain provisions with regulatory flavour: Section 5 deals with the power of the CBN, through its governor, to revoke and vary a license, impose fresh or additional conditions to the grant of a license. Section 7 deals with restructuring, re-organization, merger and disposal of banks which must be done with approval from the CBN governor. Section 8 contains provisions on foreign banks. It provides that before a foreign bank can operate in Nigeria approval must be obtained from the CBN Governor. Section 9 provides for the minimum paid-up share capital of banks and compliance with a minimum paid-up shared capital requirement. Section 18 provides for disclosure of interest by directors, managers and officers. Section 24-28 provides guidelines for keeping of books of account.

4.4 Nigerian Deposit Insurance Corporation (NDIC) Act

The Nigerian Deposit Insurance Corporation (NDIC) is established to provide a financial safety net that is designed to avert bank failures, and when it occurs, it minimizes their effects. It carries this function by providing prudential regulations and supervision.

The NDIC, as its name implies, is responsible for protecting investors’ deposits in the event of bank failure. Bank customers deposit significant amounts of money in banks for safe-keeping, and where such banks are liquidated for any number of reasons, the depositors face the risk of losing their savings. Therefore, in order to guarantee that depositors have some confidence in the banking system, the NDIC is an institution that assures depositors and investors that their funds will not be totally lost in the event of bank failures.

The functions of the NDIC are spelt out in Section 2 of the NDIC Act. In addition to its principal function of insuring depositors’ funds with banks and related financial institutions, the corporation

also assists in formulating banking policy. The Managing Director of the Corporation is a member of the Financial Services Regulation Committee formed under section 42 of the CBN Act. Therefore, a core stakeholder in the proper functioning of the Nigerian financial services sector.

4.5 Investment and Securities Act 2007

The Investment and Securities Act (ISA) established the Securities and Exchange Commission (SEC) as the apex regulatory institution of the Nigerian capital market charged with the responsibility of:

- i. Regulating the capital market with a view to protecting the interest of all the investors in the market, and
- ii. Developing the capital market in order to enhance its operational efficiency and to pave the way for a private sector led economy.

5.0 PROBLEMS OF CORPORATE GOVERNANCE IN NIGERIAN BANKS

Corporate governance problems in Nigeria can be linked to the lifestyle of corruption and the absence of institutional ability to put into effect the set of accepted rules guiding corporate governance. Company executives relish the absence of checks and balances in the framework to partake in flagrant malpractices since investors are excluded from the governing structure. The procedures and policies necessary to guarantee effective internal controls are ignored, and the all-out absence of a meticulous selection process of CEO and board members.⁶³ The absence of ability development and managerial training among Nigerian executives to oversee business risks has brought about large organizational expense, and shareholders have needed to bear a few preventable organizational expenses since the board of directors normally flops as an overseeing tool to lessen organizations issues.

The absence of efficient measures to assess board and management processes and performance is also one of the problems facing corporate governance. The auditors/the board's audit committee are used as tools to carry out fraudulent practices such as concealing corrupt practices for executives.

Other problems faced by Nigerian bank which have resulted in poor corporate governance include:

⁶³Ailemen Ikpefan & Stephen Ojeka, 'Corporate Governance as a Tool for Curbing Bank Distress in Nigeria Deposit Money Banks: Empirical Evidence' [2013] 4(13) Research Journal of Finance and Accounting <<https://www.iiste.org/Journals/index.php/RJFA/article/view/7779/7906>> Accessed 3 May 2020

Technical incompetence of board and management:⁶⁴ Board members may lack the essential expertise and capability to restructure efficiently, re-strategize, redefine, expand, and refocus the enlarged entities in the areas of change of corporate entities, new business acquisitions, branch consolidation, expansion, and product development. In most cases, this has created conflict of interests between Board and Management giving rise to Board room squabbles⁶⁵

