Compliance with Regulations: Path to Adequate Corporate Governance in the Nigerian Banking Industry for Business Sustainability and Enhanced Financial Performance

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Abstract Compliance with regulations remained a significant impediment in the financial industry globally, especially in the Nigerian Banking Industry. Corporate governance is obligatory, but adherence to rules is a puzzle in the banking industry, which has impacted on the investors and financial performance considering fines and penalties incurred by the banks where sanctioned. Regardless, compliance issues are global, and regulation needs improved regulatory momentum in the Nigeria financial sector to ensure no ambiguities in the rules of law for its useful understanding and implementation. Consequently, in the current global market, compliance is the only language to fortify the financial industry from any future collapse due to the disposition of the corporate financial leader to their business and codes of corporate governance. The purpose of this qualitative exploratory multiple case study was to explore compliance mitigants corporate financial leaders need to implement to ensure adherence to regulations to enhance business sustainability and organizational financial performance. The banking industry is one of the pillars of the economy; however, in Nigeria, average depositors feared the bank due to the constant failure of the banks. So, the importance of this paper is to contribute to the issue of compliance and its management to avoid an impending collapse in the industry. The sample for this study was 18 corporate financial leaders and regulators with at the least ten (10) years of banking and regulatory experience at the top management level involved in strategic positions with a varied portfolio in the banking industry in Nigeria. The Agency theory served as the conceptual framework for the study. Data collection included semi-structured face to face interviews and review of circulars and policies issued by regulators and internal policies of the banks. Data were transcribed, analyzed, and validated using member checking and triangulation. The Participant signed an informed consent form before the commencement of the data collection. The finding revealed that compliance is improving in the Nigerian financial industry. However, there are still issues of noncompliance and problems related to conflict of interest until 2018 which affects the financial performance of the banks on the long run and may lead to financial distress supported by Agency theory as the conceptual framework. The regulators may use the findings to improve on their supervisory, monitoring strategy and guard ambiguity in regulations to ensure that corporate financial leaders are not just complying with the part of the code they are comfortable with but all aspect of the codes of corporate governance and the implementation in alignment with best practices globally. The corporate financial leaders may use the findings to curb the strategies that could impact on their business to the point of collapse and imbibe the spirit of the code to ensure the company adhered to regulations for sustainability and going concern of the company to enhance their financial performance for improved reputation to attract potential investors.

Keywords: corporate governance, compliance, financial performance, fines, sanctions, regulatory momentum, mitigating, financial distress, agency theory, noncompliance, conflict of interest


1. Introduction

Compliance is the processing of obeying and applying the rules and regulation governing business operations in all dealing with the organization. Regulatory compliance concerns the entire mechanism that a firm needed to know and its conformity with the rules of law and regulation. Adherence to the rule of law has turned ubiquitous and increasingly an issue for businesses globally in the financial world inclusive of Nigeria, the banking industry
(Adegbite & Osemeke) [1]. Flouting compliance, the corporate financial leaders steered the Nigerian banking industry into a significant crisis in 2008 that affected investors and the entire nation with the havoc caused due to their misconducts. Financial Sector plays a pivotal role in the economy of countries, especially developing nations, due to their intervention towards the growth of industries. According to Olasinde [2], the financial sector is the oil that lubricates the treasure of the economy, by lending capital required for the provision of goods and services. However, where the banks are collapsing due to the issue of compliance, the economy is at risk. The banking industry and other financial institutions in Nigeria as well encountered distress in 1980 and 1990, leading to the Failed Bank (Recovery of Debt) and Financial Malpractices in Banks Act, which sought to correct the failure of the banks and retrieve the debt from the perpetrators (Isaac) [3].

The bad governance in the Nigerian banking industry made the CBN bail out the distress banks with $4 billion in 2009 and nationalized three banks that were unable to raise the required minimum capital for the continuation of their business (Isaac) [3]. Bank failure dated back 1930's in the Nigerian financial sector (Ajibo) [4]. Several banks collapsed in 1999, while some were at the verge of chaos, the regulatory agencies took over others due to signs of distress (Ugoani) [5]. Before 1999, a similar issue occurred in 1996, where 47 out of the 115 banks in Nigeria failed. (Ugoani) [5]. Furthermore, Igbatayo [6] affirmed that the Nigerian economy proved vulnerable very early in the global economic crisis. Sanusi, [7] the governor of the CBN, reported the Nigerian economy fluctuated and suffered by the financial crisis, which destroyed 70% of the stock market in 2008-2009. The financial crisis that affected Nigerian banks were due to compliance with corporate governance principles (Eluyela et al.; Oyerinde) [8,9].

Several banks in Nigeria experienced enormous losses from their exposure to the capital market and the downturn in oil and gas prices. Adularele and Ajiboye [10] noted that the CBN Governor identified eight factors that contributed to the crisis in the Nigerian banking industry after consolidation. The factors include: instability caused by high and unexpected capital inflow; lack of corporate governance in the banks; inadequacy in investors and customer communication; lack of disclosure and transparency of the banks’ financial status; severe gaps in regulatory frameworks and regulations; an imbalance between supervision and implementation, disorganized governance processes at the CBN, and a weak business environment.

The constant failures in the banking industry and the SOE revealed that compliance is an enigma in Nigeria (Isaac) [3]. Despite the widely acknowledged financial crisis of 2008/2009 worldwide and the regulators measures with oversight to ensure compliance in the Nigeria financial industry, CBN nevertheless intervened in the going concern of Skye bank in 2016 due to signs of weakness, and Bank the ultimately collapsed in 2018 due to poor governance, recklessness of the management, lack of compliance to the rule of law and persistence failure of the bank to meet minimum thresholds in critical prudential guidelines and capital adequacy ratios according to CBN [5]. While many Nigerian investors and depositors gasp from the crisis that precipitated in the collapsed of five banks in the country due to poor governance the issue of non-compliance to the rule of law still looms in the Nigerian banking industry. The approach to destruction for Skye bank was expounded by the deficiency of the executives to comply with the essentials of the bank management policy stringently. (Daily Trust “Who Ruined Skye Bank,”) [11]. Further, Insider abuse relating to a loan granted to four (4) persons and executives of the Bank amounted to “N446 billion “with millions of naira rerouted for personal use according to Daily Trust [11].

Exaggeration of the significance of corporate governance in a developing country such as Nigeria is impossible (Kasum & Etudaiye-Muthar) [12]. The corporate scandals in Nigerian banks were due to non-compliance to corporate governance principles, which have generated more concern about the purity of the banking industry (Okpanachi, Joshua & Taurid) [13].

The deficiencies in the internal checks mechanism of Nigerian banks affects compliance with regulations (Taiwo et al.) [14]. Adegbite and Osemeke [1] imply that the ambiguity between different codes promotes diminished compliance by organizations and inept execution by regulatory authorities that stymie adequate corporate governance in Nigeria. Implementation issue for financial scandals is the absence of synergism between regulators saddled with the examination and regulating the financial misconducts (Anand) [15].

Governments globally adopted the strategy of reforming their regulations and code of corporate governance for its unhindered execution (Tariq and Abbas) [16], on businesses and its leaders because of the issue of compliance to the code of corporate governance. The Central Bank of Nigeria came up with the code of corporate governance to improve effective governance in the banking sector (Isaac) [3]. Recently, banking industry is confronted with an increased assumption of their adherence to the rule of law to form a critical aspect of their business (Prorokowski & Prorokowski) [17]. After the financial crisis, the CBN has issued various circulars to guide financial leaders on the expectation of the business in line with regulations (CBN) [18]. For CBN, issuing circular is an ongoing process mostly when the Apex noticed infractions in the business dealings of the bank.

In the wake of crisis and non-compliance to the current codes, the Financial reporting Council drafted a National Code of corporate governance to guide both public and private businesses. For its exhaustive implementation, the code is structured for harmonization in the Nigeria climate. The drafted code became necessary after the impact of the collapse of businesses and banks in Nigeria on the nation and its depositors of which until recently affected Skye Bank, that makes the necessity of the code. The Financial Reporting Council formerly launch the National code on January 15, 2019, to address the issue of corporate governance and its enforcement for businesses in Nigeria, including financial institutions. Sufficiently, Nigeria has regulations that should have protected businesses, but its execution suffered setbacks because of interference and lack of enforcement that could curb the misconducts of the executives. Deficient controls could inflate the cost of compliance for organizations and related partners, leading
to unnecessary complications and affiliated apprehension on regulatory requirements and deplete the capacity of the government to attain its goal (Kirkpatrick) [19].

The reform of the code of corporate governance and essentially its implementation conformed with what other countries had done after the collapse of significant businesses by exploring several enforcement approaches (Tariq et al.) [16]. It is, however, essential to mention that companies dredge compliance with regulations. Notable, compliance is factually considered a strain, while evidence revealed that organizations have to begin to perceive regulations as a possibility to enhance their organizational business and performance (Sadiq & Governor) [20]. In a related context, Tariq et al., [16] and Reddy and Sharma [21] opined that in developing countries immense empirical proof in developing and developed nations that adequate corporate governance can precipitate or steer enhance financial performance and interest of the stockholders by claims to additional funds, curtailing the cost of fund.

Compliance means tailoring the business processes and operations of the organizations towards the set regulations and rules guiding the business, in my opinion. Worth asserting is that compliance now represents dawn in corporate governance (Griffith) [22]. The FRC [23], noted that the Nigerian code of corporate governance 2018 is a code of behaviour. The approach to the new code is “Apply and Explain,” which is unique in Nigeria. Whether the organization will conform remained a future discussion as the code come into existence and entirely in operation effective January 2019. Corporate governance is the only prevention to distress in the banking industry, where appropriate and decently enforced with practical adherence to the principles and faithful execution of authority in a cautious way (Ikoh) [24] in Nigeria. Corporate governance in Nigeria is of high importance to the investors as well as the economy of the country (Adegbite & Nakajima; Yakassai) [25,26]. As investors are now increasingly aware of the intricacies of corporate governance, to retain their market share and eventual profit, the banking sector must strictly adhere to the rules, regulations, laws, and requirements expected of their management by the regulators (Ikoh et al.) [24].

Although corporate governance in Nigeria is evolving, its objective is to ensure principled guidelines and reinstating accountability and transparency (Okeke, Abu & Anyanwu) [27]. Nigeria adopted its foundation of corporate governance for the banking industry from the OECD principle of corporate governance and the Basel Committee on Banking Supervision. (Isaac) [3]. However, the peculiarity of the Nigeria business climate has made the theory of corporate governance in Nigeria uncertain, but to an extent, agency theory and stakeholder theory can be adjudged to dominate Nigeria corporate governance (Adegbite) [28].

Recently, some scholars explored Institutional theory as a solution to corporate governance in Sub-Saharan countries, especially Nigeria (Nakpodia et al.) [29]. As much as the institutional approach is making a case as the problem of corporate governance in Nigeria, the in-depth of noncompliance issues are human in nature and lack of strict enforcement by regulators as resulting from effects of conflicts of interest, thereby cannot be added to be Institutional issues in absolute. There are rules and codes of governance that guide businesses in Nigeria covering all sector of the economy such as CBN and SEC code, but it remained a puzzle that complaint has not measured up to expectations in all industries due to human acts. The importance of the hindrance of the legal standards of corporate governance does not lead to the assurance of its enforcement (Adegbite et al.; Nmehielle & Nwauche) [28,30]. As Nigeria regulations climates gravitated towards a stricter code through “apply and explain” and its implementation residing with industry regulators entrusted to enforce proper sanctions where anomaly existed and supervised by FRC according to Financial reporting council) [23], we may begin to experience new dawn of compliance in the climate.

Nonetheless, in the case of Nigeria, Agency theory is presumably entrenched in the outcome of noncompliance in the banking industry and other sectors of the economy drawn from conflict of interest of the executives and the act of personal wealth enrichment to satisfy their own needs as seen in most banks failure cases. Individuals are propelled by innate, and external rationale inducement not limited to cash enrichment (Sutinen & Keith) [31]. Due to the influence of these theories, there are diverse perspectives on corporate governance in a developing economy such as Nigeria (Nakajima et al.,) [25]. The upshot of non-adherence with governance is now vanguard for those accountable for encouraging the Nigerian banking industry continued safeguarded and preserved (Breaux, Vail & Antom) [32].

Based on several financial choas in the banks that resulted in bad corporate governance and insider dealings, it has become imperative to study the strategy that may improve the best practices and ensure compliance and implementations of regulations in the Nigerian banking sector to avert a further crisis. This study departs from the usual discussions on the need for corporate governance because there can be several codes of corporate governance, but where the drivers failed to comply there is a need to examine the root cause to align compliance with adequate corporate governance. Where the governance codes are instituted, its enforcement is critical to the solution to achieve the purpose of the code to ensure compliance to tame the corporate financial leaders’ misconducts. Due to the growing concern on the adverse consequences of non-compliance to corporate governance, which has resulted in banks collapse and loss to investors, there is increasingly advocacy for compliance to regulations as a crucial adoption for governance implementation to foster strong financial performance. This paper focuses on the importance of compliance to regulations and the need for improved regulatory momentum to institute appropriate corporate governance and its implementation to achieve compliance in the Nigerian Banking Industry. The rest of the paper proceeds with Conceptual Framework, review of literature relevant to compliance and regulations. After that, the methodology pertinent to this study was discussed and followed by discussions of findings. Then the application to practices and Recommendations and conclusion.
1.1. Conceptual Framework

The conceptual framework for this study was the agency theory. Agency theory affirmed that agents are subjected to the contracts with the principal to carry out an assignment on its behalf. The agency theory involved connecting various facet of corporate governance with organizations performance (Filatochev & Wright) [33]. The fundamental idea embraced by agency theorist is that in any position, managers may not operate to maximize investors returns as opposed to their self-interest, except proper governance systems (monitor cost), are employed to safeguard the interest of the investors (L’Huillier et al.; Jensen et al.) [34,35]. Agency theorist asserted that to curb the managerial exploitation and its harmful consequences on performance, and investors could employ a diversity of corporate governance mechanisms (Wright et al.) [33].

