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EXAMINING CORPORATE GOVERNANCE PRACTICES IN NIGERIAN AND SOUTH AFRICAN FIRMS

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ABSTRACT: *This paper reviews the historical background of corporate governance and emerging issues in the development and practice of corporate governance in Nigerian and South African firms. The paper examines the role of institutional bodies on corporate governance of listed firms, regulatory and enforcement, and institutional bodies of corporate governance in Nigeria and South Africa. Other issues also examined include role and responsibilities of corporate board and external factors that affect corporate governance such as politics, corruption, economic, and ownership structure of listed firms. We find that institutional shareholders are more active in South Africa than in Nigeria, also shareholders association in South Africa are not active compared with that of Nigeria. In addition, South Africa have a stronger institutional framework than Nigeria, this really provide an evidence to show that enforcement of corporate governance practices in South Africa seem to be better than Nigeria. Generally, we find that corruption and bribery, politics, economic and ownership structure influence effective corporate governance practice in each country.*

KEYWORDS: Corporate governance, Institutional frameworks, Politics, Corruption, Economics and Ownership structure

INTRODUCTION

Since the 1970’s the issue of corporate governance has been the subject of significant debate in the US and around the globe. There are reforms of corporate governance in developed and developing countries. Efforts to reform corporate governance have been driven in part by the needs and desires of shareholders to exercise their rights of corporate ownership and increase the value of their shares and wealth. Over the past three decades corporate directors’ duties have expanded their traditional legal responsibility of duty of loyalty to corporate organisations and shareholders, especially in developed countries. In the mid- 1990s the issue of corporate governance in the US and UK received considerable press attention due to the wave of corporate governance failure in some firms which led to a wave of institutional shareholder activism.

The East Asian financial crisis occurred as a way of ensuring that corporate value would not be destroyed traditionally because of the relationship between the CEO and the board of directors such as unrestrained issuance of stock option not infrequently. In 1997 the East Asian financial crisis was seriously affected by the exit of foreign capital after the property assets collapse. This occurred as a result of lack of corporate governance mechanisms this highlighted the weakness of the institution in their economies. Finally in early 2000s the massive collapse of corporations such as Enron and WorldCom made shareholders and governments develop an interest in corporate governance. This brought the passage of the Sabaness-Oxly Act of 2002(Sarbanes-Oxley Act 2002, World Bank 2002, OECD 1999).

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Furthermore, international organisations such as the Organisation for Economic Cooperation and Development (OECD), and the Economic Commission for Africa (ECA) introduced principles of corporate governance of firms. The developed and developing countries introduced codes of corporate governance to enhance the effectiveness of corporate governance practices in firms. Consequently, the impact of corporate governance has shown a positive effect on different stakeholders by strengthening the economy. Therefore, good corporate governance is a tool for socio-economic development and this happened to developed countries such as the US and the UK.

Moreover, the Securities Exchange Commission (2006) explained that in the Africa region despite the diversity of the 53 countries with different colonial legacies, some pattern can be discerned with regard to corporate governance. As a result, the need for corporate governance among the listed, non-listed, and state-owned enterprises cannot be over-emphasised. Thus, it is obvious that corporate governance can contribute to the economic success of firms and to long-term stability, which in turn will attract local and foreign investors. The Securities Exchange Commission (SEC, 2006) revealed that a survey conducted by Mckinsey consulting group in 2002, found that eight-five per cent of respondents consider corporate governance in Sub-Saharan Africa to be more important than financial issues in deciding which companies to invest.

Consequently, this study extends its coverage to listed firms in Nigeria, and South Africa and these countries are English speaking countries and their selection is based on regional approach, this will give a wider scope. South Africa which is the strongest economy in the sub-region and Nigeria a having huge population and large markets, blessed with abundant natural resources such crude oil and land fertile for agriculture. The regulation, control and governance of Business Corporation of these countries are largely contained within provision of company legislation which have their root from British colonies which is their source of political independence. Based on this, Nigerian and South African legal systems and corporate governance mirror the United Kingdom pattern (Okike, 2007). Therefore, it is necessary for this study to examine the development corporate of governance structures of listed firms for each of these countries in order to highlight different reforms, institution, politics, corruption, economic and ownership structure of firms in Nigeria and South Africa.

Historical Background of Corporate Governance in Nigerian and South Africa Firms

Nigeria is one of the important countries in Sub-Saharan African Anglophone region because of his large size, huge population and markets for goods and services with abundant natural resources such as crude oil and fertile for agriculture. There are reforms on corporate governance such as Code of Corporate governance best practice in 2003 issued by Securities Exchange Commission (SEC). In 2006, there was Code of corporate governance for banks post consolidation issued by Central Bank of Nigeria (CBN) and recently Securities Exchange Commission issued another Code of corporate governance in 2011. It is obvious from the above that there is multiplicity of Code corporate governance in Nigeria. Despite these reforms on corporate governance there are corporate failures of firms.

Corporate governance in Nigeria can be traced to the colonial days through the independence that Nigeria obtained from Britain in 1960. Before the independent the British colonial government imposed an Anglo-Saxon base system of corporate law and regulation on the country (Adegbite and Nakajima, 2011). The conduct and governance of Nigerian firms which contain within the provision of the company legislation was originated from Britain.

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As a result, Nigeria inherited Anglo-Saxon framework of corporate governance (Okike, 2007). After independence, the Nigerian government replaced the Companies Ordinance of 1922 with the 1968 Companies Act which was modelled on the UK Companies Act of 1948. This implies all the reforms in law and legal system are fashioned toward the Anglo-Saxon model and Nigerian legal operating framework for corporations have not been developed based on the country business environment (Adegbite and Nakajima, 2011). Consequently, the government of Nigeria have traditionally failed to deal with the problem of company law and legal system from the perspective of the socio-political environment of the country (Okike, 2007).