Also, the problem of lack of harmonious relationship among directors is evident.⁶⁶ Various business cultures and high ownership concentration, particularly in banks that were once “one-man” entities, could lead to Boardroom quarrels. The dominance of an individual could also surface with the attendant problems. This has affected the directors’ oversight function.⁶⁷

Besides the above, there is increased level of risks⁶⁸ which at the moment, relatively few banks have a powerful risk management framework setup. With many funds accessible to them and the significantly increased legal lending limits. Given the expected significant increase in their activities, banks will confront different sorts of risks that will bring about huge losses if not supervised. The management of risks transparently and ethically will accordingly introduce a few issues verging on corporate governance. This poor risk management practices result in a large quantum of nonperforming credits, including insider-related credits.⁶⁹ This is a gross abuse of the lending process which may lead to collapse of banks.

Furthermore, there is a problem of resurgence of high-level malpractices.⁷⁰ Malpractices may reemerge post-consolidation to boost the income because of intense competition and insufficient viable projects. Such devious practices consist of excessive customer charges, round-tripping of forex, falsification of records, etc., and adoption of unethical methods to poach customers. There is equally lack of harmonious relationship between management and staff,⁷¹ Quarrels emerging from knowledge gaps, harmonization of roles, and pay structure could likewise manifest among management and staff of consolidating banks, possibly creating negative rivalry and a counter-

⁶⁴ Art 3.1 CBN CCG Post Consolidation

⁶⁵ Art 2.1 CBN CCG Post Consolidation

⁶⁶ Art 3.2 CBN CCG Post Consolidation

⁶⁷ Art 2.2 CBN CCG Post Consolidation.

⁶⁸ Art 3.4 CBN CCG Post Consolidation

⁶⁹ Art 2.9 CBN CCG Post Consolidation

⁷⁰ Art 3.8 CBN CCG Post Consolidation

⁷¹ Art 3.3 CBN CCG Post Consolidation

productive workplace. Additionally, there is a rendition of false returns⁷² necessitating to Covering of information from examiners to forestall prompt discovery of unhealthy situations and rendition of false returns to the regulatory authorities in the banks may proceed because of the absence of transparency and pressure to boost income.

Furthermore, ineffective board/statutory audit committee⁷³ is one of the issues in the front burner in the banking sector. The directors and shareholders who are not board directors, who make up the audit committee, might consist of individuals who are not knowledgeable in financial and accounting matters, thus rendering the committee less effective.

Other notable problems faced by corporate institutions as opined by Simisola Akintoye⁷⁴ such as regulatory landscape of corporate governance in Nigeria can be seen as a path of conflicting laws where disparity occurs in principle and compliance. For the most part, due to the diversity of regulations, corporate governance in Nigeria experienced a weak system. The basic difference within the codes influences the conduct of members of the board and managers, who were given a chance to follow a less strict law or outright non-compliance. The subsequent ramifications of this conflict, thus, relay mixed signs to investors and regulators where friction exists between stakeholders, which may prompt terrible corporate operations. In such cases, rather than working for the benefit of the stakeholder's managers, they may utilize their posts and access to information for their advantage.

This will create an opportunity for fraud as executives may comply with the Codes that can be manipulated to their advantage. They use the Codes to further their benefit by ensuring that they comply only in principle but not in action. Furthermore, a company may refer to multiplicity as its reasoning for non-compliance, creating an avenue for fraud. There is also the problem of cut and paste of corporate regulations in the country's legal framework without proper contextualization. This has led to incompatibility in terms of application of these regulations. The difference in the

⁷² Art 3.10 CBN CCG Post Consolidation

⁷³ Art 3.12 CBN CCG Post Consolidation

⁷⁴ Simisola Akintoye 'The Impact of Corporate Governance Regulation in the Nigerian Banking Sector' [2017] 11(4) International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering <<https://dora.dmu.ac.uk/bitstream/handle/2086/14763/1/Published%20Research%20Paper.pdf?sequence=1&isAllowed>> Accessed 3 May 2021

Codes could be traced from the way that they were copied in the developed nations. One participant stated that:

The CBN Code is copied from the US, while the SEC Code is copied from the UK. Is it possible for Nigeria to develop its regulatory standard that suits our culture of togetherness and inclusiveness and suits our environment and society? ...our people should not be subjected to copying; otherwise, they should expect conflicts in implementation and practice. This is why we, as managers, are confused about what to do. Most times, we ignore the Codes, but for record purposes, we tick the boxes as a signal for compliance to the Codes and auditing purposes... we just do it to avoid pressure from the regulators.