The postulations made through the agency theory may indicate that the relationship between the principal and the agent is a contractual agreement (Brandas) [36]. The principal contracts the agent to complete an assignment on the principal’s behalf (Brandas) [37]. The accessibility of information by the agent’s about the business can often be superior to that of the principal. This information asymmetry can negatively affect the capacity of the principal to monitor whether agents are adequately protecting the principal’s interest (Sarenz & Abdolmohammadi) [38]. According to agency theory, the main problem of corporate governance is guaranteeing that managers will represent the interests of the investors above their interests (Brandas) [37]. Sarenz, Abdolmohammadi, and Lenz [39] noted that agency theory assumes principals and agents perform reasonably and use contracts to maximize their shareholders’ wealth.

Yang [40] defined governance as a mechanism to resolve the agency problem. Swamy [41] also presents governance as decision-making techniques in replacement of contracts between owners and managers. Inam and Mukhtar [42] noted the definition of Shleifer and Vishny [43] as the means through which investors in a firm assure each other of the profit on their investment.

According to L’Huillier, Millstein [34,44] defined corporate governance from the agency view of the techniques in which the executive’s authority is observed and held to increase firms and shareholder's profit reasonably. Abraham [45] posited that corporate governance guarantees managers would deliver a reasonable return to their investors. L’Huillier [34] noted that agency theorist considered corporate governance as a fundamental contingency of a few measures of control to curb the actions of agents (managers). El-charaani [46] concurred that to lessen agency conflict; corporate governance must be developed as a technique that presents directions and rules to align diverse interest, mainly the manager’s interest with that of the shareholders.

The present financial crises cut across all sectors of the economy globally, with more impact on the banking industry. Oghoghomhe and Ogbeta [47] noted that the collapse related to corporate governance affects diverse organizations with consequences mostly on profit generating companies such as banks and has grown into problems of international importance. Corporate governance is the manners in which business and affair of individual organizations governed by the top management of an organization.

However, corporate financial leaders have departed from their obligations to safeguard investors funds into the application of conflict of interest in executing the strategy of interest by failing to imbibe the spirit of code for steadfast implementation of adequate corporate governance. Kasum et al., [12] depicted that deficiency in corporate governance described by agency problem was the primary cause of the financial crisis in Nigeria.

Reddy et al., [21] attributed the financial disaster of 2007-2009 to the deterioration and shortcomings in corporate governance implementation. Shivaram, Srinivasan & Wong [48] asserted that the global financial crunch could to significantly attributes to declining and weaknesses in corporate governance disposition and directors supervising the corporate financial leaders. The effects of the collapse of the principal-agent relationship in the Nigerian financial sector, specifically in the banking industry, cannot be overstressed (Kasum et al.,) [12]. Kasum et al. [12] posited that the agency problem is predominant among the executives and investors in the banking industry, and remedy is possible in systematic practice and incentive contracts or support from banks regulatory agencies.

Using Agency theory, Adewale [49] reasoned that in a country like Nigeria, where corruption is endemic, a process of corporate governance must ensure accountability. A culture to strengthen the governance of the firms must be in place. Gottschalk [50] suggested that parties often commit to an agency relationship in a contract, and this arrangement can lead to white-collar crime and severe consequences for a company. In the study of corporate leaders involved in white-collar crime, Gottschalk [50] found financial misconduct of the corporate leader is the crime associated with the most severe consequences for a company. The agency problem presumes that organizations run the risk of situations involving deficient reports and ambiguity (Mulili & Wong) [51]. However, corporate governance issues in the global banking industry have often revolved around the conflict of interest of the manager when he or she pursues personal objectives rather than the objectives of the owners of the business.

In their study, Hassan and Halbouni [52] highlighted that principals adopt a corporate governance mechanism to monitor agent conduct. The underlying concept of agency theory is that corporate governance mechanisms can check executive behaviour, minimize the potential for corporate leaders to serve their interests by exploiting information asymmetries, and propel leaders to act in a manner that maximizes investors’ wealth to improve organization performance (Hassan & Halbouni) [52]. As a step further, Hassan and Halbouni [52] noted that corporate governance is a set of mechanisms used in an organization to solve agency problems.

Godos-Díez, Fernández-Gago, and Martínez-Campillo [53] observed managers often do not operate to maximize shareholders’ return unless there is an execution of proper governance systems to protect the interests of the investors. Agency theory argued that discrepancy in the interest of the corporate leaders and investors induces executives to
engage in the deal that is expensive to investors (Garuba & Otomewo) [54].

Wijayat and Hermes [55] stated that agency theory steadily persists as the focal point for structuring any corporate governance framework dated the emergence of Jensen and Meckling (1976). Other opinions have contributed to understanding the issues concerning corporate governance as it relates to banks. However, only agency theory provides an adequate framework to understand the inherent conflict of interest’s agents have and the problem of opportunism as depicted in the self-enrichment and corporate misconduct that rocked the Nigerian banking sector.

Despite the acknowledgment of agency theory as the prevailing model of corporate governance, some scholars have challenged the idea in support of other theories (L’Huillier) [34]. Regardless of the critics, agency theory has steadily advanced, and managers have increasingly merited consideration as shareholders’ agents (Segrestin & Hatchuel) [56]. Godos-Diez et al. [53] noted stewardship theorists, by contrast, regard managers as stewards of organizations. Stakeholder theory takes a broader perspective, advancing the view that the profitability of an organization is too restricted a target and organizations must consider other factors, such as workers, suppliers, clients, and the public (Mostovicz, Kakabadse, & Kakabase) [57]. Nevertheless, the objective of the company is sustainability (Mostovic et al., [57].

The fact that Nigeria has a new national code does not guarantee that the manager will not depart from its line of business to protect investors. Sarka [58] asserts, in recognition of governance as an agency problem, under the current combined code of applying and explain, there will be some organizations manager that will act in their own best interest as against the benefit of the investors and justify their improper decisions in their explanation to the regulators. The driver of bad governance in the Nigerian banking industry has continued to hover around conflict of interest, the quest to acquire wealth at the detriment of the business owners or depositors. Lack of Integrity and non-adherence to regulations impact the financial crisis created by most of the management of the Nigerian banking industry. The inculcation of the act of business ethics in responsiveness to the rule of law and best practices is essential to business managers to thread the path of adequate corporate governance in Nigeria climate.

2. A Review of the Professional and Academic Literature

2.1. Nigerian Banking Industry and Financial Crisis

The first licensed bank in Nigeria, previously known as the African Banking Corporation, now the First Bank of Nigeria, commenced operation in 1892 (Ajibo) [4]. Since then, the number of banks in Nigeria has surged (Ogunjiua & Obiechina) [59]. Nigerian banks control 90% of the financial assets and most of the nation’s stock market (Nwagbara) [60]. Nwagbara [60] noted that financial misconduct in the banks affects the Nigerian economy because of the bank’s significant impact on the economy. Mistrust plagues corporate governance in Nigeria’s banking sector, lack of principles, unethical management, and corporate ignominy among its chief executives and managers (Nwagbara) [60].

Ikor, Nsien, and Nicholas [24] noted that the collapse of banks is not a new phenomenon in the Nigerian banking industry. The reports indicated that 124 banks were distressed in Nigeria previously. The Nigerian financial sector witnessed turmoil during the 1990s and the fall of many financial institutions, which severely eroded investors’ faith in the banks (Adegbite) [28]. In 1997, extensive mishandling of funds because of credit extended to executives, directors, and relations with the chief executive led to the expulsion of 26 banks in Nigeria (Oghoghomhe & Ogbeta) [47].

In 2004, the CBN assessed 62 banks as healthy and satisfactory, 14 as negligible, and 11 as unhealthy; two of the banks failed to make any return to the CBN during the review (Ogujiuba & Obiechina) [59]. Oghoghomhe and Ogbeta [47] noted that some of the chief executives offered credit to their families and acquaintances without sufficient collateral. The executives approved payments and transfers to authenticate the transactions. The financial crises in the Nigerian banking industry mainly resulted from bad leaders in the banks (Oghoghomhe & Ogbeta) [47].

To fortify the financial system of Nigeria and enhance the banking industry, the CBN initiated a merger in the sector in 2004 (Ogujiuba & Obiechina) [59]. The banking sector lost 74 billion nairas of public sector funds because of the reforms (Isaac) [3]. Ogujiuba et al. [59] informed that the CBN increased the minimum capital base of the banks from the initial 2 billion nairas to 25 billion nairas by 2005.

Ajibo [4] stated that this reform led to the reduction of banks from 89 to 24, lowered funds from $9 billion to $3 billion, to meet the new capital requirement of the CBN. Okereke et al. [27] reported that the 2007 trouble and the ultimate failure of the banks were because of issues of poor corporate governance. A study conducted by the Nigerian Deposit Insurance Corporation (NDIC) in 2003 outlined the circumstances that provoked the distress in Nigerian banks and attributed 51.1% of the problem to transparency, ethical conducts, and competency issues (Okereke et al.,) [27]. Changes became necessary to protect the wealth of the investors as the state of corporate governance in Nigeria banking sector became the first worry to the regulators (Adegbite; Nakajima et al.,) [28,25].

The CBN reviewed code of corporate governance for banks and produced the 2006 code for commercial banks in Nigeria (Isaac) [3]. The rationale for the institution of the code of corporate governance included improvement, to supplement and strengthen the performance of other current rules in the Nigeria banking industry (Isaac) [3]. The legal standards of corporate governance, although they still need enforcement. Adegbite [28] noted that the improvement of corporate governance in Nigeria led to the development of the Security and Exchange Commission Code in 2003 when subsequently revised in 2011 with contributions from various stakeholders, including the CBN, NDIC, and Corporate Affairs Commission of
Nigeria. The SEC code was principle based while the CBN code for corporate governance of banks is rule-based (Adegbite) [28].

Before the banking reform, several banks in Nigeria affected the CBN’s capacity to institute effective monitoring of the banks for adequate compliance (Adegbite) [28]. Despite its inability for proper supervision of the banks, the CBN continued to indicate its dedication to eliminating board and managerial misconduct (Adegbite) [28]. The composition of the CBN code expected to resolve fundamental problems in the banks; however, the CBN has admitted the reforms in the banking sector might not be sufficient to curb the immoral activities of corporate financial leaders (Adegbite) [28].

Besides the limitations to the power of the CBN, the Nigerian banking sector also suffered due to the global financial crisis, which exposed significant flaws in the corporate governance of Nigerian banks (Adegbite) [28]. The stress test performed on banks by the CBN and other regulatory authorities revealed corporate misconduct committed by corporate financial leaders and executives of leading banks in Nigeria, along with their collaborators (Adegbite; Nakajima et al.) [28,25].

Adegbite, Amaeshi, and Nakajima [61] noticed that the stress test conducted on banks in 2009 caused the CBN to remove eight corporate financial leaders for poor corporate governance, embezzlement, and grave capital inadequacy. The situation was due to by the delinquency of several billions of naira and bad loans by borrowers, including wealthy business executives and politicians in the country. The CBN had to bail out the distressed banks with $4 billion in 2009. It also nationalized three banks that were unable to raise the required minimum capital for the continuation of their businesses (Adegbite) [28].

Developing a strategy to improve the best practices in the Nigerian banking sector is crucial to averting further crises. Ikoh et al. [24] noted that good corporate governance is the only way to prevent distress in the banking industry. Good governance needs appropriate enforcement with practical adherence to principles and faithful execution of authority in a cautious approach. The banking sector must strictly adhere to the rules, regulations, laws, and requirements expected of its management by regulators (Ikoh et al.) [24].

Despite, all the measures, rules and regulation along with several circulars to ensure that banks follow the rule of law guiding banks business one of the Nigerian banks still collapsed in 2018 due to executive recklessness, bad governance and noncompliance to business directives of the regulators. With merger discussions among other banks, this is an indicator that crisis still looms in the industry if not appropriately curbed. Nigerian banks are yet done with financial crisis considering the management conflicts of interest in their business ethics and personal wealth acquisitions.

2.2. Corporate Governance and Banking Regulations

The importance of the financial industry to a nation’s economy often prompts the regulators to enact financial regulations to curtail the financial risk-taking, prevent harmful ideas, and reduce uncertainty in the banking industry (Ramady) [62]. Marilen and Ana-Cristina [63] noted that proper implementation of governance systems and procedures are crucial to banking governance. Corporate leaders should not consider corporate governance as mere regulations and procedures but a creative process by which leaders can appropriately manage their organizations through duly exemplified values and cultures (Marilen et al.) [63].

Achchuthan and Kajananthan [64] defined corporate governance as a process in which a manager controls and be held to account for an organization strategy. In recent times, interest in corporate governance issues has increased (Marilen & Ana-Cristina) [63]. The Organization for Economic Co-operation and Development steering group on corporate governance asserted that weak governance is the principal cause of financial crises (Adams) [65]. Alao and Raimi [66] noted that the lack of oversight of the regulators and operators resulted in a disastrous failure of the financial sector. Banking regulations and financial markets have become a crucial problem for public authorities (Pacces & Heremans) [67]. Mondorca, Galvao, and Loures [68] called for an active regulation system, unambiguous legislation, and increased authority for central banks to eradicate the problems created by market inadequacies. Shoddy financial markets have characteristics of information asymmetry, agency problems, and moral hazards (Heremans et al.) [67]. Government intervention in the policies guiding the financial sector may avert and curb the significance of adverse market procedures (Hereman et al.) [67].