Securities Exchange Commission (SEC, 2006) in Nigeria revealed that despite all these provisions there are corporate failures in financial and non-financial sectors in the country. There are indications that banking industry and other firms were collapsing in their numbers, leaving a trail of woes for investors, shareholders, suppliers, depositors, employees and other stakeholders. This was a result of the messy state of the nation then that led the government to make a bold step in initiating the corporate governance evolution. In addition, in order to address the problem and to align with international best practices the SEC inaugurated a committee on corporate governance in June 2000 and the Code of Best Practices on corporate governance in Nigeria was submitted in November 2003. This Code of Corporate Governance Practices was based on unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role of board of directors and management, shareholders rights and privileges, and the audit committee (Aganga 2011).

When apartheid collapsed in 1994, South Africa was able to be part of international organisation and other countries started having business relationships with South Africa. As a result, there was need for sound corporate governance to be in place. The King Report I on corporate governance was published in 1994 and this report has a code based on stakeholder approach. In March 2002 there was an update Report which was King II Report on corporate governance, the Report consist of new sections such as role and responsibilities of the board of directors, risk management, sustainability reporting, accountability and auditing. In March 2010 King III Report was published, this Report focuses on the move from a complied or explained approach to a principle based apply or explained approach. The existence of better corporate governance practice in South Africa attracts more investors for strong economic development in the sub-region.

South Africa was totally isolated from the global economy from1961 to 1994 as a result of the political environment (apartheid) the United Nations excluded South Africa from involving in international organisations, resulting in economic and trade sanction against South Africa (Vaughn and Ryan 2006). Consequently, this sanction affected the domestic market not have interaction with foreign capital market the corporate practices, laws and regulation is does not conformed to international standard. This resulted to a situation where most of the South African firms are controlled by incompetent and entrenched managers (Vaughn and Ryan 2006). In order to compete in business with the rest of the world at that period the corporate governance of firms in South Africa was in need of reform. As a result, the Institute of Directors in South Africa lay the foundation of corporate governance in South Africa through the setting up of the first official committee on corporate governance and asked the retired Supreme Court of South Africa Judge M.E King to chair the committee. Like the corporate governance Codes of other Commonwealth countries, the King Code of corporate governance was tailored toward the principle approach, different from other Codes

such as Sarbanes-Oxyle which is based on rule. This idea was supported by South African Chambers of Business (SACOB), the Institute of Chattered Secretaries and Administrators (ICSA), South Africa Institute of Chartered Accountants (SAICA) and the Johannesburg Stock Exchange (JSE) (Rossouws. et.al 2002).

Legal and regulatory frameworks for corporate governance of firms in Nigeria and South Africa

Nigeria has a legal framework derived from British Common Law and similar commercial codes. Also apart from the main statute regulating corporate organizations in the country, which is the Companies and Allied Matters Act (CAMA) 1990 (that replaced the Companies Act of 1968), there is several corporate governance Codes in force, some of them are industry specific. The corporate governance Codes applicable in the country are the Code of Best Practices on Corporate Governance in Nigeria 2003 which was issued by the Securities and Exchange Commission (SEC).The Code of Corporate Governance for Banks in Nigeria Post-Consolidation 2006, which was issued by the Central Bank of Nigeria (CBN) and the Code of Corporate Governance for Insurance Industry in Nigeria 2009, which was issued by the National Insurance Commission (NAICOM). The 2003 SEC Code has been reviewed and posted to SEC website in 2010. As can be gleaned from the above, there is a multiplicity of corporate governance codes in Nigeria (SEC, 2011). In addition in June 2011, the Federal Government introduced Financial Reporting Council Act No 6 with the aim to use the Council as a vehicle for improving corporate financial reporting practice in Nigeria.
The corporate governance regulatory institutions in Nigeria such as the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), Corporate Affairs Commission (CAC) and the Nigerian Deposit Insurance Corporation (NDIC), are staffed with self-interested executives who easily and readily collaborate with companies' senior executives to compromise the shareholders' interests. Board members are picked from the pool of high-profiled retired senior military officers and civil servants without expertise in basic finance and business operations (Okpara, 2010). In addition, Bakare (2011) argues that there is need for an appropriate corporate governance guideline relevant to socio-political, economic, and cultural environment of Nigeria and also effective laws, will and commitment on the part of the government to enforced compliance of corporate governance policy.

The changed in political and economic in South Africa result to major reformed in corporate governance legislation which focused on Companies Act 1973 (Andreasson, 2007). This because the King code of corporate governance I, II, and III for firms in South Africa are not enforced through legislation. However, there are rules and regulation that concern corporate governance in South Africa, including the Companies Act (1973 as amended as Companies Act 2008), South Africa common law and Johannesburg Stock Exchange (JSE) listing requirements. Others also include the Labour Relation Act (1995), the Basic Condition of Employment Act (1997), the Employment Equity Act (1998), the Insider Trading Act (1998), and the Securities Services Act (2004) (Andreasson, 2007).The Securities Services Act (2004) aims and objectives are to increase confidence in financial markets in South Africa and promote innovation and investment in South Africa market and companies. Other objectives include encouraging transparency and high standards of corporate governance, promoting regulation and enforcement of corporate governance and reducing systemic risk among firms. The Companies Act of 1973, as amended in 2008, explained the regulatory relationship between directors, shareholders and firms such as appointment, removal of directors and other issues relating to stakeholders of firms (Andreasson, 2007).