Regulatory multiplicity, in this vein, is still a pertinent problem in Nigeria. The codes must be explicitly devised to be versatile to the institutional setup of the nation. This must be set to prevent further opportunities for the banking crisis in Nigeria.

6.0 BANK FAILURES AS A RESULT OF DISRESPECT OF BANK ETHICS

This article explored the rationale for bank failures caused by breach of professional and business ethics required to provide stability in the banking and finance sector. The factors responsible for serious ethical problems leading to financial crisis include favoritism by the management, credits without adequate collaterals, inadequate use of funds, political interference and lack of accountability in dealing in non-financial activities. Other factors relate to lack of transparency, illegal use of funds, and risky investments with low returns. According to Safakali, ethical misconduct has played a significant role in bank failures. The author confirms the involvement of the owners, top executives, the board of directors, and the internal auditors in unethical conduct prior to such failures.⁷⁵ Moreover, government intrusion in the central bank's independence proved to be both unethical and unfavourable to the liquidity of the banking sector.⁷⁶ Other problems and ethical issues identified by Yidawi in the banking industry in Nigeria include lack of training on proper ethics, dearth of qualified professional bankers, breach of Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) guidelines, malpractices, and other frauds. Despite the general awareness relating to the code of ethics among the Nigerian banks, most of the

⁷⁵ Okan Safakali, Measuring service quality of commercial banks towards SMEs in Northern Cyprus. (Journal of Yasar University, 2005) 2(8), 827-839.

⁷⁶ Ibid.

banks did not implement it. Besides, there has been an increase in the number of bank forgeries and frauds compounding to the ethical problems in the Nigerian banks.⁷⁷

Failure of banks in upholding the codes of ethics and professionalism due to weak banking knowledge, both in theory and practice, has resulted in disrespect of the codes of corporate governance, irresponsible diverse insider abuses by both board members and staff of banks, and ignorance of the banks of the directives of the regulators. Furthermore, Adams observed that systemic bank failures and institutional and industry disorders and collapses had been the consequences of ethical anomalies. He also recommended that the government, regulators, and the banking professionals, together, could provide a solution through necessary actions.

This article reveals several unethical practices in the Nigerian banking industry and it is recommended that all stakeholders in the banking industry, the shareholders, regulators, top management, sponsors/directors, and the government, should play an active role to re-install ethical code in the Nigeria's banking industry.⁷⁸ A majority of banks in Nigeria failed not only due to lack of observance to ethical practices, but mostly due to other factors, such as insider abuse on lending, micro-economic instability, lending to high-risk borrowers, and deficiency in bank regulation and supervision.⁷⁹ It is further recommended that, legal enforcement and strict sanctions should be put in place to ensure mandatory adherence to ethical and professional practices in the bank sector.⁸⁰

7.0 CONCLUSION AND RECOMMENDATIONS

In recent years, Corporate Governance has been given full-throttle in academic as well as policy forums and discussions. A good comprehension of corporate governance by corporations could translate to improved corporation profitability. Corporate governance has gained so much prominence in Nigeria lately and it is believed to benefit the Nigerian economy and the banking sector in particular. The various codes have profited the Nigerian banking sector, particularly on the off chance that they continue to adhere to the principle set down in the various codes for corporate governance.