Becher and Fryer [69] suggested that regulators and investors have diverse interests in the financial sector. The regulators do not have access to the actual control of corporate governance implementation might persuade organizations to take up adequate corporate governance systems that uphold safety and soundness (Becher & Fryer) [69]. Brown and Dinc [70] reasoned that the arrangement and standards of regulations are essential considerations in sustaining a healthy financial system and economy. Considering the importance of corporate governance in dealing with agency problems and controlling risk-taking within organizations, new actions of banking authorities, central banks, and other authorities have affirmed the relevance of effective corporate governance practices in the banking industry (Pensi & Vähämäki) [71].

Yang, Chi, and Young [72] stressed that legal protection is one of the major issues in the corporate governance of a nation, while effective corporate governance gives exceptional protection to shareholders. Man and Wong [73] observed that strong legal protection of shareholder interests could be costly and empower some investors to solicit legal directives because of particular leaders’ attributes or legal suits against the organizations. Becher et al., [69] stated that the presence of regulators might coerce organizations to accept efficient corporate governance that advocates safety and soundness.

Petitjean [74] indicated that scholars and professionals share the notion that the new regulatory system must coerce the financial institutions to address adverse areas that may threaten the global economy. Mehran and Mollineaux [75] informed that academics have affirmed that a healthy economy cannot survive without a
functional financial system. To address agency problems and distortions in the banking industry and to ensure a steady and sound financial system, different mechanisms must be in place through legislation and supervision (Pacces et al.) [58].

Mishra and Mohanty [76] stated corporate leaders might have information, which may not be transparent to the shareholder, but the availability of such information could assist shareholder in its decision-making. Ben [77] asserted corporate governance practices could enhance law as a regulatory system to curb the agency problems to safeguard shareholders interest.

African corporate and capital market regulators have adopted good governance and accountability as an essential mechanism to curb corporate corruption (Adegbite) [28]. In their study of financial regulations and transparency information, Mendonca et al. [68] found evidence from the banking industry that a more significant commitment by regulators will reduce vulnerability in the financial market. Mendonca et al. [68] cited Brazil as an example of a country that has good market discipline and a highly regulated system, which prevented the nation from suffering during the financial crisis. Mendonca et al., [68] concluded that market discipline is a vital aspect of the regulatory system, with the primary objective of punishing bad management and reducing risk in financial institutions.

2.3. Overview of Code of Corporate Governance Regulating Nigerian Banks

Adherence to sound corporate governance system brings favourable outcomes that will lessen problems associated with the agency, reduce corporate governance issues, and improve the financial performance of banks. The two significant codes of corporate governance regulator used in regulating the Nigerian banking industry are the SEC Code of Corporate Governance of 2003, as amended in 2011, and the CBN Code of Corporate Governance of 2006 as at 2018. The SEC, CBN, and NDIC regulate corporate governance issues in Nigeria for most publicly quoted firms, banks, and related industries (Akinkoye & Olasanmi) [78].

Ofo [79] reviewed the draft of the amended copy of the SEC Code of Corporate Governance in Nigeria. Ofo [79] stated that the importance of having an efficient code of corporate governance in Nigeria could not be overstressed and claimed that the financial misconduct in the Nigerian banking sector is explicit evidence of a breakdown of corporate governance practice in the banks and its implementation by regulators. Ofo [79] indicated that the new code is the most detailed code of corporate governance in Nigeria and found the new code drew best practices from different countries to rectify the previous problems caused in Nigeria. Chirtareas, Girardone, and Ventourri [80] noted that a government that formulates and implements sound policies and higher quality governance would improve bank efficiency.

Jimoh and Iyoha [81] suggested that the CBN circulated code of conduct to the chief executive of banks and financial institution in 2006, apart from the initial Code of Corporate Governance previously issued in 2003. Jimoh and Iyoha [81] indicated the banks meant to comply with the requirements of the code and further confirmed that the codes contained the world’s best practices and noted that compliance with the requirements was compulsory. Jimoh et al., [81] imply the issue of corporate governance exposed a high degree of unethical habits and corporate misconduct practices in the banking sector, and further warned that corporate governance alone is not sufficient to ensure quality and transparency in the banking industry.

Akinkoye and Olasanmi [78] examined corporate governance practices and levels of compliance among organizations in Nigeria. Akinkoye et al., [78] stressed the importance of banks’ aligning with international best practices and observed that good governance results in regulatory authorities issuing and endorsing the code of best practices for Nigerian companies. Adewuyi and Olowookere [82] reviewed the new corporate code and immediate performance change of the Nigerian organizations.

Adewuyi and Olowookere [82] noted that different scholars had compared the code of corporate governance of such countries as Britain, Germany, Spain, and Portugal to confirm if conformity to corporate governance related to enhancing organizational performance. Salterio, Conrod, and Schmidt [74] also noted high compliance with the code of corporate governance in Canada. Adewuyi et al., [82] stated that it is essential to determine the level of compliance with corporate governance and its impact on organizations performance.

Adewuyi et al., [82] also noted the quest to ensure compliance with international best practices drove the SEC and the CAC to reform the code to enhance Nigeria’s corporate governance practices. (Biobele, Igbo & John [83] asserted, with the embracement of international best practices, the CBN and SEC should sanction erring managers who fail to comply with the code of corporate governance. The outcry for appropriate corporate governance disclosure needs serious attention in Nigeria (Biobele et al.,) [83].

The constant issues of noncompliance prompted the financial reporting council in January 2019 to issues Nigerian code of corporate governance 2018 expected to serve as a common standard in the business climates of Nigeria for its universal implementation to meet international best practices. In its remark during the launching, the FRC referred to the new code as “a code of behaviour” Nakpodia et al. [29] added that the corporate governance structure in Nigeria should be unambiguous to cause the effectiveness of the harmonized code in advocating organization compliance and adequate governance implementation.

Despite the financial crisis in the Nigerian banking industry, not all banks have suffered from poor corporate governance, for example, the First Bank of Nigeria (FBN) and the GTbank. According to FBN Holdings [84], having survived several banking crises in Nigeria with no effect on the bank from its inception is a point of pride and testifies to the bank’s absolute compliance with the corporate governance of the banking sectors regulated by the CBN and other related regulatory authorities. The first bank of Nigeria remained the first pick of investors and depositors due to their governance antecedents in the Nigeria banking industry followed by GTbank along with
their consistency in technology deployment and business stability. In March 2019, First bank celebrated its 125 years of existence with an unbroken record of no management scandal. The bank had maintained its integrity, but unfortunately, the Nigerian banking sector is yet to have a replica bank to survive for this long due to poor governance and lack of compliance with the rule of law. The banks in the sector had metamorphosed into several names and still ongoing.

2.4. Compliance to Corporate Governance and Financial Performance

The recent poor performance of banks linked to the infringement of several codes of corporate governance (Oghoghomeh et al.) [47]. The viability of banks is of pressing concern for regulators, and corporate governance efficiency requires regulators to monitor managers’ decisions (Leventis & Dimitriopulos) [85]. Fanta, Kemal, and Waka [86] noted that corporate governance is essential because of the separation of ownership and control in publicly held organizations.

By agency theory, Valenti, Luce, and Mayfield [87] asserted that good governance policies are crucial to high performance. If an organization considers protecting the interest of the investors, it can channel its resources appropriately to reduce waste and boost profitability, resulting in a better return to the shareholders. Fanta et al., [86] stated that good corporate governance enhances economic performance, stimulates growth, and strengthens shareholder confidence. Oghoghomeh et al., [47] noted that good governance and substantial ethical conduct improve banking performance because it safeguards the stability of the economy and promises a higher realization of corporate objectives.

Kasum et al., [12] noted the primary concern of corporate governance is ensuring that the manager will apply the organization’s resources in the interest of the investors to resolve agent-principal problems. Mishra et al., [76] observed a properly governed organization have the prospect of raising funds from a financial institution at a more reasonable rate than a poorly governed organization does. Mishra et al., [76] predicted investors would advance towards investment in a firm with a lower cost of capital because of its higher enterprising worth and stock cost for a particular cash flow estimate.

Shareholders may be willing to pay extra for a properly governed organization (Mishra et al.; Agrawal & Knoeber) [76,88]. Waweru [89] indicated organizations with enhanced financial performance have the wealth that improves their capability to adhere to the expectations of the corporate governance code, which would enhance corporate governance. Doucouliagos, Haman, and Stanley [90] stated that compliance with the Code of Corporate Governance in ensuring the long-term sustainability of the business, as suggested by the Cadbury Committee in the United Kingdom, would improve an organization’s performance. Mishra et al., [76] revealed that an organization with strong corporate governance would be more likely to report exceptional financial performance than an organization with poor management.

Leventis and Dimitriopoulos [85] examined the role of corporate governance in earning manipulation in the United States and noted corporate governance systems affect risk and returns for an organization. Leventis et al., [85] suggested that appropriate corporate governance would reduce agency conflict and assist shareholders in making adequate investment decisions.

Siagian, Siregar, and Rahadian [91] examined corporate governance and accounting reporting as related to a firm’s value. Siagian et al. [91] noted that corporate governance benefits investors. Siagian et al. [91] explained that transparency and disclosure reduce the agency problem between investors and managers, resulting in less risk and better profit for the organization. Siagian et al. [91] found that organizations that implement superior corporate governance have a higher profit. Ibrahim [92] observed that corporate governance improves the quality of the financial report and is a deciding factor for investment decisions.

Mohammed [93] examined the effect of corporate governance on bank performance in Nigeria, using 25 banks in Nigeria as the population for the study. Mohammed [93] revealed the increase in non-performing loans indicated poor governance quality in the Nigerian banking industry. According to Mohammed [93], to achieve adequate compliance with the Code of Corporate Governance and to enhance performance, calls for more significant effort.


Akingunola, Adekunle, and Adedipe [94] examined how corporate governance affects bank performance using 24 banks in Nigeria. Akingunola et al. [94] revealed that the attitude management displayed in business practices reflects on banks’ performance. Optimum attitudes include clarity, integrity, dispassion, reliability, and responsibility (Akingunola et al.) [95].

Onakoya, Fasanya, and Ofogbog [96] examined the effect of corporate governance on the performance using 24 Nigerian banks as a case study. Onakoya et al. [96] found that corporate performance is an essential idea related to the process and manner by which an organization uses available resources to achieve its corporate objectives. Onakoya et al.[96] explained the general effect of sound corporate governance should be enhanced shareholder confidence in Nigeria.

Onakoya et al. [96] maintained that corporate governance should involve establishing integrity, ensuring transparency, and cultivating responsibility. These factors contribute to a practical method of information disclosure that promotes excellent organizational performance. Onakoya et al. [96] found that poor corporate governance
affected banks’ performance adversely. Furthermore, because of the severe effect of poor management, Onakoya et al. [96] advised bank managers and board members to undertake strategic guidance or to enhance processes that promote good corporate governance and banking ethics. Adherence with rules of law is premised to be connected to the innate abilities of a person and the external pressure from its surrounding where the interaction practices are the connection linking the person and the community (Kuperan & Jahan) [97]. The gains from compliance with the rule of law extend beyond profitability but also the sustainability of the business on the long-run.

2.5. Corporate Culture and Ethics

A culture of integrity enhances performance and goes beyond regulations and policies. Amah [98] asserted a culture of integrity is the only contribution corporate leaders can create in an organization. Amah [98] examined the effects of corporate culture on organizational effectiveness in the Nigerian banking sector and noted that one of the most considerable improvements a chief executive can initiate is in the culture he or she can establish. Amah [98] suggested that leaders should intentionally strengthen the corporate culture through consistency in following regulations. Amah [98] noted that consistent adaptation to the cultural value of an organization could enhance financial performance and market value.

Chan and Cheung [99] examined differences in corporate governance in organizations in different countries, using the idea of ethnic sensitivity and explained that implementation of corporate governance could, at times, cause conflicts of interest among directors and investors. For example, a conflict could arise in which directors are reluctant to discipline unproductive leaders because of their close relationship. The continuity of such leaders in the office could severely affect shareholders’ interests (Chan et al.,) [99].

Chan et al., [99] argued that maintaining good governance is not an easy task; it entails appropriately structured ethical guidelines, ethical leadership, and integration of ethics into the company’s techniques and strategies. Corporate governance requires perseverance, training, and dialogue to guide people with a limited sense of how ethics affect corporate governance. The financial sector needs leaders with high ethical standards and the perseverance to stay on the right track (Vadhar) [100].

2.6. Compliance with Regulations

The financial failures and corporate financial misconducts in the banking sector have prompted regulatory action in an attempt to restructure the culture of the corporate leaders. A closer look at the culture and ethics guiding business activities in the banking sector would facilitate effective compliance, reliable performance, and protection of the shareholder. Al Barrak [101] argued that a culture of compliance could help in curtailing risk.

A culture of compliance extends beyond heeding the Code of Corporate Governance with its policies and procedures. It involves a fundamental shift in attitude. Prorokowski and Prorokowski [17] noted high expectations regarding compliance allow banks to see their compliance operations as a crucial aspect of their essential and strategic business components.

Chief compliance officers (CCO) in an organization could investigate business activities and detect misconduct, reporting corporate financial operations, and lack of compliance to help prevent corporate misconduct. Chianaedu [102] suggested that the appointment of CCOs in Nigerian banks would help prevent money laundering, and aid in implementing the code of corporate governance, and instil ethical practices in the system. For efficiency and proper outcome in risk presentation and management processes, regulators and financial authorities have asserted that oversight of compliance activities be independent of the business (Prorokowski & Prorokowski) [17].

In the case of Nigeria banks, the CCOs position has been in existence for decades, despite their presence in the industry, the banks still collapsed even until 2018. The question is, how independent are the CCOs to report the anomalies of their management? How do the regulators ensure the CCO provides adequate information to detect the activities of the executives before deterioration and eventual collapse of the banks? What is the role of the CCOs in doctoring the banks report to the regulators and the public?

A bank’s effective communication with regulators can avert sanctions from unintentional noncompliance. Corporate financial leaders would gain substantially from investors when regulations receive adequate attention through internal assessment, and knowledge of the compliance status would further improve a bank’s reputation within the banking industry. Chianaedu [102] examined corporate governance in Nigerian banking and noted excellence as fundamental to ethics in the banking industry to reveal core values and display banks’ positions on the principles of corporate governance. Training corporate leaders and boards would improve their skills and competencies and enhance their knowledge from developed countries to eliminate corporate governance issues in the banking industry.