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In addition, Rossouw et.al (2002) revealed that the key actors that regulate companies on behalf of the government in South Africa are the Reserve Bank, the Registrar of Banks, the Financial Services Board and the Registrar of Companies. The author explained that the main function of these regulating bodies is to protect the stakeholders and the public. Moreover, Rossouw et.al (2002) explained that the financial regulatory system in South Africa comprises three main components including the regulation of financial instruments, regulation of the market in which this instrument is being traded and the regulation of those that participated in the market. Furthermore, the author documented that regulation of financial institutions is divided between the South Africa Reserve Bank, by Registrar of Banks, and Financial Services Board (FSB)

The role of institutions in corporate governance of firms in Nigeria and South Africa

The subject of corporate governance is relatively new in Nigeria, however the evolution of corporate governance for listed firms is as a result of various corporate failures, Also, the 1999 change in government in Nigeria from prolonged military regime into a new democratic administration with a policy to attract new and sustainable foreign investments which necessitated the need for corporate governance reform (Aganga 2011).This results in an established commission to review the existence, adequacy and relevance of corporate governance in Nigeria relative to the international best practices in response to the New International Economic Order (NIEO). In view of the importance attached to the institution for effective corporate governance the Federal Government of Nigeria, through its various agencies, has come up with various institutional arrangements to protect the investors' hard earned investment from unscrupulous management/directors of listed firms in Nigeria (Aganga 2011). These institutional arrangements, provided in the Code of Corporate Governance Best Practices issued in November 2003.

The main regulators and enforcers of corporate governance are the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (which register all incorporated companies). The Companies Allied Matter Act 1990, (CAMA) and the Investment Securities Act provide basic guidelines on company listing and more detailed regulations are covered in the Nigeria Stock Exchange Listing rules. The Banks and other Financial Institution Act 1991 as subsequently amended, the act empowered the Central Bank of Nigeria (CBN) to register and regulate bank and other financial institution. Also there is the Insurance Act of 2003 for regulation of insurance companies through National Insurance Commission (NAICOM).
Furthermore, other institutions such as Institute of Chartered Accountant of Nigeria (ICAN), the Association of Accountant of Nigeria (ANAN), and Institute of Directors (IoD) play various roles in promoting effective corporate governance systems in Nigeria. This occurs by enlightening their members through conferences, seminars and symposiums on compliance with the code of corporate governance practices for listed firms.

In South Africa as a result of the need for sound corporate governance practices due to political and economic transition in 1990s, the government of South Africa carried out the following reform: forceful market pressure which was brought to bear on the mining finance houses; a new role for institutional investors and voluntary compliance with the King Codes of corporate governance. The reforms also include stringent rules and requirements by the Johannesburg Stock Exchange (JSE) as the self-regulators of the equity market; innovation in disclosure and transparency which is to solve conflicts of interest among the stakeholders of corporate governance; and the Insider Trading Act (Malherbe and Segal 2001).

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The King Committee on corporate governance was inaugurated in 1992 and the first King Report (King I) on corporate governance was issued in 1994. This report was tailored toward the UK Cadbury Report of 1992 (Andreasson, 2007). The King I Report comprises the code of corporate practices and conduct and this was the first corporate governance Code of firms in South Africa. The king I Report served as a reference point for policy makers in the examination and development of legal and regulatory frameworks for corporate governance (Moyo, 2010).The king 1 Report recommended standards of conduct for boards and directors of listed firms such as financial, non-financial and state-owned companies. In addition King 1 Report suggests that all stakeholders should be involved in corporate governance practices of firms. Moreover, the main principles from the king 1 Report on corporate governance practice covered the following areas of corporate governance: the composition, role and guidance on the category for board of directors (non-executive). The King 1 report also covered appointments to the board for executive directors and guidance for maximum terms for them, determination and disclosure of directors' remuneration and meeting of board. Other areas include the balance of annual reporting, requirements for effective auditing, and codes of business ethics (Moyo, 2010).

The King II report was issued in March 2002; this report consists of new sections on sustainability, the role of the corporate board and risk management. Andreasson (2007) argues that the publication of King II Report is to show that there is a connection between economic and societal goal. This suggests that there is a relationship between economic and societal variables in shaping corporate governance reform in South Africa. In March 2010 King III Report was published, this Report focuses on the move from a complied or explained approach to a principle based apply or explained approach. The existence of better corporate governance practice in South Africa attracts more investors for strong economic development in the sub-region (Vaughn and Ryan 2006). The king III Report Code of corporate governance was applicable from March 2010 for firms in South Africa although the report was published in September 2009. Unlike King Report I and King report II, King Report III is applicable to all entities; public, private, and non-profit organisations such as Non-Governmental Organisations (NGO). The King III Report recommended that organisations should have an integrated report in place of annual reports and as separate sustainability reports in according to the Global Reporting Initiative Sustainability Reporting Guideline (Price Water House Coopers, 2009). Moreover, King III Report introduced, as global emerging governance trends, alternative dispute resolution, risk-based internal audit, and shareholders' approval of non-executive directors' remuneration and evaluation of board and director performance (Price Water House Coopers, 2009). In addition, the following are the new principles introduced as part of the corporate governance Code in the King III Report IT governance, business rescue, and fundamental affected transaction in term of director director's responsibility during mergers and acquisition and amalgamation. There are statutes which involve companies and directors that are briefly summarised in the King III Report. This includes the Public Finance Management Act and Promotion of Access to Information Act (Price Water House Coopers, 2009).

Nevertheless, in order to change the approach of corporate governance in South Africa, King III Report moves from a comply or explained approach to a principle-based apply or explained approach. This indicates those organisations are expected to explain by disclosing how the principles have been applied or have not been applied (Moyo, 2010).