⁷⁷ Ali Yidawi, A survey of ethics in the Nigerian banking industry (PhD thesis). St. Clements University, Switzerland. <http://stclements.edu/grad/gradyida.pdf> Accessed 08 March 2023

⁷⁸ Ann Ogbo, Itanyi Okechukwu, & Wilfred Ukpere. Business ethics as a tool for competitive advantage in the banking industry in Nigeria, (Journal of Social Science, 2013). 35(1), 23-32.

⁷⁹ Ibid.

⁸⁰ Ibid.

For Nigeria to enjoy the rewards of effective corporate governance, some proposals highlight the necessity to fortify the enforcement mechanisms of the regulatory institutions. This will provide the state with better mechanisms to enforce corporate governance standards and thus lead to positive impact on the economy. This is based on the rationale that, corporate collapses can be diminished in a situation where there are efficient enforcement mechanisms and a solid regulatory framework to attract foreign investors. This article suggests that, the problem of inefficient enforcement can be addressed by making provisions that present rigid penalties for non-compliance. This must be then supervised strategically in order to advance good corporate governance practices within the banking system.

The CAC focuses more on registering corporations, while the aspect of compliance and monitoring is frail. The CAC must set up more efficient supervisory strategies and create a system to eradicate fraudulent practices in corporations. The CAC has the power to receive annual returns from companies and spot the aspects the companies have flopped in their duties. Additionally, the CAC can make corporations reveal their level of compliance with the Code of corporate governance in their annual general meetings. The praiseworthy execution of these functions by CAC will guarantee fortification of good corporate governance.

Banks must set up solid internal control mechanisms to provide checks and balances against the supervisory duty of the boards. Majority of known instances of corporate governance flop show some levels of failure on the part of the directors to appropriately execute their supervisory functions. Therefore, the article recommends the need to implement the internalization of effective mechanisms in order to foster smooth running of corporations and in turn encourage transparency and accountability and deter concealment of financial statements.

The CBN is seemingly overburdened with its multiple responsibilities. The added function of supervising compliance with the Code might not be adequately managed. The CBN supervisory function of the banking sector needs to be also strengthened to effectively oversee the banks. Additionally, there should be a consistent assessment of the application of corporate governance principles as stated by the CBN.

The SEC Rules have admirable proposals intended to improve the advancement of corporate governance in the nation. The Code is voluntary; hence self-compliance by companies is frequently an issue. The article suggests the need to make the Code compulsory for corporations to

exhibit compliance with the Code by making compliance part of the listing requirements of the National Stock Exchange.

Additionally, there should be substantial judicial reforms to facilitate expedient determination of commercial cases. In other words, there is a need to establish special courts within the judiciary for the adjudication of corporate offences. This will ultimately lead to a quick dispensation of justice. In order to recite public confidence in the banking system, stakeholders and regulators should adopt a no-tolerance stance toward violation of corporate governance principles and cases of unsound corporate governance in the banking industry. This will guarantee that banks are managed well, therefore, guaranteeing a better economy in the nation. Workshops and seminars should also be organised to educate and accentuate on the advantages to be derived from compliance with the codes.

CEOs and Stakeholders who are the major participants should be given adequate enlightenment. CEOs, especially, ought to be well educated and trained in corporate governance implementation, fraud prevention, and regulation. Additionally, another set that should be enlightened and encouraged to advance efficient corporate governance is the shareholders. This can be done by exhibiting enthusiasm for the administration of the company. It also recommended for additional strict sanctions on board members and bank management where they partake in acts contrary to the interest of corporate stakeholders and where they do not comply with the provisions of corporate governance codes.

On the subject of risk management, banks should create departments or committees within their banks that chartered accountants and financial experts can head to supervise risk and credit management. This will go a long way to thwart any possible risk and distress the bank may encounter. Additionally, banks should be directed to present their risk management plan to the CBN for scrutiny and endorsement before their application. This prerequisite can be utilized to thwart the chance of shabby management of risks in the operations of banks. The aforementioned recommendations are the right path to promoting efficient corporate governance in the Nigerian banking sector.