Sanusi [7] reported the CBN would not relent in ensuring that banks strictly complied with the Code of Corporate Governance to establish adequate performance in the banking sector. The awareness of the regulations in monitoring the business activities of banks can improve their efficiency and give them competitive advantages in enhancing their profitability. Some banks may consider compliance a costly venture, but failure to comply can be more expensive, especially if noncompliance leads to inevitable collapse. Any bank not adhering to required regulations is destined to fail.

Without compliance with regulation, organizations may experience sanctions that may not be in the best interests of the business owners. Any erring corporate financial leaders should receive appropriate sanctioning (Onuoha et al.,) [103]. The corporate financial leaders should share the compliance culture with employees by communicating the changes in the industry. The banking sector requires effective monitoring to ensure effective corporate governance in the industry. Stable governance structures that reinforce compliance and sanction non-adherence to codes of corporate governance are essential in the banking sector (Mohammed) [93].
Teng, Aun, and Fook [104] concluded, to strengthen sound corporate governance principles and good practices, tight regulations and active regulators are not enough. There must be an integration of a robust culture of virtues, integrity, and ethical sensibility established on the proposition of trust, responsibility, and honesty (Teng et al.) [104]. Corporate governance needs further enhancement in Nigeria’s banking industry to reach more exceptional compliance mode with international best practices.

3. Research Method and Design

In this study, I adopted a qualitative case study approach. Here, I considered a subjective description of a situation or an event from the perspective of participants (Bluhm et al.) [105]. Consequently, I sought an understanding of the critical factors to mitigate non-compliance to corporate governance based on the perceptions of corporate financial leaders and regulators of the Nigerian banking industry. A qualitative approach reveals the connection between processes (Oyerinde) [9]. The method provides researchers with the convenience of using interviews and other adaptable data collection tools to answer unfolding interview questions (Gare & Melin) [106]. Adegbite [28] suggested that the use of various methods in qualitative research represents researchers’ objectives to include diligence, breadth, and depth to the study.

Qualitative methodology has used several methods, such as interviews, observations, and documents, to obtain an understanding of the most vital processes that can make corporate governance effective (Ahrens & Khalifa) [107]. For this reason, a qualitative study was appropriate for the study in gathering in-depth data, in contrast to a quantitative method that tests hypotheses.

3.1. Study Population and Sample

The population for this study was drawn from the regulatory experts and corporate financial leaders with a wealth of experience of banking and regulations in Nigeria. I used purposive sampling to recruit participants with adequate knowledge and expertise. Purposive sampling is a method by which samples collected include a particular group or areas of a population (Albine & Korstjens) [108]. Alleyne, Weekes-Marshall, and Broome [109] used purposive sampling to recruit regulatory experts and accountants to gain their perception of corporate governance in a limited public organization. The rationale for using a purposive sample method stemmed from the need for using only potential participants with specific knowledge about corporate governance issues (Adewunmi, Omirin, & Koleoso) [110]. Yin [111], noted that where the goal of research is to extract deep-rooted knowledge of the participants about a phenomenon then, purposeful sampling is appropriate to gain in-depth information for the study.

In this qualitative research, a multiple case study design served to explore the strategies to comply with regulations and enhance financial performance in the banking industry. The sample population for the study has a deep-rooted understanding of corporate governance issues and compliance in Nigeria. According to Ajibo [4], the central bank has the supervisory and regulating authority over all the banks in Nigeria as detailed in the Bank and Other Financial Institutions Act (BOFIA) of 1991. Carenza [112] noted that sample selection represented a significant part of research strategies. According to Bush, Amechi, and Persky [113], to gain rich perceptive details of a situation, case study design depends mainly on purposefully selected sample. The objective of the study was to collect data from documents and participants with a specific understanding of compliance issues in the business and management of banks in Nigeria. The use of top management of regulatory authorities, bank executives and as a purposive sample, along with using related documents, such as reports of the banks, often provides sufficient information to achieve data saturation (Adegbite) [28].

The study entailed interviews of 18 participants to collect data. The use of interview questions in this study aided in the exploration of the perspectives of 10 top management personnel regulating and managing the banks in Nigeria (Yin) [114] in the initial data collection in 2015. In 2018, I applied the same semi-structured interview questions on eight (8) corporate financial leaders and regulators to further elicit their perspective in the industry considering that the banking world has not fully recovered from the issue of noncompliance with yet another bank failure in Nigeria in 2018 and mergers in discussion. The methodology for this study is consistent with previous research on corporate governance in Nigeria (Osemeke & Adegbite) [1].

3.2. Data Collection

I was the main instrument of data collection in this research. Where the researcher is the main instrument in research, the researcher competencies, and experience improves the qualitative research outcomes (Sergi & Hallin) [115]. Albine et al. [108] asserted that researchers use an interview as a data collection instrument. Johnson, Adkins, and Chauvin [116] stated that researchers gather data from information, perceptions, and interviews through video or audiotape to gain insight into a phenomenon and the environment. The research instruments for this study included the researcher, semistructured interview with open-ended questions, and an audio recorder.

Semistructured interview requires the development of questions from established themes prepared to extract in-depth insight into the participant concerning perception on a phenomenon (Qu & Dumay) [117]. The use of face to face semistructured interview with open-ended questions was the data collection approach to capture the opinions of participants on compliance strategies and mitigating factors to noncompliance to regulations that Nigerian corporate financial leaders need to improve financial performance. Semistructured interviews facilitate in-depth responses by participants to research questions (Bryman) [118]. The main approach to the semistructured interview is the utilization of organized and unorganized explorations to facilitate in-depth insight from the participants on the research topic (Qu and Dumay) [117].

For this study, I conducted face-to-face interviews with a personally preferred location of participants to ensure
setting of comfort and an environment conducive to comfortably described individual experiences as regulators and corporate financial leaders. Silic and Back [119] used semistructured interview with open-ended questions on security experts, along with documents on information management, to develop a deep-rooted understanding of information governance in an organization.

The use of semistructured interview with open-ended questions in this study provided the opportunity to elicit detailed information about critical factors to mitigating regulatory noncompliance. The use of multiple sources of data collection is vital to confirm triangulation of data (Rohrbeck & Gemünden) [120]. I used multiple sources of data collection approach for this study for triangulation of data. The data collection plans involved using semistructured interview to collect information about participants' perception and in-depth understanding of mitigating factor to reduce noncompliance in Nigerian banking industry and request for documents relating to the topic of discussion. Adegbite (2012) [2] triangulated data by collecting secondary data along with semistructured interview details in a corporate governance study in Nigeria. In this study, documents currently available from top regulatory leaders and corporate financial leaders complemented semistructured interview data. Such documents included code of corporate governance which is the regulation document for banks, financial reports, circulars and other documents related to this study (Agyemang & Castellini, Yin, Adegbite) [121,111,28]. The use of various sources is appropriate for triangulating data to provide in-depth detail of the topic of study (Sargeant) [122]. Triangulation of data sources will allow the researcher to analyze participants’ responses adequately and detect possible contradictions (Bommel) [123].

In this study, I used methodological triangulation to serve to ensure validity and reliability in this study. Hanson, Balmer, and Giardino [124] stated that the process of ensuring reliability in qualitative research includes the use of various sources of data known as triangulation method. Methodological reliability in a qualitative case study approach improves research diligence and enhances the validity of the study (Morse) [125]. Yin [126] revealed that the examples of triangulation include understanding case study experiences by studying participants’ forms and relationships. Qualitative researchers use case study or interview protocol as a planning process in conducting research. Case study protocol includes the profile, research questions, and field notes (Haug, Pedersen, & Arlbjørn) [127]. In this study, preparation of a case-study protocol consisted of research questions, a log to detail the interview procedures, and field notes to safeguards and prevent losing important data. The preparation of a case-study protocol was necessary to the analysis of data in terms of the research objective, and data storage to ensure the reliability of the data collection. In studying the risks in supply chain management, Wieland and Wallenburg [128] developed a case study protocol to safeguard the reliability of the research by ensuring uniformity in data collection. Me de Waal and Batenburg [129] adopted a case study protocol that consisted of process, study instruments and guidelines to establish consistency in the collection of information and the analysis to regulate the validity of the research.

Researcher uses multiple sources of data is a process known as triangulation, to enhance the reliability and validity of qualitative studies (Johnson et al.) [116]. Johnson et al., [116] indicated that the process of ensuring reliability in qualitative research includes the sharing of the emerging themes and interview outcomes with the participant known as member checking. To improve the reliability and validity of this research, I discussed the transcription of the interviews with the participants to aid in confirming accuracy. Houghton et al., [130] stated that member checking should take place after the analysis of the interview instead of after coding to enable the participant to identify their own words. I allowed the participant to have access to the research interview analysis before coding.

3.3. Data Analysis

In data analysis, researchers use various approaches sequentially (Wahyuni) [131]. Analyzing data includes using collected data to reveal significant themes, patterns, and explanations related to the central research question of the study (Yin) [126]. The objective of the data analysis was to discover themes that answered the main research question. The categorization of themes that emerged from the data in the study enabled unveiling compliance strategies corporate financial leaders need to implement to follow good corporate governance and improve financial performance.

The data collected in a qualitative study are often in the form of several pages of written words that require analysis and interpretation (Petty, Thomson & Stew) [132]. After the collection of data, I analyzed the data. Initially, I organized the data collected into categories, relating to corporate governance strategies corporate financial leader need to reduce noncompliance and enhance financial performance. In this study, I adopted Yin’s five-stage data analysis approach (Yin) [126]. Gu [133] used Yin’s data analysis approach and confirmed its suitability for qualitative research. Kikuchi et al. [134] also adopted Yin’s data analysis approach to analyze data collected for a qualitative study.

Using NVivo® to analyze available published documents on corporate governance, may help to gain insight into or draw conclusions about the content of the documents (Rooney & Cuganesan) [135]. NVivo® is software used in analyzing qualitative research data. NVivo® software will enable audio recording and transcribing, as well as analysis and thematic coding of documents (Boyum & Aabo) [136]. NVivo® software improved the quality of analysis in a research study and is found suitable.

In this study, I imported textual transcripts into NVivo® 10 to analyze the data collected from Microsoft Word. Coding and exploring data within NVivo® are the initial process of further in-depth analysis through recognizing patterns and themes (Smith & Firth) [137]. I used the auto-coding attributes in the NVivo® 10 software aided in identifying similar data and common themes occurring in participants’ comments on each of the interview questions.
In qualitative research, the conclusion concerning the themes and patterns obtained from the central research questions is essential (Yin) [126]. Qualitative researchers frequently use software for analyzing transcribed data (Bryman et al.) [118]. The features of NVivo 10 assisted me in loading, store, code, and dissect themes and patterns led to consideration as the favoured data analysis software for this study. NVivo 10 is computer software appropriate for classifying and coding qualitative data (Kikuchi et al.,) [134]. Feng and Horenstein [138] noted the benefits of using NVivo include (a) the ability to arrange documents in a folder, (b) the use of audio as a data source, (c) the use of inquiries to reveal more information for further insight into the phenomenon under study, and (e) comparison with other software to note the reliability of coding procedures. The use of NVivo improves the rigor of a qualitative study (Jackson & Bazeley) [139]. The analytical data feature of the Nvivo computer package served in aligning the interview data with information from the literature review (Garrett-Howard; Benbow et al.,) [140,141].

Agency theory connotes, that the relationship between managers and shareholders need monitoring, using strategies to ensure managers are working in line with the expectations stated in the contract between the parties (Kasum et al., 2014) [12]. The alignment of the conceptual framework of the research method and the outcome of the research is essential in a qualitative study (Bryman) [118]. The lens of the agency theory served as the conceptual framework for this study and served as a reference in interpreting the meaning of the data by examining compliance strategies needed to implement corporate governance. I compared the research findings to previous similar studies to validate the results. A qualitative researcher uses the research design to establish consistency among the research questions, literature review, theory, data collection procedures, and data analysis (Hanson et al.,) [124]. To distinguish the data collected previously and the updated perceptions of the regulators and corporate financial leaders. Letter ‘P’ is assigned to denote the earlier collected data while ‘N’ to identify the recent in-depth information from the participant.

4. Discussion and Findings

The data analyzed revealed that compliance with regulation is an enigma in the Nigerian banking industry despite its claimed improvement. The industry is characterized by issues of conflicts of interest, by Agency theoretical Framework analysis. The drivers that depict the problem in the sector hinged on self-enrichment, lack or regards for rules and the act of unhealthy competition to report abnormal profits or show performance, not in tandem with the regulator's directives, thereby disrupting the business strategy and leading to sanctions and eventual collapse of the banks. These issues are discussed next, with underpinning evidence from data collected through respondents (P1–P10; N1–N8).

4.1. The Need to Improving Compliance with Regulation

Compliance is the strategic aspect of governance because it reveals how financial institutions achieve business responsibilities (Lagzdins & Sloka) [142]. Stringent regulations and close supervision by the regulators may serve as mitigating factors regarding the significance of the board (Lee & Isa) [143]. The importance of the managerial characteristics of compliance relies on the complexity banks have in creating its structure (Birindelli & Ferretti) [144]. The place of the compliance purpose, its independence, the reinforcement of importance involved, and its relations with the other supervisory responsibilities are least guidelines for managerial competence; regard for these guidelines is one of the supervisions implemented within the regulatory assessment and appraisal process aside controlling the expertise of board practices (Birindelli & Ferretti) [144].