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Rossouw et.al (2002) explained that the Financial Service Board (FSB) is founded as a statutory board by the Financial Services Board Act, 1990. The function of the board is to supervise the activities of non-banking financial services. In addition, to act as an adviser to the Minister of Finance, the FSB supervises the institutions and services in terms of the 16 Parliamentary Acts. Moreover, the function of FSB is assisted by the Insider Trading Directorate, Advisory Board on Financial Markets, Advisory Committee on Long and Short Term Insurance, Pension Fund and Units Trust in South Africa (Rossouw et.al 2002). The authors further explained that the financial services industry finances the FSB, the government of South Africa have no contribution toward the board activities and this may likely bring a problem between the regulator (FSB) and the market participants that the board is regulated

The role of directors in Nigerian South Africa firms

The means by which a corporation is being controlled is through the power and obligation of the board of directors. The Companies Allied Matter (CAMA) 1990 requires every private company registered in Nigeria to have at least two directors on the board of the company (Okike, 2007). In addition, according the Code of Best Practice of Corporate Governance issue by SEC on April 1st 2011 explained that director should be involved in the day- to-day operations and management of the company, in particularly they should be responsible for the department they head and should answer to the Board through the Chief Executive Director or Managing Director. Also, directors should not be involved in the determination of their remuneration. Non-Executive directors should be key members of the board; they should bring independent judgement as well as necessary scrutiny to the proposals and actions of the management, and executive directors such as issues of strategy, performance, evaluation and key appointments.

The Code of Best Practice for corporate governance in Nigeria is based on a unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role of board of directors and management, shareholders rights and privileges, and the audit committee (Aganga 2011). Consequently, the boards of directors are the leader and the controller of the company. Thus an effective board is fundamental to the success of a company (Okike, 2007). The Code of Best Practice on Corporate Governance SEC (2011) indicates that the board should be a sufficient size relative to the scale complexity of the company's operation and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility and integrity. Also, the members should always be available to attend meetings of the board, the membership should not be less than five, majority of the board members should be non-executive directors and at least one should be an independent director. In addition, members of the board should be upright personal characteristics, relevant core competent and entrepreneurial spirit, and a good record of tangible achievement and knowledgeable in board matters. They should also possess a sense of accountability, integrity and be committed to the task of good corporate governance. The board should be independent of management so that they can carry out their oversight function in an objective and effective manner.

Moreover, Aganga (2011) argues that the board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. The author also explained that there is a need for the board to be sufficient in size and have an appropriate level of commitment to fulfil its responsibilities and duties.

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The Code of Best Practices of Corporate Governance SEC (2011) revealed that the primary responsibility of the chairman is to ensure effective operation of the board such that it works toward achieving the company's strategic objectives. The chairman of the company should not be involved in day- to-day operations of the company; this should be the primary responsibility of the Chief Executive Officer (CEO) and the management team. The Code explained further that for all public companies listed with the Securities Exchange Commission (SEC) the position of the chairman of the board and Chief Executive Officer should be separate and held by a different individual. This is to avoid over-concentration of powers in one individual which may likely rob the board of the required checks and balances in the discharge of its duties. In addition, the chairman of board should be a non-executive director.

Furthermore, the Code explained the remuneration committee should consist of only non-executive directors, this is to ensure that appropriate governance structure is adopted and implement by the board. The function of the remuneration committee is to overseen the nomination, remuneration, performance management, and succession planning process of the board. The SEC Code provides a guidance on remuneration policy and practices, the code requires the board of director to oversee the development of a remuneration policy and ensure that the share option that are adopted as part of executive remuneration are not price at a discount except with authorisation of SEC. In addition, the boards should undertake periodic peer reviews of director compensation and remuneration levels. KPMG and the SEC Code (2011) revealed that the board should disclose in the annual report, director remuneration and share options including fees, allowances, all material benefit and compensation paid or provided to directors.

In South Africa, the recommendation of the King Reports is that the board members should act as the focal point for custodian of corporate governance of firms in South Africa and in the best interest of their firms. Also directors should disclose conflict where it exists and perform their duties. The King II and III Report recommended that directors should be well inducted and trained in order to be adequately guided in their various companies (Moyo, 2010). In addition, there should be regularly conduct evaluation of the board by nomination committee or board committee and individual directors to assess their effectiveness, independence and whether they are working toward the interest of stakeholders of the companies.

The King II and III Reports recommended that the board should comprise of a balance of executive and non-executive directors with a majority of non-executive directors and preferably be independent. The King III Report lays emphasises on the minimum number of directors on a board; a minimum of two executive directors should be appointed on the board, the Chief Executive Officer (CEO) and the director responsible for finance (Price Water House Coopers, 2009). The King II and III Reports also maintained that there should be separation of power between the Chairman and Chief Executive Officer (CEO) and there should be a clear division of responsibilities so that no individual has unfettered power or authority (Moyo, 2010). In addition, the King III Report explained that there should be an audit committee, risk committee, the nomination committee and the remuneration committee with supervisory functions over their respective areas. Moreover, the King III Report recommended that there should be a non-binding advisory vote which enables shareholders to express their views on remuneration policy (Price Water House Coopers, 2009).

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The role of investors on corporate governance in Nigerian and South African firms
The government and management of a company require the fashioning out aims, objectives and the appropriate strategies for their realization. As a result, shareholders are one of the strategic stakeholders that should provide checks and balances on the activities of directors. In Nigerian firms, shareholders of listed companies have the duty of monitoring the activities of management. The shareholder rights emanated from Companies Allied Matter Act 1990 which deals with investor protection and creditors and disclosure of information to shareholders (Aganga, 2011).

Moreover, Okike (2007) argues that the Nigerian Shareholders Solidarity Association (NSSA) was formed in December 1987 because shareholders in Nigeria can no longer trust auditors in protecting their interest in the corporate affairs of firms. In addition, the author believes the Nigerian Shareholders Solidarity Association was formed as a result of dissatisfaction of the investment of listed firms with the performance of direction and auditors. The Securities Exchange Commission published a Code for shareholders association, the Code specified that the board of listed firms should ensure that they deal association with transparency and strict adherence to the Code of the shareholder association. The SEC Code (2011) also explained that shareholders of listed firms should play a vital role in good corporate governance of firms' especially institutional investors and other shareholders with large holdings. The Code specified that they should seek to influence positively the standard of corporate governance of firms in which they invested; they should demand compliance with the principles of this Code. Also they should seek explanations whenever they observe non-compliance with the code. In addition, Uche (2009) revealed that shareholder activism and Codes are complementary tools with value as an important aspect of corporate governance. The author explained that the development of shareholders activism in Nigeria is as a result of changes in regulation, corporate practices, expansion in local investment and the establishment of shareholder associations by government institutions.

The aims and objectives of Nigerian Shareholders Solidarity Association (NSSA) is to promote the interests of the shareholders of listed companies, liaising with the government and Nigerian Stock Exchange (NSE) on matters of interest to shareholders and especially the Nigerian economy. Also, ensuring that there is just and equitable management of listed and unlisted companies in Nigeria (Okike 2007).

In South Africa insurance, pension fund and mutual fund firms are many and such institution exist in order to exploit the enormous economies of scale of investment process which includes the analysis, selection, and monitoring of investments (Malhere and Segal 2001 However, the King Committee Report on corporate governance is sceptical as to the role of institutional investors as a result of the insider trading problem and suggests that institutional investors may be unlikely to cooperate with one another. In recent times, the domestic institutional investors in South Africa have shifted into a new role concerning the governance of firms in which they are invested in; the large institutions have changed from a controlling interest in their investment to a role in monitoring corporate governance and performance of their firms (Malhere and Segal (2001).

Institutions, Corruption and corporate governance in Nigeria and South Africa
Nigeria has a Judiciary system that is divided into: the Supreme Court, the Court of Appeal, the High Court, the Commercial Court and the Magistrate Court. The corporation and statutory entities are regulated and supervised by various institutional bodies. For instance,

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the registration of private companies is done by Corporate Affairs Commission under the Companies and Allied Matter (CAMA) 1990; the listed firms are regulated and supervised by Securities and Exchange Commission. The banking sector and other financial institutions are regulated and supervised by Central Bank of Nigeria (CBN), Financial Reporting Council (FRC) and the Economic and Financial Crime Commission (EFCC) which are in charge of prosecution of fraudulent and corrupt practices. All of the above institutions are established to improve the legal and corporate governance system in the country (SEC 2011).

Furthermore, Nigeria has operated a culture of political patronage where the ruling political military elite do not pay attention to public accountability. Thus, the military and civilian regimes institutionalised corruption by creating an atmosphere that they are above the law (Bakare 2011, Amaeshi et.al 2006). The military and civilian rulers appointed their cronies as board of members' government agencies and private business organisations. This lead to persistent failures of corporations where there is a lack of proper accountability and as a result of institutionalised corruption in the country. Fagbadebo (2007) explained that diverse views on corruption agree that it is a bad behaviour. Also, corruption is not easy to define and it is generally not difficult to recognise when observed. As a result, the author argues that the most simple and popular definition for corruption is adopted by the World Bank which states that corruption is the abuse of public power for private benefit.

Moreover, Gray and Kaufmann (1998) define corruption to include bribery and extortion which involved at least two parties and other malfeasances that a public official can carry out alone, including fraud and embezzlement. The authors posit that people may assume that only politician in government are corrupt, most often bureaucrats provide the template for perfected corruption. Most corrupt practice is only exposed by bureaucrats when they are excluded in sharing in the process.

In Nigeria, Okike (2007) argues that the various measure taken by government to improve the investment climate and corporate governance, meant to help attract foreign investment, are commendable with the investment potential in Nigeria. However, the government effort cannot yield good results because of corruption in entire sectors in the county. The Global Corruption Report produced by Transparency International, ranks Nigeria as the second most corrupt country in the world after Bangladesh. ROSC (2004) revealed that corruption is the main obstacle to enforcement of standards and this affects the financial reporting when the auditors connive with management to defraud companies (Okike, 1996, 2004).

One of the more notable events in the recent history of corporate bodies is the corruption by the Chief Executive Officer (CEO) and other management of banks which led to the collapse of most Nigerian banks in the mid- 1990s and even recently. Also, there is corrupt corporate behaviour in non-financial firms in Nigeria such the scandal of Cadbury Plc and Halliburton. Business Codes of Ethics and Corporate Governance Code of Best Practice play an important role in driving transparency and accountability reforms, which can combat corruption. In addition, the type and quality of laws and regulations (including level of enforcement) of the countries in which the companies operate has a direct bearing to the level of corruption in a particular country (Obinatu 2006).

There are legal enforcement mechanisms established by the Federal Government to eradicate corruption in Nigeria. This include the Banks and other Financial Institutions Act 1991, the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994. Others are

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the Money Laundering Act 1995 and the Money Laundering Act (Prohibition) 2004. In 1999 the president set up two anti-graft bodies such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crime Commission (EFCC) Act 2004 in order to eradicate corruption. However, as of today corruption has not being eradicated in the country. It is still persistent in every sector of the economy (SEC 2011).

There are three events that are significant in relation to the political and business system in the history of South Africa. These include firstly; the Soweto riots of 1976 which pushed the white elite from politics and business, these riots indicated the condition under which blacks were living in South Africa. Consequently, the riots of 1976 in Soweto really indicate that the government had lost confidence in the effectiveness of the apartheid policy, business and political stability in South Africa (Malhere and Segal (2001).Secondly, In the 1970s, there was a political struggle organised by the African Labour Union in the factories and mines of large firms. However, there were mine riots and strikes by African workers at Durban factories in 1973 which ended the era (Malhere and Segal (2001).