Noncompliance to the regulatory guidelines is when the corporate financial leaders violate the rules and regulations binding their business ethics. The participants defined regulatory noncompliance to corporate governance about the financial industry in Nigeria as nonadherence to rules and regulations, stipulated by the regulatory authorities. P1 stated that the Central Bank of Nigeria took a portion of the Securities and Exchange Commission code and then fine-tuned it to be with the requirements of the banks. P2 noted that regulatory noncompliance occurs when an organization fails to comply with the requirements of the code of corporate governance subsisting in our jurisdiction. Refusal may be seen as not filling returns on the code of corporate governance, and making material misstatements of facts on certain filings of returns on the code of corporate governance to the regulatory organization according to P2. N3 emphasized, “I would qualify non-compliance with deliberate and the one that is inadvertent either because they do not have the capacity to comply or that they didn't have much or enough much information about what is expected of them.” Lawal, Adeyemi, and Morakinyo found that financial institutions in Nigeria are yet to enhance their moral, professionalism, and effectiveness by brazen non-compliance to banks regulations and rules of law. [145]. P3, P4, and P5 explained that compliance is the adherence to the rules and standards of corporate governance that have been defined by either the regulators or any other leading practice authority; noncompliance or breach would be non-adherence to those rules and regulations. N4 further noted, “there are other compliance requirements that banks are expected to abide by in the sector so if you don’t comply with those requirements contained in circulars or directives issued by the CBN or the code of corporate governance that would be deemed to be non-compliance. P4 stressed noncompliance would be met with appropriate disciplinary action from the regulators. The consequences of compliance became imperative to ensure the bank’s business compliance with regulations, internal policies in line with international best practices (Chaikovica) [146].
P6 stated that Nigerian banks could not be said to be substantially noncompliant; the regulatory arena makes it mandatory to comply with some aspect of corporate governance code for Nigerian banks. N5 expressed, “Well, I do not think there is non-compliance, I may say that non-effectiveness” P7 noted that the Nigerian landscape before the financial crisis had almost zero adherence to regulatory problems to corporate governance. The participants revealed that the banks’ directors mismanaged the business and hired their preferred candidates on the board of the banks without considering the effect of their decisions on the shareholders and depositors. The indication of this reflects financial noncompliance on corporate governance was significantly deficient. According to N2, “Non-compliance to CG in Nigerian banks could be defined as the deliberate decision of the Board to circumvent existing and known regulations because of business exigencies, either personal or corporate.” Compliance research affirms that worldly and speculative influence could induce management’s decisions to either obey or abandoned regulation (noncompliance), consequently, resulting in corporate scandals (Marcel et al.,) [147]. N2 further explained, for instance, let’s look at 2009, when Sanusi came in as the CBN governor, one of the first things he did was to tell the CEO’s that have spent ten (10) years and above to move out of that space. Now, there was this assumption generally then that Sanusi was introducing a policy, but what most people did not know was that the policy had been on before Sanusi came in as the CBN governor. I mean, the policy statement was there, but nobody was complying with it. What he only did was to activate the code, that is the code of corporate governance and compliance came in. Zeidan [148] confirmed that the problems of breaching guidelines or unauthorized regulations turned uncontrollable within the banking industry. P7 affirmed that Noncompliance spreads far and wide and eats into the fabric of our financial system, that even now that we do have a code of corporate governance, some of our financial institutions are still struggling to get a good grasp of what is required of them.

P8 explained that the central bank using their regulatory tools made compliance mandatory with the code of corporate governance for banks. The participant noted that this has helped in ensuring that the corporate entities are governed well. The relationship between the board management and shareholders of any company is a principal and agent relationship; it is a relationship of trust, and there must be something that will guide that relationship. The assertions of the participants are grounded in existing literature on corporate governance by Prokopowski and Prokopowski [17], stated that regulatory compliance includes all mechanisms and rules that an organization must know and the adherence. The effectiveness of the corporate governance structure in a bank dictates the organization’s exposure to quandary and ultimate hazards; the rationale why most firms collapse, and others thrive (Isaiah & Itan) [149].

P10 described the presence of different committees in the banks and various compliance officers, the risk officers, internal audit and internal control, and the statutory audit to review and force compliance in the financial industry. The participants noted that the situation with compliance has mostly improved compared to the past. The participants confirmed how bad corporate governance led to almost collapse of the banking industry such that the CBN had to intervene due to insider credits, insider loan, abuse of office, debiting wrong GLs for accounts, spending within and without the budgetary limits.

An example is the current collapse of Skye bank as reported by Thisday [150], for years now, evidence has revealed bad debt and NPLs as critical issues resulting in financial institutions destruction and affecting development in the industry. International Monetary Fund in its 2015 “Global Financial Stability Report” affirmed NPLs becomes an impediment on economic movements, mostly for nations where banks are the prop of financial mediation (International Monetary Fund) [151]. A bank is troubled with an indication of substantial nonperforming loans (Delinquent loans), insufficient capital, sharp practices, incompetent executives, to mention a few (Omorgie & Popoola) [152]. In Nigeria, Financial Chao is prevalence in the banking sector (Ayoola & Obohor) [153] due to brash decisions of management [153]. Excessive risk-taking hinges on agency problem (Isaiah et al.,) [149].

Corroborating this assertion, N7 expressed, “You see, I happened to be at a launching ceremony in 2014; where a director of Skye Bank came to donate N1billion naira for a primary school project, not a University project, and I sat down and looked at my friend and said you know this an executive of a bank he’s giving one billion naira for a primary school. So, why won’t the bank go down”. Unfortunately, the culprit that plunged the banks into chaos has gained their freedom or meted with mild or no punishment while the substantial taxpayers’ money had been dispensed to rescue the banks they wrecked according to Thisday newspaper [150]. Furthering, N4 stated, “If you think of an example of banks, we have had in few years in Nigeria that have gone bust or gone down from the 2008 and 2009 banking crisis, even up to as recently (2018) as a few months ago where a particular bank was taken over by the government. If you go and do an in-depth analysis of the issues that led to all those things in those banks, it was undoubtedly centered around poor corporate governance, or lack of corporate governance at it was. Lack of corporate governance, directors, just doing things, granting loans to themselves, to their cronies, without following due process. You know, just basically circumventing all the provisions of the corporate governance requirements” Ayoola et al., [153] affirmed the assertion of N4 that the CBN avowed, the banking distress of 2007-2008 originated partially through bad corporate governance by executives of banks’. Huge NPLs diminish profitability, shutdown bank capital, and increase cost of business (Ghosh) [154]. P10 noted that over the period, corporate governance has evolved. N8 alludes to it that “Compliance is now becoming the culture of most banks in Nigeria. Why because, beyond just Nigerian regulatory framework and environment, we also have interfaces with other organizations that require compliance and the consequences of compliance over time too have also made a lot of banks to see that they need to be compliant.” Where regulatory authority such as CBN
or SEC noticed unsafe or unhealthy practices or noncompliance of the banks’ with rules and regulations, the regulators have the power to implement the sanction related to the part of code violated (Panagiota, Staikouras & Tsoumas). [155]. Ghosh [154] reiterates the advocacy of Rajan (156) that Swamy attitude among corporate financial leaders is the root of deterioration of loans.

N4 expressed, “I would be surprised if you were to go to any Nigerian Banks, I speak for the banking industry which is where I am involved in, and corporate governance is not top of mind for them. To implement corporate governance in an organization, N1 elucidated that “from my analysis, the owners who have the majority shares in the banks are more interested in preserving their bank because any breach would be like stealing from themselves. Unlike those who had minimal stakes or who found themselves to make decisions where they have to abuse or even steal from such organizations for their benefit.” Omonode [157] noted that chief executives and directors of failed banks connived using cosmopolitan techniques to deplete the banks’ resources to the point of collapse.

The findings from the participants revealed improvement after the financial crisis, based on the reviewed corporate governance codes. However, issues of noncompliance still require the attention of both the regulators and corporate financial leaders. Considering the persistence of the problem of corporate governance in banks even up till 2018 when Skye bank was bailed out with the sum of amount N789 million naira injected into the new bank owing to the reason of poor governance, insider loans and noncompliance to the rules of law. N7 admits, “I think noncompliance about corporate governance is poor when it comes to Nigerian banks and basically because of a lot of unethical practices in the system and also the APEX bank which is the Central Bank has a lapse in the application of those rules and regulations that guides the Nigerian bank.” In the Nigerian banking industry, several professional misconducts manifested in business processes, deficient corporate governance, inadequate risk assets all affecting investors, depositors, and other interested parties according to Lawal et al., [145] in their findings. Adherence to corporate governance is vital to the performance of any financial institutions in improving shareholders returns and increasing business patronage for the sustainability of the business. N4 stated; “some banks go over and above what CBN has put in place. They have decided to, comply because they realize that if you want to run a sustainable business, we have businesses that have been in existence for 150 years to 200 years in other climes, if you want to get to that point that your business is sustainable, you had better be very corporate governance responsible or corporate governance ethical.

You must always ensure that corporate governance ethics is always high up on the agenda. But, some are then forced to do it because the CBN have started paying a lot of attention to it and they are putting a lot of premium on it”. Salterio, Conrad & Schmidt [158] contended that compliance with corporate governance practices is critical to SEC, CBN, public and indeed all investors and depositors because it is the engine of the banking operation and driver of financial and business sustainability. O’Neill [159] stated that there are perceptions that firms weigh the disadvantage of adherence to the effect of non-adherence to corporate governance. The fundamental to continued compliance is the proficiency in not only to have the right approach to the actual adherence position of the firm but to anticipate the imminent uncertainty and organization collapse (O’Neill) [159].

During member checking, P2 stated that the critical factors in mitigating regulatory noncompliance to enhance financial performance are adherence to rules and regulations. Compliance to the code of corporate governance may help improve financial performance in the Nigerian banking industry if the financial leaders follow the guideline of the regulatory authority; this will enable the banks to attract investors and further enhance the banks’ profitability. This finding is grounded in the Utrer, Gonzalez and Callado-Munoz’s [160] study of corporate governance and firm’s performance, which found that organizations’ corporate governance would be assessed alongside effective, perhaps more-challenging codes.

Each of the participants discussed the importance of compliance with regulatory policies to achieve best practices in financial institutions. P1 stated that the sector is heavily regulated and that scrutiny is quite high; as a result, the leadership of financial institutions takes compliance quite seriously. P8 noted that several years ago, the central bank removed the boards of some companies and appointed administrators. The removal sent warning signals to those in charge of corporate entities that the regulators would take decisive action to ensure good corporate governance. P1 emphasized that fines and penalties put every person under checks and balances and that the members who are in charge of running the organizations must mitigate regulatory noncompliance to enhance financial performance. N1 noted that “to mitigate non-compliance in corporate governance, the check, and balances on the chief executive officers and the chairman of the board from day one has to be made very clear in the policy statement of the organization.” P10 confirmed that the institution must have checks and balances and that everything revolves around the structure put in place within the banks. N1 asserts, “There must be a checker, and there must be a maker. There must be policies that would make sure that the whole personal benefits that are derived from whoever is making the decision and if the personal benefits are not disclosed not just disclosed but have gone for the benefits of the maker or the person who is doing undue influence. Then there must be clear sanctions such as removal from the board if necessary”. It is essential for the shareholder to adopt governance techniques that could facilitate a net reduction in agency costs inclusive of improving disclosure principles to actuate checks and balances on the agent (Saibil). [161]. N3 corroborated, “the board is critical, and they must have a check and challenge framework in place to ensure that they get the right kind of information that would help them to appraise the performance of the board or the bank or that organization.”

Consequently, P3 noted that financial leaders have probably not seen a direct link between their bottom line and regulatory compliance; however, a number of them now see the link to capital, including monies coming in
and the ability to attract outside investors. The participant stated that banks’ demonstrating better corporate governance practices are beginning to see that, the banks can attract investors on the stock exchange or through private placement to show the banks are better managed. In doing so, more funds will be drawn to the business, such as capital inflows that overtime should then affect the bottom line. The fact remained that potential investors, both local and international, would only invest and patronize banks well governed (Demaki). [162]

P3 further stressed that if linkages between compliance and financial performance are not evident, then regulators have an issue. The duty of the regulators’ is to make the linkages between compliance and financial performance apparent and visible to banks and may be incentivizing to banks that complied, but where there is laxity, there should be sanctions. Prorokowski and Prorokowski [17] confirmed that under the present regulatory system of more comprehensive and intrusive supervision of banks, any improper practices revealed within compliance responsibilities could attract severe sanctions forced by regulators.

P1 confirmed that banks are not willing to take the corrections usually are fined, and the regulator ensures that many banks are not presently escaping with the provisions of the code, banks always complying as at when due. Besides, P9 expressed that banks have a compliance function that ensures that every kind of regulation that is issued by the regulator is followed and, there is the risk of sanctions, the risk of penalty, which reduces the risk of payment of fines. To efficiently control uncertainty connected to penalties, banks need to recognize essential best practices in Governance. (Beaumier & Asa). [163] Depicting the level and impact of sanctions on some Nigerian banks, N2 noted “Banks must balance financial performance with regulatory compliance, failure to do this may lead to enforcement action by either law enforcement or your primary regulator, the CBN. I think the lesson you can refer to is the Deziani fund, Banks made money from Deziani fund, but they suffer heavy financial damages. You see, the point is this, short time gain should not be the focus of the Financial Institutions. It should be the continuity of the business and make a moderate income continuously”. European, UK and the United States of American regulators are steady in sanctioning banks for noncompliance with laws compromise. US officials fined BNP Paribas about 8 billion (bn) EUR, for breaching Iran ban, while Deutsche bank was handed punishment of 725m EUR for an alliance with an unlicensed corporation (Linder) [164]. In continuation, N2 stated that “Now, the damage to reputation is usually for a long time as correspondent banks would be asking these banks to explain what happened with MTN” and other transactions that had attracted regulatory sanctions. Armour, Collins, and Adrea [165] assert that payment of penalty diminishes the reputation of an organization, such as inherent or precise involvement in malpractices and its disclosure to the society. The payment of fewer fines improves financial performance because the revenue generated from the business is not lost to payment of fines, sanctions, and gives reputation to such organizations as a high complaint to corporate governance. Breaching of rules and regulations adversely impact the value of penalized financial institutions as evident on cynical feedback alleged in occurrence research (Pereira et al.,) [166]. However, Yusuf and Ekundayo [167] found that fines handed by regulating authorities to the banks in Nigeria do not have any significant effect on the profitability of banks business. P3 noted that compliance right now is still very much a checkbox thing. The participant explained that the banks focus on compliance as opposed to the actual benefits of compliance to regulatory requirement. The reason for this action could be because depositors bear several unexplained costs in their banking transactions. According to Yusuf et al., [167]. The inconsequential effects of fines on profitability indicate that banks have treated penalties enforced by regulatory authorities as operational expenses and transmitted to depositors Yusuf et al., [167]. P4 stressed that the central bank requires those financial institutions to send in a quarterly report of their governance issues and how they have complied with every section of the code; those reports are in turn analyzed, criticized, and supporting documents are requested from the financial institutions.