Thirdly, in the 1970s there was a sanctions imposed on South Africa by the international community and this international isolation was increased in the 1980s. As a result, it affected most South African larger firms financially, and such firms have international connection examples are Anglo-American firms and South Africa Breweries (Malhere and Segal (2001). Moreover, political reforms started in 1986 and Nelson Mandela was released. Finally apartheid collapsed in 1994 and since the end of apartheid South Africa has been dominated by the African National Congress (ANC). The national government of South Africa is composed of three interrelated branches which are the legislature (Parliament) made up of the National Assembly and National Council of Province. In addition, there is the Executive (President) which is the head of state and head of government, the Judiciary which comprises the Constitutional Court, the Supreme Court of Appeal and the High Court. The South African government differs from other Commonwealth nations because each government level, such as the national, provincial and local have legislative and executive power and authority in their own level, and this is explained in the South Africa Constitution as distinctive, interdependent and interrelated.

Furthermore, in South Africa the corporation and statutory entities are regulated and supervised by various institutional bodies such as Financial Service Board (FSB), the Johannesburg Stock Exchange (JSE), the South African Bureau of Standards (SABS), the South Africa National Accreditation System (SANAS), the Institute of Chattered Secretaries and Administrators (ICSA), the South Africa Institute of Chartered Accountants (SAICA), and the South Africa Reserve Bank (Rossouw et al. 2002).

Nevertheless, South Africa has anti-corruption law in place, but still there are cases of corruption in both in public and private enterprises. Vaughn and Ryan (2006) posited that there are cases of private funding of political parties in South Africa and the sources of such funding are undisclosed. As a result, the author suggested that there is need for regulation of private funding of political parties. In addition, Moyo (2010) documented that corruption leads to poor corporate governance in South Africa because Transparency International in 2009 positioned South Africa at 55th out of 180 countries that were surveyed. However, in 2008, an index Ibrahim on African governance such Transparency Human Right and

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Corruption for Sub-Saharan African countries and South Africa was placed 5th out of 48 countries survey (Moyo (2010).

Economy, Markets and Investments in Nigeria and South Africa

The Nigerian economy has a turbulent history among Africa countries because the Nigeria has abundant mineral resources such as crude oil, bitumen and fertile land for Agriculture still the economy is growing. Also from 1960 to 1970 the Gross Domestic Product (GDP) recorded 3.1 per cent growth annually and during the oil boom period (1970-1978) the GDP increased positively by 6.2 per cent annually. However, in the 1980s there were negative growth rates of GDP (Ekpo and Umoh 2012).

In addition, from 1988 to 1997 the Structural Adjustment Programme (SAP) and economic liberation had an impact on the GDP by increasing the GDP at a positive rate of 4 per cent. The economy of Nigeria has not experienced double-digit inflation during the 1960s; however in 1976 the inflation rate was at 23 per cent, but decreased to 11.8 per cent in 1979, increased to 41 per cent in 1989 and increased again to 72.8 per cent in 1995. However, from 1996 to 1998 the inflation rates have reduced to 29 per cent (Ekpo and Umoh 2012).

Against this background, it seems that the economy performance was better immediately after independence and at the period of the oil boom. Thus, during the 1980s the economy was in a recession. Moreover, in 1986 Nigeria embraced the International Monetary Fund (IMF) and Structural Adjustment Programme (SAP) which influenced the economic policies of Nigeria government and led to economy reforms in the late 1980s and mid 1990s in monetary and fiscal policies, the removal of oil subsidy and financial market. Other reforms include public sector reform and full or partial privatisation and commercialisation of publicly-owned enterprises (Kolapo and Adaramola 2012). In addition, since 1999 when there has been stable democratic government up to present day, the federal government has carried out various reforms such as in the banking sector, capital market, pension and public services. This reforms programme is an attempt to put the economy in a recovery path through a reduction in inflation (Ekpo and Umoh 2012).

Furthermore, Nigeria has huge economic potential in the African continent. The country is richly endowed with human and natural resources with about 160 million people and with an internal market that has no rival within the African continent (Bala 2003). Nigeria is ranked as the sixth major producer of oil in the Organisation of Petroleum Exporting Countries (OPEC) and has numerous solid mineral deposits such as coal, bitumen, gypsum and precious stones. Also there are industries such construction, pharmaceuticals, food processing and other manufacturing industries. Yet despite the huge resources in the country, Nigeria has not been able to achieve a high level of economic growth or been able to attract a high level of Foreign Direct Investment (FDI) in relation to the level of economic potential that exists in Nigeria (Ekpo and Umoh 2012).

There are major factors underpinning the economic growth and Foreign Direct Investment (FDI) in Nigeria this includes; over-dependence on the oil sector, which accounts for 95 percent of foreign currency income and 80 per cent of the national budget. Also, the national deficit and foreign debt caused by free-spending, poor implementation of economic policies under past military regimes, and corruption. Other factors are unstable regulatory and institutional environments and insecurity in the country (Bala 2003). The latter author explained that in order to bring Nigerian investment into a more competitive position for

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foreign direct investment (FDI) and to ensure free transfer and repatriation from Nigeria, the Federal government has legislated two laws. These laws are the Nigerian Investment Promotion Commission (NIPC) Act 16 and the Foreign Exchange (Monitoring and Miscellaneous provision) Act 17 which were enacted in 1995. This is to allow foreigner have 100 per cent ownership of their business and repatriate their capital if they decide.

The Nigerian Investment Promotion Commission (NIPC) is an agency of the Federal Government with a statutory mandate to co-ordinate, monitor, encourage and provide necessary assistance and guidance for the establishment and operating enterprise in Nigeria. The function of the commission is to plan and support measures which can enhance the investment climate in the country for both domestic and foreign investors. In addition, the commission also promote investment within and outside the country through effective promotional means and disseminating current information on incentives available to investors (NIPC 2012).

A recent report by Bello (2012) indicate that despite the infrastructural, security and other challenges the country foreign direct investment (FDI) inflow into the country increased from $1.309 billion in the third of quarter 2011 to $1.574 billion in the last quarter of that year. This result suggests that there is still confidence by foreign investors despite the challenges the country is facing at present. In addition, Bello (2012) also found that portfolio investment reduced from $1.130 billion in third quarter of year 2011 to $1.13 billion during the period, this is evidence that Nigerian capital market is responding to the global economic shock.

South Africa was totally isolated from the globally economy from1961 to 1994. As a result of the political environment (apartheid),the United Nations excluded South Africa from involvement in international organisations, this amounting to imposing economic and trade sanctions against South Africa (Vaughn and Ryan 2006). In 1986 there were political reforms which led to the collapse of apartheid in 1994. This led to the lifting of sanctions imposed by the international community on South Africa. Thus, market pressure and the global economy, South Africa introduced key reform initiatives because of the need for sound corporate governance so as to attract foreign investment. Such key initiatives are the King Reports on corporate governance, Insider Trading Act and revised listing requirements for the stock exchange (Vaughn and Ryan 2006).

Moreover in the 1990s the economy of South Africa was central on mining finance houses. As a result the mining industry has been the centre of the South Africa investment output and export performance since late 19th and 20th century (Malhere and Segal (2001). The finance house was formed in the late 19th and 20th century to exploited Johannesburg gold deposits and finances the national gold mining industry and diamond industry pioneered coal and platinum industry. All these are sources of funds for the manufacturing based of South Africa (Malhere and Segal (2001). In addition, the finance mining house is also like main source for development of South African capital and money market. It also has investment in most of South Africa's largest banks. Apart from this, the sources of equity are from strong non-banking financial institutions such as pension funds, and life insurance companies which developed early and were diverted to a large part of household saving equity. Consequently, equity plays a central role in new funding of non-financial firms in South Africa (Malhere and Segal (2001).

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Furthermore, since 1994 South African economic performance has been better. It is the largest and most developed economy in Africa, with 40 percent of income in Sub-Saharan Africa (Vaughn and Ryan 2006). However, economic growth remained low with high unemployment and many South Africans in poverty in comparing with some emerging or developing countries. In order to solve some of the economic challenges in South Africa, there was a programme founded after democratic transition in 1994 which was known as Black Economic Empowerment (BEE). The objective of this programme is for society to shift the racial distribution of income, wealth and economic power. As a result, labour, licensing procurement and civil services make sure that all their policies are reflected with (BEE) objectives (Malhere and Segal (2001).

Ownership Structure of Listed Firms in Nigeria and South Africa

During the colonial period when the British were ruling the country, Nigerian corporations are dominated by foreign owners. As a result, the Federal Government of Nigeria promulgated a law in regard to indigenisation of foreign owned enterprises which was the Nigerian Enterprises Promotion Act 1972 and 1978 as well as the Foreign Exchange Act of 1962. Thus, prior to that the listing requirements were not attractive for more companies to be listed on Nigerian Stock Exchange (NSE). Consequently, indigenisation allow more companies listed on Nigerian Stock Exchange (NSE) because there were sales of equity shares held by foreigners in publicly quoted companies and more Nigerians were able to purchase these shares (Okike 2007).

Moreover, Nigerian scholars have expressed their doubt as to whether the Nigerian Enterprises Promotion Act 1972 have any significant effect on corporate governance especially whether there is any effect on ownership structure of the firms in Nigeria (Yerokun, 1992 and Ahunvan, 2002). The latter authors argue that the enactment of Nigerian Enterprises Promotion Act 1972 and 1978 as well as the Foreign Exchange Act of 1962 did have significant effect on ownership structure of Nigerian firms and corporate governance. The main area where ownership was affected was through the provision of 100 per cent foreign ownership in various sectors. As a result many foreign firms have to divert their shareholding in order to meet the requirement. In the end the Federal Government purchased the majority of the diverted shares because there was no sufficient domestic investment fund available as that time (Ahunvan 2002). In addition, the remaining of the diverted share that is not purchased by federal government was purchase by some few very wealthy Nigerians (Akinsanya 1983).

Furthermore, as a result of government's macroeconomic policy and legislation on foreign ownership the Federal Government actively involved in productive activities, owning industrial, commercial and services provision in corporation. This involvement can be either sole or joint venture with foreign or local investors. In order hand it may be foreign investors continue to operate as majority (controlling) partner with government and local investors. Also, it may be local investors working either as minority partners with foreign investors or through small family firms (Ahunvan 2002). However, in the publicly listed firms in Nigeria foreign investors (as minority) may operate with local investors in the industrial and commercial sectors, and then there are some instance where the minority are the government, foreign investors, and the majority is the local investors this common in the financial sectors. Moreover, the finding of this study will definitely reveal the problem of ownership structure in relationship with corporate governance system in Nigeria.

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In the 1990s most foreign investors come back to the South African capital market; however there is resistance from the people as a result of their return. However, with the new political climate on ground that initiated the programme Black Economic Empowerment (BEE). Emphasising the need for rapid black economic empowerment, this initiative allowed black investors group to gain control of listed firms (Malhere and Segal (2001). In August 2000 the South African government pronounced a privatisation policy of major state owned enterprises (SOEs) with the aim of assisting poor South Africans and the economic development of South Africa (Malhere and Segal 2001). In the mid-1990s the number of firms (excluding pyramid holding companies) listed on the Johannesburg Stock Exchange (JSE) Securities Exchange was reduced from 696 to 610. Moreover, one of the requirements for listing on the Johannesburg Stock Exchange (JSE) Securities Exchange is that the companies must have at least 500 shareholders and by November 2000 there were 620 companies listed on the JSE with a total market capitalization of R1575billion on JSE Securities Exchange (Roussouw et.al 2002).