P1, P2, and P3 confirmed that the regulators require banks to render their compliance report. P5 stated that report rendition is a factor helping to mitigate noncompliance because when the banks are delivering the return, they are already questioning themselves; this action assists in reflecting if the banks are moving in tandem with the code? The report rendition draws the bank to self-regulation; it serves as a self-check towards compliance with regulatory requirements. Agency theory is frequently adduced to unravel hidden information, indicating that bank executives would prefer to give reports they found appropriate but required showing the shareholders that their corporate governance practices are suitable for the business (Shrive & Brennan) [168]. Bischof, Daske and, Hail [169] revealed in their study that regulations are not sufficient to trigger banks disclosure attitude but need to go along with appropriate sanction. P7 confirmed that the bank report almost every aspect of the business, and enquire rendering the report and often, the compliance officers or any officer with the responsibility use the backdoor approach to get information on how to improve their report knowing the implication of noncompliance to their job. The participants identified that there is a drive from the leadership of the banks to ensure that there is compliance. To employ self-checking productively, then organizations require to operate in a manner to give comprehensive and imply mitigation for nonadherence to regulations (Shrive et al.,) [168].

According to N1, “To mitigate regulatory non-compliance, there is already a recent-guidelines, that was set out by the CBN with the Attorney General as at February 1st 2018, wherein there are various sanctions and penalties against the board, the Chief Executive Officer, the executive compliance and the compliance officer, for non-compliance with regulatory guidelines. It spelled out in clear details of financial penalties and the financial burdens to be burned by banks in the events of non-compliance”. Zeidan [148] confirmed that regulations have become more restricting, and there have been increased sanctions in the last few years. Banks...
experience improved expectations of their compliance responsibilities, a crucial aspect of an integrated and strategic feature of the business (Prorokowski & Prorokowski) [17]. Zeidan [148] noted that nonadherence with any of the regulations might have significant lawful effects on the banks involved and their relevant management and directors. Corporate financial leaders should understand that the regulators will no longer tolerate failure in the banking industry; as a result, the need for improved compliance deserves the focus of the boards and management for enhanced performance in the financial industry. P7 explained that corporate governance assists to enhance financial performance; adopting corporate governance principles would assist in enhancing financial performance. N4 asserts that “The board must set a powerful message that compliance is part of their DNA. Compliance with the regulatory required thorough exposition of regulatory structure and reports (Isaiah et al.,) [149]. The Expertise of the board of directors and its committee to translate statements and details, proficiency of regulations for overseeing executive actions, separations of positions and with no obstruction of board, provision of report before board meets and presence of employee performance review and execuses succession plan are the crucial components of board responsibility and constitutions (Isaiah et al.,) [149]. For effectiveness, N4 contended management must send that message down to the rank and file because compliance is something that has assumed that level of importance.”

4.2. Improving Regulatory Momentum

After the financial chaos that spreads globally notably studied to be highly entrenched in corrupt acts, international regulators extensively focus on effectively regulating the financial industry to avert abnormal processes in the future (Perezt & Picard) [170]. Regulators have attempted to amend the harm inflicted on the banking industry and nations resources by legislating various banking reforms at the national level and globally (Claessens & Kodres) [171]. According to N4, “I mean compliance has also assumed a very high level of significance now and globally there is a lot of focus on ensuring that you play by the rules, that you are a compliant organization.” After the global financial crisis, there is an increasing requirement for an innovative reassessment of the techniques used in supervising banks and efficacy of the disciplinary actions, in the interest of financial institutions survival, shareholders, and other interested parties (Pereira et al.,) [166]. Sharp practices, malpractice, and deficient supervision of agents’ affairs caused inadequacy of transparency and accountability, making the prominent banks exposed to failures (Isaiah et al.,) [149]. P6 stated that corporate governance practices include full disclosure and transparency. Unethical activities of the bank management led to the initiation of regulatory, corporate governance reports and rules of law; instituted to constitute regulations to foster adequate governance and to enhance the financial performance of these banks (Isaiah et al.,) [149]. P8 identified one of the critical factors to achieve financial performance as compliance with the financial reporting standards. The participant confirmed that the adoption of the international financial reporting standards in 2012 has ensured that things that were hiding in the past are now brought out to public knowledge because IFRS required detailed disclosures. Disclosure comprises several components like board and executive system exposure, holding system exposure and financial transparency, and reports exposure (Isaiah et al.,). [149]. P2 noted that corporate governance is a culture, and it is evolving. The participant explained that in developed jurisdictions, corporate governance is not mandatory, it is either “comply or explain,” but the key thing people must note is that for transparency index the developed economy is up while Nigeria is down in terms of transparency index. The implication of this is that Nigeria regulators must create institutions and tripods that will help improve report rendition in the banking industry. N8 opined that “Compliance is now becoming the culture of most banks in Nigeria. Why because, beyond just Nigerian regulatory framework and environment, we also have interfaces with other organizations that require compliance and the consequences of compliance over time too have also made a lot of banks to see that they need to be compliant”. Burdon and Surour [172] opined that compliance culture in an organization could be connected to the company’s efforts to embrace best practices or explicitly administering regulatory risk, possible to threaten its potency and survival. P5 stressed that banks are presently more cautious; corporate governance problems have not been entirely taken care of, but there is an improvement; compared to absolute breakdown where people failed to imbibe the culture of self-regulation. According to Alam and Sattar [173], compliance towards regulatory expectations for huge profitability is not sufficient or should only be the focus of the banks; presently organizations must be innovative and concentrate on public well-being, organizational culture, and adequate governance.

Also, N1 explained, “what corporate financial leaders have done is to look at compliance as a revenue tool by incorporating it into their budgeting and set parameters for measuring compliance or non- compliance in financial terms. Most times, what they do is from day one, from their budget, they expect that the bank might lose certain sums of money for non-compliance and then the officer in charge of compliance, his target is, therefore, to make sure that such financial allowance made for non-compliance is never achieved. N2 asserts, “if a financial institution does not incorporate regulatory compliance into its strategy, then it has a lot of things to lose.” Recounting the recent sanctions that took place in the banking industry N2 provided an example, “banks involved in the MTN case, the impact of the CBN penalty on them is quite heavy. In other words, there are some regulatory procedures of which they are aware of but breached to process the request of MTN; this is the summary of CBN position”. Executions of sanctions are critical for regulatory authority like CBN to ensure banks compliance with the guidelines embedded in the regulations for best practices. (Chaikovsca) [146]. The sanction would impact on the business capital of the banks involved in the breach of regulatory procedures. Regulations demands banks’ set aside sufficient capital to sheath unanticipated failure and remained in business in upheaval. (Chaikovsca) [146]. According to Mohammed [93], a robust governance
structure that reinforces compliance and sanction non-compliance with corporate governance codes becomes exigent in the case of Nigerian Banks.

N3 expressed, “In compliance, there is what we called ‘a tone at the top,’ depending on your value system as an organization; if you are a compliant organization then your posture is that of compliance with any regulation, anything that you are expected to comply with the rule. So, if you have the right mindset, i.e., the mindset of compliance, you then take that to regulation, you dimension it, what is expected of you? Where are you? So, you come up with gaps. N8 contended, “the root to long term survival is to ensure that whatever governance structure you have is sustainable and that has to be within that environment. And they also know that their financial performance both in the short term and long term, would depend on how far they can keep within that governance structure. Because of the course like this, I always say, the consequences are high. Their short-term approach to try to make financial gains but if you don’t take cognizance of regulatory infraction that might go with them, of course, whatever you think are gains might become losses”. The crisis in the financial sector became perceptible from the occurrences that executing heedless business strategy was exacerbated banks vulnerability to cash squeeze and bad long-term effect of the business strategy remarkably whatever you think are gains might become losses”. The implication of box ticking could be to avoid being teleguided. Corroborating, N 2 noted having the code is not what matters, but the spirit of the code to avoid being teleguided. C BN requires banks to know the focus or the motive behind policies /circulars, so, good faith is needed in corporate governance compliance.

Adherence to the code should naturally flow within banks processes and organizational culture. P3 stressed that the banks merely tick the box to fulfill compliance requirement as expected by the regulator. Box-ticking originates from organizations adhering with the letter instead of the spirit of the regulations, and, in organizations not exploiting the intrinsic flexibility of the rules to execute their internal governance systems by elucidating instead of compliance (Reddy) [21]. However, Adegbite [28] found that extreme regulation might result in box-ticking without any improvement in conduct. The implication of box ticking could be to avoid regulatory sanction, whereas banks compliance may not meet regulatory expectations. Krenn [175] confirmed that an organization might seek a box-ticking strategy in the conformity with regulations instead of presenting the (rational) justification for non-adherence. Perenzts and Picard [170] assert, indeed, establishing compliance is higher than box ticking. P3 and P4 noted that the corporate financial leaders might not have the spirit from the onset, but it is essential to imbibe to work in the right direction. P4 stressed the importance of the adoption of the spirit of the code in the corporate financial leaders to ensure compliance with corporate governance. N4 expressed “I think where we have gotten to in the country now is a situation where even if you were not an organization that naturally gravitated towards compliance with corporate governance principles and practices, the fact that the regulator in this instance the CBN, they’ve started paying a lot of attention to corporate governance issues means that even if it was not within your natural affinity to comply you are forced to comply.”

P10 emphasized, there are the spirit and the letter of corporate governance, but corporate leaders are complying with the letter of what is written down. P4 confirmed having the code is not what matters, but the spirit of the code; members of the board should have the spirit of the code to avoid been teleguided. Corroborating, N2 noted that, in regulation, there is what you called the letter and the spirit, the letter is what you see in black and white, but the spirit is the basis, the guiding factor to that policy. Now, there may be a gap between the spirit and the letter, so, if you capitalize on that gap to do your business, you have not shown good faith. CBN requires banks to know the focus or the motive behind policies /circulars, so, good faith is needed in corporate governance compliance.

The adoption of the spirit of the code by corporate financial leaders will define the ability of the organization to succeed concerning its mandate, fulfilling its responsibilities to both the staff, the shareholder, government, and all other stakeholders and ensure long-term sustainability invariably. P5 emphasized any bank operating in the industry was expected to comply with the letter and spirit of that code corporate governance.

P1, P2, P7, and P8 discussed that regulators are coming up with scorecards for organizations and financial institutions, after discovering that more needs to be done regarding the code of corporate governance. P8 stated that the introduction of scorecards into the market would be a tool to force disclosure by those responsible for those companies because the keywords in corporate governance are disclosure. The participant emphasized that financial transactions should not be dealt with in secrecy. There should be disclosure, and information should be available to people because where there is no information, there would be suspicious, where there is suspicion there will be a loss in confidence. Reddy et al., [21] suggested additional, comprehensive disclosure in organization yearly statements covering all the mandatory disclosures, to improve shareholders’ assurance and lessen information asymmetry, for both knowledgeable and inexperienced shareholders to be appropriately enlightened.

P1 explained, due to different provisions from the code of corporate governance guidelines; the regulators realized that more is required from the banks and then decided to improve further compliance by introducing corporate governance scorecards to access all publicly quoted companies instead of submission of a half-yearly report to the regulator. The participants noted that this scorecard gauges the organizations’ compliance with the provisions of the code. P2 expressed that the securities and exchange commission in conjunction with the financial reporting council is launching their scorecard, which is a quantitative and a qualitative measure of measuring
performance with the code of corporate governance. The participants stated that the scorecard is made up of 800 indicators, which have been compounded into 400 indicators for ease of the regulator.

P1 stressed that all banks in Nigeria would be expected to publish the scorecard report on their website; the essence is that other stakeholders can go to the website, peruse this information, and blow a whistle if they perceive deviance from the scorecard. P5 confirmed that the whistle-blowing culture and policy, which is part of corporate governance code, is there to ensure anything not in tandem with corporate governance code is reported to the regulator. Mitigating regulatory noncompliance, N5 noted: “when there is non-compliance with expected behavior in the banks, are the people that are supposed to whistle blow have the effrontery? Have they been powered to be able to blow the whistle when they should blow it? The whistle-blowing policy is a critical element of corporate governance and on compliance”. Agnihotri and Bhattacharya [177] noted that whistle-blowing is a useful technique to uncover improper practices in an organization. The participants further explained whistleblowing report, embedded in the code of corporate governance helps to mitigate noncompliance revealing certain things and then call the banks back to order to ensure they are not moving in one right direction. P1 stated that the regulators would guarantee, the safety and confidentiality of any whistleblower to obtain information either from the shareholders, other stakeholders, or also other regulatory agencies. The whistleblowing will be of advantage to the organization and its investors to launch processes and protection for complaints by staffs, either individually or through their delegates, and others external the bodies, regarding dishonest and unethical conducts in the banks. The amended Code of Corporate Governance of 2014 by the CBN stipulates that banks must have a policy of whistleblowing and ensure confidentiality to encourage all stakeholders to report its unethical activities in the banks (CBN) [178].

P4 explained that the regulatory mitigate is the introduction of the code of corporate governance, “So where there is no rule of law, there can be no sin.” P6 noted that there are regulatory requirements that must be met by corporate institutions, legal requirements, and the guidelines that have assisted corporate financial leaders in implementing corporate governance. The participant stated that in cases where this corporate governance was violated, adequate punishment had been meted out to corporate financial leaders. P8 said that critical factors to mitigating regulatory compliance concerning corporate governance to enhance financial performance are the ability of a regulator to be able to monitor effectively. The regulatory system in Nigeria is specific about the mandatory nature of its regulations, and the corporate financial leader does not have any other choice than to comply without any issue. However, Perezts et al. [146] contended, formulating regulations to institute a standard is different from its adequate implementation.

P4 commented that there are mainly two approaches to corporate governance: there is a rule-based approach and the principle-based approach. The rule-based approach is used in the U.S., and the principle-based approach is used in the UK or recommended by the UK financial regulators; but in Nigeria, the regulations incline towards the principle-based approach. Jakada and Inusa [179] noted that the rules-based and the principles-based corporate governance regulatory structures remain competing suggestions in the corporate governance regulation literature. Jakada and Inusa [179] asserted that compliance with the requirements of codes of corporate governance in Nigeria is compulsory because it also reflects some of the OECD and Basel Principles of best practices.

P1, P2, and P7 stated that the strategy to implement corporate governance by corporate financial leaders is to hire a Chief Compliance Officer. P1 noted this Chief Compliance officer is usually a lawyer or one who has good knowledge of banking activities. The compliance officer is given the responsibility of fully complying with the provisions of the code. P3 expressed that the presence of a robust compliance officer will ensure that most of the rules and regulations of the regulatory bodies are complied with to prevent regulatory risk, regulatory compliance risk. P1 and P2 emphasized that the compliance officer must be knowledgeable and well trained in terms of the rules and regulations governing the organization.

P7 stated that banks are expected to comply because Nigeria code of corporate governance is comply or fail; the code is not advisory, so the banks must comply, and must appoint Chief Compliance Officers. Similar observations were noted by N3, N4, N6, and N8. The amended code of corporate governance stipulated that every bank must have a compliance officer for the effective execution of corporate governance. P2 proposed that corporate financial leaders can implement corporate governance to enhance financial performance by ensuring that their compliance officer as much as possible be their “company secretary.” The participant stated that the vast knowledge base and the visibility which the company secretary has in an organization and their involvement in serving as secretariat to various committees would make their duty effective as a compliance officer. N1 further stated that “Now for the officer in charge of compliance, his target is, therefore, to make sure that financial allowance made for non-compliance is never achieved.”

According to Kenny [180], compliance personnel have the statutory liability to advocate country and corporation regulations within their firm; the duty has an explicit authority of defending “fiduciary duty.” The regulators and banking government aver that compliance roles must be autonomy from the business to protect their potency in apprehending danger and regulatory practices (Prorokwoski et al.) [17].

Notwithstanding the relevance of compliance to the continuity of the financial institution, compliance executives are often fixed at an almost moderate level within the firm’s structure (Kenny) [180]. N1 explained that “I worked in a bank where I was forced out because the managing director felt I occupied space that should be meant to generate business despite the limited space assigned for my function as a compliance officer.” Compliance officers and those charged with internal audit mostly enthral contempt from their co-worker (Kenny) [180]. N3 expressed that “Ok, I will tell you what is happening right now, chief compliance officers have overall responsibilities under board guidance to ensure regulatory compliance in Nigeria banks. And recently we
have what we called executive compliance officers, who are board members who supervise, who have oversight over the chief compliance officers. Now, the chief compliance officer has direct access to the board committee or the board, outside of management. Such that if there are any concerns or things that he or she feels need to be escalated directly to the board that can be escalated. N4 stressed that “The chief compliance officers of every bank must be of a particular grade. And the reason why CBN did that was that they realized that if you want to really drive a compliance culture, you must have someone who is senior enough to be the head of the compliance team; or who is responsible for ensuring that, the organization is complaint”. The coercion for compliance generated the requirement to discover the process to shear an enormous cost of compliance (Sinkovics, Hoque & Sinkovics) [181]. N4 suggested that “You must ensure that you invest in your compliance personnel; You must ensure that, you identify people who are knowledgeable in compliance which matters and you put them in the compliance department. In the past, we have situations in some banks, what they did was they look for people who were no longer relevant, who are on the verge of retiring and they would push them into compliance”. Furthering, N4 illustrated that “we have also had situations from the past where compliance officers would advise and say certain things can’t be done, but management, maybe the MD or the executive director would override that. You know, you must make sure that people understand the importance of compliance and then you must also make sure that you sanction non-compliance”. There is often a threat in non-professional directives that overrule other checks and balances (Goodhart & Lastra) [182].

Krenn [175] expressed that the cost of compliance might be expensive for organizations. However, organizations may have investors who do not want to invest in a company that fails to comply with the Code of Corporate Governance. One of the participants mentioned a similar situation wherein European investors came to Nigeria to enquire a bank only to discover that the banks have serious corporate governance issues. As a result, the regulator advised the group managing director to resign, but the investor left without any investment in the banks. The importance of compliance with the code of corporate governance in the market place is crucial to the business of financial institutions to attract investors and enhance their financial performance. N4 noted that “You must show that right from the board to the management everybody buys into compliance like we always say here compliance is the responsibility of everyone. I think the greatest mistake any organization can make is to believe that it is the compliance function within that organization that is responsible for driving compliance”.

Lama and Anderson [183] stated that there is an underlying proposition that shareholders will access an organization’s governance system by its level of compliance. Undoubtedly, before the decision to buy shares or invest in a bank, investors would evaluate that the Bank is secured, sustainable, and profitable also that the investment gives the expected returns (Bruno et al.) [184].

Krenn [175] emphasized that external and noticeable noncompliance with a code may cause an organization a reputation as improperly managed. N7 asserts that “when a bank can come with a good reputation with itself and it can stand pretty in the industry. N4 expressed that “We have banks and the perception is genuine in this industry, that the perception about them might not be the way they operate, because the perception is there, people naturally gravitate towards them. So, your perception as a financial institution must be built on all the things that the serious-minded people want to hear or that the serious-minded people want to be associated with is very important”. Incorporating regulatory compliance into a bank’s culture can assist in mitigating or eradicating regulatory apprehensions, legal obligation, and reputational risk (Bonilla et al.) [185]. Organizations that oppose compliance for code implementation can incur significant expenses of noncompliance in different ways (Krenn) [175]. Lagzdins and Sloka [142] stated that financial institutions must harmonize the improved expenses related to the developments in the current compliance business environment against their need to function profitably and enhance their businesses.

P8 stated that many regulators regulate Nigerian banks, so the corporate leaders have no option than to comply with the stricter of all the codes. Presently, the CBN code of corporate governance for the banks is mostly more stringent than the SEC code, and because of the mandatory nature of the code, the banks have no option than to comply, otherwise it would affect the reputation of the financial institutions. The participants stressed that noncompliance could also affect the reputation of the individual directors and managers of such banks; considering the advocacy for good corporate governance; no corporate leaders want to associate with failure.

P9 confirmed that the financial services industry is the most highly regulated; as a result, there is an extreme focus on regulatory compliance, and at least two regulators govern most financial institutions. The participants identified the Central Bank, NDIC, Securities, and Exchange Commission, Nigerian Stock Exchange, for those who are listed, and the financial reporting council of Nigeria; these regulators had their codes that required banks compliance. P10 stated that failure to comply with rules and regulation of these regulators would results sanctions. The participants revealed that recently the regulators have been very firm in monitoring the banks, both the Central Bank and even the Federal Reporting Council have been active in their carrying out their responsibilities.

P4 explained that people, processes, and resources are three factors considered to be critical success factors for mitigating regulatory noncompliance; compromising any of these will result in a high level of refusal. Explaining the impact of one of the factors mentioned according to N1, corporate financial leaders need to learn from those who have failed based on a lack of adherence to corporate governance. For instance, When I was in training school, I remember part of the lecture we were to take is the synopsis of studying banks that had failed. We took synopsis of each bank that has failed and looks into what killed them, most of it was corporate governance. I
remember the case of Commerce Bank that was specifically mentioned, and I remember even being the person who asked the question then. I asked someone who was a player then on what caused the banks to fail, and he wrote five (5) letter word GREED. Greed, amid related issues, was recognized as a driver for the outrageous prevalence of sharp practices and related unethical conduct in the Nigerian financial institutions (Lawal et al., [145]). P8 emphasized that corporate financial leaders can affect the amount of banks financial performance through strict compliance with regulatory requirements. The participant noted that strict compliance would ensure that heavy penalties that may eat into profits are avoided, and it also projects the image of the bank, thereby boosting depositors and investors’ confidence. Lambe [186] concluded that corporate governance is compulsory to the appropriate running of banks and that corporate governance can avert a bank crisis only if it is properly executed. Agyemang and Castellini [121] recount that World Bank review (2003) depicted corporate governance in several of the developing economy and upcoming economies is not adequately exercised owing to the inability to thrive often and steadily implement rules and regulation with regards to corporate governance.

P9 explained that if a financial services organization has a regulator, but that regulator is “sleeping,” that is, if the regulator is not living up to its watchdog role to monitor compliance in that particular organization or industry, it could be a critical factor to regulatory compliance. The participants emphasized that the amount of focus that both the regulator has, and what the regulator requires to be implemented internally, helps in ensuring that corporate governance is implemented. P6 stressed that through the regulatory requirements, the regulators have ensured that there is strict adherence to the code of corporate governance. Despite, N3 noted that “While most of Europe Corporate governance is well served; as we evolve maybe, we would change. In some other part of Europe (Italy), because the enforcement of consequence management is weak, you have an issue in that country. So, the regulatory environment, the justice system is also very very important because you know that if they catch you, you are tried and if guilty there is a consequence which without fear of favour would be enforced. In this environment, we still don’t have that. It is not, yet a few banks have failed you have done that, but if you put it on the scale, it is not up to one 1 out of 10. So, if that happens and I know that if I do this, I am caught I will be dealt with especially for public organizations, or for regulated industries, then people would not do it again. So, the regulators themselves must be willing or must be courageous enough to enforce sanctions because the sanctions are there. If there were no sanctions, there wouldn’t be an issue but the reason why in those environments; where these things work because there is enforcement no matter who you are things would happen, and even if you think you have gotten away with it for a so long you would still pay. I mean that is what we do with War Crime even after they have left power if it has been established that if you committed one crime, we would try you, and we would jail you. So, if we do that as well, people would sit up. So, regulators, no matter what code you have; corporate governance code, you can be best in the world, if you are not willing to enforce it to the latter, you will fail”.

Where there are lapses in rules and compliance measures, financial industry may overtake the regulators to act in their preferred manners. Experts have cautioned that policymakers may be ‘captured’ by the banking sector and, hence, they may be induced mainly by the financial organizations they are expected to supervise (Lucia & Spendzharova) [187]. The assertion of the participant is coherent with the findings of Fabio et al., [188] in their exploration of the systems of corporate governance structure of an organization and compliance with the Italian Corporate Governance Code and other international standards of corporate governance and found that Italian corporate governance is weak. The above contention of the participant is an indication that regulatory enforcement or rather implementation of corporate governance code is still very much of an issue in the financial industry. Failure to institute efficient supervisory and application of rules of law or regulations, financial institutions are especially vulnerable to abuse (Armour, Colin & Adrea) [165]. Implementation of sanctions intends to discipline culpable organizations or banks and liable companies and present precedent to similar organizations that abysmal conduct behavior will be sanctioned (Stefano et al., [189]). According to P9, “a lackluster regulator as well could engender a situation where even the organizations themselves become very lax when it comes to corporate governance and compliance.” P5 stated the banks are expected to integrate all sections of the corporate governance in their policies and, later on, followed up by the regulators. All the banks are supposed to align their business strategy with the corporate governance code.

P10 noted that banks have the external auditor and the Central Bank and other regulators going around banks for examination purposes to check the banks’ governance structure. P3 stated that regulators required the corporate financial leaders to render returns on certain aspects of their corporate governance practices, the questions, and the responses would show one way or the other whether there has been a deliberate strategy that put it or banks have deliberately incorporated corporate governance into their business strategy. P7 stated that a regulator like CBN ensure that the effectiveness of the code of corporate governance is in place. The participant noted that to enhance the efficacy of corporate governance, the CBN look more into the corporate information also under the conditions of confidentiality, which assists in several ways to alleviate the noncompliance of the financial institution. To circumvent potential collapses, constituting grave disquiet to regulators and in ensuring that financial institutions can recognize, assess and control the hazard to which they are vulnerable, it is obligatory to discipline using suitable rules for bank governance (Paola, Gallucci & Santulli) [190].

Lambe [186] found that to avert bank crises through appropriate corporate governance; importance should not be solely on regulators in setting guidelines and rules, but to also establish that the set of guidelines and regulations are strictly obeyed in the financial industry. N8 stressed that “Application of the rules has to be transparent at all times.” In ensuring conformity with the new Nigeria code of corporate governance, the responsibility, and practices
of regulatory bodies should focus on supervising whether the report of compliance with the guidance in the combined code occurs and acts immediately in the event of misleading statements or report (Horak & Vukobat) [191]. Consequently, corporate governance is a critical problem for the executives of financial institutions, which can be observed from two facets. One is the honesty in the corporate operation, thereby safeguarding the investors’ interest (an allusion to agency problem), while the next involved maintaining a robust risk administration structure, mostly as it concerns financial institutions (Jensen & Mecklin, 1976), Paola et al. [190]. Non-compliance exceptions, outside contradicting corporate governance theories and expected best practices, have equally attained significant applicability on corrupt terms, deleterious to bank’s executives (Paetro & Parisi) [192]. Considering the present situation of banks, Policymakers should ratify regulations guiding financial institutions plan effective techniques to manage their exposure (Marco) [193].