Furthermore, on the issue of control of companies listed on JSE Securities Exchange, 56.2 per cent of market capitalization of the Securities Exchange as at November 2000 was in the control of four companies, namely Anglo American Corporation, Sanlam, South Africa Mutual and Rembrandt (Roussouw et.al 2002). The authors argue that as a result of various business reasons foreign investors tend to invest by wholly owned private or public companies that are not listed on the South African stock market. In addition, black groups in South Africa control about 5.6 per cent of the market capitalization as at November 2000. This evidence shows that the Black Economic Empowerment programme has failed to reached the goal prior to 1998 (Roussouw et.al 2002). The authors also reveal that there is an indication from Ernst and Young in 2001 that old the method of attaining control by pyramid structures and ‘’N’’ shares are not popular with shareholders and the JSE Securities Exchange also prohibited the methods. However, Malhere and Segal (2001) suggest that for South Africa to attain a robust market control there is need for more action such as strengthened regulation and institutions that monitor taker over, the board members, especially independent directors, there is need for them to be trained on their obligation and duties on the issue of take-overs.

In sum, South Africa has the largest and most developed economy in Africa, generating about forty per cent of the income in Sub-Saharan Africa. As a result, in recent time South African firms faces challenges through constitutional and labour legislation with a common underlying theme of corporate governance reform that enhance the flow of foreign fund into the economy (Vaughn and Ryan, 2006). These corporate governance reforms such as the King I, II, III Reports on corporate governance, Insider Trading Act 1998, Stock Exchange Act of 1995, and Companies Act of 1973 (as amended Act 2008). Also South Africa Broad Based Black Economy Empowerment (BBBEE) Act 2003 all these reforms and Act promulgated for firms is tailored to enhance the growth of the economy of South Africa. In addition, there are deep equity cultures in South Africa to the extent that some of the assets of non-financial listed firms are funded from the proceeds of equity issues more than half of the assets growth in technology, media and communication companies are funded from equity issues (Malhere and Segal, 2001).

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Table 1.1: summary of the corporate governance institutions, politics, corruption,economy and ownership structure in Nigerian and South African firms

Characteristic	Nigeria	South Africa
Institutional bodies/Agencies	Legislation is based on Companies Allied Matter Act (CAMAD) 1990 There are major reforms of corporate governance such Code of corporate governance by SEC in 2003, CBN 2004 for banks SEC 2011, and establishment of Financial Reporting Council (FRC) There are multiple Code of corporate governance best practices	Legislation is based on Companies Act 1973 There are major reforms such as King Report I, II, and III Code of corporate governance. There is Reform of JSE and Insider Trading Act 1998.
Institutional bodies/Agencies	Securities Exchange Commission (SEC), Nigeria Stock Exchange (NSE), Corporate Affair Commission (CAC), Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), Financial Reporting Council (FRC) Institute of Directors IoD), Association of Corporate Governance, Institute of Chartered Accountants of Nigeria (ICAN), Association of Shareholder of Nigeria (ASN)	Johannesburg Stock Exchange (JSE), Financial Services Board (FSB), South Africa Reserve Bank Institute of Directors (IoD), South Africa Institute of Chartered Accountants (SAIC), South Africa Institute of Chartered Secretaries
	The same as it explain in Code	The same as it explain in King I. II

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Code or Guideline of Corporate governance on regulatory framework	of best practices issued by SEC	and III Report Code of corporate governance
Enforcement of Corporate governance	Weaker enforcement due to absent of strong instructional/agencies bodies	More enforcement due to stronger instructional bodies/agencies
Ownership structure	Ownership is concentrated	Ownership is concentrated
Number of Listed firms in Stock Exchange	Many firms (206)	Many firms (620)
Code or guideline on board structure, management and role of the board of directors	The same with other countries	The same with other countries
Code or Guideline of corporate governance on role of auditors and audit committees	The same with other countries	The same with other countries
Code or Guideline on corporate governance on remuneration of the directors	The same with other countries	The same with other countries
Institutional Investors	There are institutional investors	There are stronger instructional investors
Shareholders association	Yes	Yes, but not active
Politics, government and corruption	Previously military rule, for the past one decade stable democratic rule There is corruption	Previously apartheid for the past two decades stable democratic ruler There is corruption
Economy, markets and investments	Largest market because of population, abundant natural resources such as oil and agriculture	Strongest economy and capital market in the sub-region, depend on mining industry

CONCLUSION

In terms of board structure, Nigeria and South Africa are using a unitary type of board structure. South Africa board structure is in King I, II and III Reports that contain the Code of corporate governance. While in Nigeria the structure of the board are embedded in the Codes

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of best practice of corporate governance. The Codes are issued by the Securities Exchange Commission (SEC); it has the same contents on the structure, role and responsibility of the board of directors. The companies' law and legal system are the same because Nigeria and South Africa originated their common law in British common law.

Furthermore, corruption is common in developing countries and as a result, Sub-Saharan Africa Anglophone countries such as Nigeria and South Africa cannot be excluded from corruption. This study revealed that one of the contributing factors that make corporate governance of firms in South Africa not to meet with international standard is as a result of corruption. Also for South African corporate governance to meet the international standard there is need for the government to deal with their local challenges such as financial crime, fraud within the private and public sector, and money laundering. In addition, socio-political corruption has been an obstacle to economic development in Nigeria because corruption is being institutionalised and Nigeria is ranked high in the global corruption index.

We find that in Nigerian and South African firms there are institutional shareholders, however they are stronger in South African firms than Nigerian firms. Also shareholders association in South Africa are not active compared with that of Nigeria. In addition, South Africa have a stronger institutional framework of corporate governance than Nigeria, this really provide an evidence to show that corporate governance practices in South Africa seems to be better than Nigeria. Generally, we find that corruption and bribery, politics, economic and ownership structure influence effective corporate governance practices in each country.

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