Extracting from the 2015 Basel Committee Corporate Governance Principles for banks, under the direction and oversight of the board, bank executives should steer and control the financial institution's operations in practice coherent with the business strategy. The Board is to institute a compliance responsibility and endorse the financial institution’s policies and processes for recognizing, evaluating, supervising, circulating, and counseling on compliance exposure. The regulator should give advise for and oversee corporate governance at financial institutions, also through thorough assessments and methodical discussion with boards and executives should necessitate enhancement and corrective action as obligatory and should circulate report on corporate governance with other regulators (Marco et al.) [193].

4.3. Documentation Review

I collected documents related to the topic through the participant to review and use the aspect of what is relevant to the interview discussions. The documents include the corporate governance code of SEC and the CBN. Also, the recently launched National Code of corporate governance in Nigeria, 2018, along with other relevant documents relating to the research.

4.4. Application to Practice

My findings, conclusions, and recommendations could provide a possible solution to the strategies corporate financial leaders need to reduce noncompliance to corporate governance to enhance their financial performance. Corporate financial leaders can use the application of this information in hiring a compliance officer to ensure effective implementation of code of corporate governance with direct report to the board. Regulators to ensure stricter code for the effectiveness of corporate governance in the financial industry. Also, the regulator to effectively monitors the practices and the implementation of the codes by the board and management. Stricter sanctions and fines should be meted out on erring management, directors, and their institutions, to sound to other banks that governance has found its way in the Nigeria banking industry. Senior management of regulatory authorities and corporate financial leaders interviewed expressed that corporate financial leaders need to adhere to the code of corporate governance governing their operations in Nigeria and also learn from other countries with best practices to protect the investors and attract new investments for enhancing financial performance. The result from this study suggests that corporate financial leaders need to imbibe the spirit of the code of corporate governance for its effective implementation in the banks they manage, to be a world-class institution.

Interviewee responses in this study indicated that compliance has been on an upward swing since after the financial crisis, but there are still issues of corporate governance within the banks. The regulators need to improve their monitoring tools for full implementation of corporate governance code for the stability of the financial industry in Nigeria. Corporate financial leaders must make conscious efforts to have the knowledge of corporate governance code with regards to their operations, understand factors that lead to competitive advantage in the industry, and plan strategies that will assist their organization’s sustainability and going concern for enhanced financial performance. Corporate financial leaders and regulators may find the themes of this study useful in; (a) Improving compliance to regulation; (b) Improving regulatory momentum.

With compliance to the code of corporate governance, a bank will have its reputation unquestionable, thereby attracting the right and potential investors and perhaps leading to the sustainability of the business in the long run. The spirit of compliance to regulations should flow naturally from the management of the banks. This action would improve the culture of compliance in the banks that will make the organization toast of investors and earn good status within the banking industry. The skills, capacity, and awareness of the corporate governance both within and outside the country will add values to the strategic decision on the business that will improve the bank networks and bring about appropriate strategy to drive the industry towards meeting regulatory compliance and the objective of the bank that enhances financial performance. Corner cutting by involving in short-term gains may have adverse effects on the performance of the business, thereby erodes the capital and profit of the organization which could lead to shutting down or merger and possibly acquisition due to insufficient funds to meet the going concern of the company. So, corporate financial leaders must endeavor to adhere to rules of law and codes guiding their business; channel their strategy appropriately toward the sustainability of the company to achieve adequate financial performance.

5. Recommendation and Conclusion

Noncompliance to rules and regulations have upsurged several banks in Nigeria climes, affected shareholders value, impacted taxpayers fund due to bailouts, plunged business into chaos, and almost derailed Nigeria economy. One of the significant outcomes from that chaos in the Banking Sector is that government intervention should not
continue to fund banks corrupt practices, despite, a situation may arise to ensure financial solidity without involving taxpayers’ funds (Marco) [193]. The Nigeria Government intervention in the banks and buyout was adopted to strengthen the economy to avoid extensive, severe impact on depositors and investors. However, such funds could have been deployed to infrastructure and other aspects of the economy to the benefit of the taxpayers. To this effect, the following are recommended from the finding of this study to solidify the Banking Industry to ensure compliance towards best practices, improved financial performance, and Business Sustainability:

i. Corporate financial leaders should seek knowledge on corporate governance to have the expertise to steer the banks with the right strategy on compliance and international best practices.

ii. Regulators and scholars should strongly appeal to the management of Nigerian banks to sternly adhere to the regulations binding its business and its compliance to achieve best practices in averting an impending collapse in the financial sector of the economy.

iii. Corporate financial leaders should eliminate shoddy strategy of accepting business deals that could have serious implication on their reputation for short term gains and against regulations, thereby pride the bank as of integrity to attract the right investors.

iv. The bank’s executives must have interchange and collaborate with international banks with a history of best practices which have sustained their businesses above 50 years to learn from their success strategy.

v. Bank management should focus on compliance and pay its cost rather than sanctions and fines, which could impact on financial and the sustainability of the business. An adjustment in the rule of law is often rationalized since the cost of business collapse is higher than cost related to bailout or regulatory alignment (Chang, Jackson & Wee) [194].

vi. The executive should avoid interference in the affairs of the Chief Compliance officers through overrides of decisions or business deals to avoid plunging the banks profit into the payment of sanctions dues to management recklessness.

vii. Bank’s management should integrate moral principles and corporate culture into their strategy and train staff as appropriate for well-informed bank’s directive to have a good outlook in the market for ethical standards to attract investors and potential depositors.

viii. Regulators must improve their monitoring strategy to ensure that banks’ corporate financial leaders are not just complying to the part of the code they are comfortable with, but all aspects of the codes of corporate governance, which must be reviewed in alignment with global best practices.

ix. The regulators must enforce strict adherence to corporate governance in the Nigerian financial industry because there are still governance issues within the system. Despite the new “Apply and Explain” code, CBN must be vigilant to ensure the Banks are upward in compliance.

x. Regulators should sanction erring Banks and the management or directors involved in fraudulent to institute governance in the Nigeria banking Climate. The character of an agent can be a vigorous technique to curb the activities and check representatives actions in a typical agency problem. (Chen & Khadka) [195]. The findings from Zedain’s study corroborated the efficacy of rules of law in the financial sector and recommend that regulatory authorities and policy creators should toughen-up, the penalties, and expedite the process.

xi. Regulators should desist from selective sanctions and ambiguity of rules to have a common standard of in applying its regulations. As noted by the participants, the uncertainty in the application of regulations leads to noncompliance at times.

xii. Corporate financial leaders should curb their insatiable quest for extreme wealth using Banks resources, thereby, leading to loss of investors funds and eventual collapse of the business.

xiii. Corporate financial leaders should assume the spirit of the code as part of their embedded character and do the right thing rather than what they prefer or suit their purpose as against investors interest.

xiv. Regulators need stricter codes in the banking sector to curb management excesses to enhance financial performance. Lambe [186] concluded that it is vital to insist that all financial institutions conform with legal provisions which the government, regulatory, and supervisory authorities might outline to curtail crises in the banking sector.

xv. Regulators may consider grading banks in terms of their compliance position to regulations for investors and depositors to know the status of their banks instead of waiting to analyze financial reports which may not give details of compliance.

xvi. Regulators should incentivized Banks who have good business ethics and compliance spirit to showcase such as a model of integrity in the Nigeria Banking Industry.

Mitigating compliance in the banking industry has reached an advanced stage whereby the regulators can no longer afford another collapse in the Nigeria Banking Sector after the demise of Skye Bank in 2018. The amended Code of Corporate Governance stipulates that banks must render quarterly returns to ensure full implementation of the new code. The theme of improving compliance to regulation and Improving regulatory momentum aligned with the literature, including agency theory, in that compliance to the code will safeguard the interest of the investors by removing the conflict of interest between the management and the business owners to enhance financial performance. The problem is that the goals and the aspiration of the agents (corporate financial leaders) might not correlate with that of the principals’ (Investors) tends to agency problem (Abid & Nasir) [196]. The implication of these findings is adherence to regulations, the concerns of the business, and improved financial performance.
Bank’s must have effective communication with regulators to prevent sanctions from unintended noncompliance. Corporate financial leaders would benefit significantly when code of corporate governance receive sufficient recognition through internal assessment, and knowledge of the compliance status would further improve a bank’s reputation within the financial industry. Without compliance with code of corporate governance, banks may experience sanctions that may not be in the best interests of the business owners. Lama et al. [183] revealed that the value related to executing compliance is financial, while the cost of noncompliance is initially market prestige, but could result in financial. Corporate financial leaders need to align their interest in ensuring compliance to corporate governance to meet shareholder expectation to avoid the cost that could affect the reputation of their organization, such that it would influence the financial performance of the business.

Shrives and Brennan [168] wrote that agency theory is often imploded to describe disclosure, proposing that corporate leaders will be required to prove to investors that their corporate governance practices are adequate. Jakada and Inusa [179] concluded that management staff must follow the codes of corporate governance stringently to safeguard adequate financial practices that will result in financial industry stability. Authorities should enact other strict fines for breaking corporate governance codes; this will reinforce the implementation techniques of the regulatory bodies (Jakada & Inusa) [179].

Nigerian banking industry is driven by the conflict of interest of individual executives who have the responsibility to steer the affairs of their organizations, but in their quest for personal wealth acquisition, they resulted in defrauding the business that has been placed in their care for self-enrichment, despite the place of regulation and rules of law binding their offices. The evidence from the inception of collapses in the industry up until 2018 are sufficient to allude to the fact that Agency problem is the issue with the Nigeria banking industry because the regulations are there with terms, but still not regarded as expected by the corporate financial leaders. Considering the collapse of Skye bank in 2018, the issue of compliance needs adequate monitoring to avert the future crisis, which is imminent. The current merger and acquisition talk among the Banks is an issue to watch. Inadequate capital or other related components could have resulted in the idea of a merger.

Regulators need to explore how the code of corporate governance is implemented in other climates and continue to overhaul its strategies; to ensure that it meets with the World Standard to actualize Best Practices considering the drivers of noncompliance in Nigeria which has been alluded to the issue of conflict of interest and the quest for self-enrichment at the expense of the organization, banking industry, and its investors. There should be extensive monitoring tools deployed in various ways to mitigate issues of non-compliance in the sector. Also, as noted by some of the experts in the industry, regulators should be consistent, and the same rule should apply to all without any favoritism and ambiguity to its interpretation. The peculiarities of noncompliance in the Nigerian banking sector may be a call for CBN to consider hiring external compliance officers with dotted line report to the Board, but directly to the Apex Bank to serve as additional checks and balances along with its quarterly or regular supervision of the banks. The regulators must know that where the managing directors are involved or have the authority to employ the chief compliance officer, manipulation is imminent. The compliance executive may be intimidated as such may impede its functionality to give accurate details of the activities of the organization for fear of being relieved of his job. The banks’ executives know how to circumvent the system to achieve their aim of defrauding the organizations, so the Apex Bank must be on guard to ensure leakages are blocked and sanctions meted on culprits. Consequently, if Nigerian banking industry must record five to 10 years straight without any management related fraud and noncompliance to the rule of law; then, the regulators must scrutinize its strategy to improve its regulatory position. To appropriately exhibit best practices and emulate regulators who have performed excellently in their supervisory role and ensuring implementation of regulations as described in its codes.

Overall, the issue of compliance remained a significant impediment to adequate corporate governance, financial performance and sustainability of the banking industry in Nigeria due to diverse personal interest of the executives on the acquisition of wealth and abuse of authority. Banks in Nigeria should depart from conflict of interests, malpractice, and abuses of power within the management because of first-hand information in running the organization (Alawiye- Adams et al.,) [176].

The compliance activities of a Bank should be autonomous to protect the system from a managerial hazard or sanctions for unethical practices relating to financial loss and reputational risk that financial institutions could encounter base on non-adherence to regulations, internal policies, and rules of laws applicable to its business (Paola et al.,) [190]. In Nigeria Banks, rules of law, regulations, or any other policies guiding the company must be applied to all concerned without special treatment. Any bank or directors involved in malpractices or corrupt cases must be sanctioned to preserve the regulations, and integrity of the institution in the global financial market and protection of those, whose funds are utilized to start the business (Investors) or the depositor whose funds are manipulated in different risky companies.

Therefore, implementation of compliance is critical for the sanity, integrity, adequate corporate governance, sustainability, and financial performance of the Nigeria Banking Industry. The themes discussed in this paper are not exhaustive. Future research on noncompliance with regulations and improper management in Nigerian banking still requires researchers lenses.

6. Ethical Conducts

I ethically conducted this study to align with the Belmont Report protocol by protecting and ensuring the anonymity and confidentiality of participants. The identities of the participants were kept confidential. According to Bellavance and Alexander [197], there must be equal treatment of all research participants, following the Belmont principle. All participants were respected and treated equally in line with the Belmont principles.
In this study, the protocol included obtaining the informed consent from the 18 participants and was duly informed of their fundamental rights. Qu and Dumay [117] noted researcher must assure participants of their right to withdraw from the study at any time or to choose not to respond to any question. I obtained a rich, detailed explanation from each participant to expound the topic of research. I ensured personal actions are ethical in conducting the interviews, analyzing documents, and identifying themes. Researchers analyzed data from interviews with common trends to determine themes that will emerge (Neuman) [198]. As a case study researcher, I collected and analyzed documents to form the research.

Acknowledgments

“Compliance with Regulations: Path to Adequate Corporate Governance in the Nigerian Banking Industry for Business Sustainability and Enhanced Financial Performance” is one of the themes identified in my doctoral study and recent data collection using the same instrument. This paper is the dissemination of these findings using a journal. I am highly appreciative of the efforts of my Chair, Dr. Kevin and Dr. Ghormely, and all other committee members of the Walden University who made it possible for to attain my doctoral Journey goal. I am grateful!

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