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CORPORATE GOVERNANCE AND FINANCIAL INFORMATION MANAGEMENT IN THE NIGERIAN BANKING INDUSTRY

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Abstract— **This paper examined corporate governance and financial information management in the Nigerian Banking Sector. The purpose is to examine the weaknesses and strengths of corporate governance practice in the Nigerian Banking Sector and also to assess the level of financial information management disclosure in the sector. A total of five banks have been used as sample. The data obtained through questionnaire were analyzed using simple percentage. Our findings reveal that there are weaknesses in corporate governance practice of banks in Nigeria. Based on the findings the study recommended that the regulatory authorities should enforce corporate governance laws and regulations and put sanctions for violators of fiduciary duty in order to deter wrong doing.**

Index terms- **Corporate Governance, Financial Information, Financial Information Management, Banking Industry, Nigeria.**

I. INTRODUCTION

Corporate governance can be considered from two perspectives. Firstly, it relate to the measure of performance, accurate financial information to investors, efficiency, growth, financial structure and treatment of shareholders and other stakeholders of the firm within a country. Secondly, it considers the legal, judicial, financial and labour market rules governing the operation of the firms (Claesses 2006). This paper studies corporate governance and financial information management within the ambit of the first perspective.

Financial Information Management in corporate government has been a major area of challenge, relating to what to say and to whom to say it. The inadequate disclosure and lack of transparency, in information management in Nigeria baking sector are the major factors contributing to banking crisis in the country. The banks report to the CBN and investors often were in accurate, incomplete and late, depriving the CBN of the right information to effectively supervise the industry and depriving investors the information required, on investment decision. Therefore, corporate governance in many banks failed because board ignored those significant factors and the banks Chairmen/Chief Executive Officers often had an over bearing influence on the board, and some board lacked independence Directors, who often failed to make meaningful contribution to safeguard the growth and development of the bank and had week ethical standard.

This paper intends to exams corporate governance practice in the Nigerian banking sector in relation to financial information management using five (5) banks as a case study.

II. OBJECTIVES OF THE STUDY

The study was aimed at assessing the Nigeria banking sector in terms of management of financial information, while other objectives include:

i. To identify the weakness that exists in corporate governance of banks in Nigeria.
ii. To determine whether banks in Nigeria comply with corporate governance practice code.
iii. To examine the impact of corporate governance on information management.

III. RESEARCH QUESTIONS

This study attempts to answer the following research questions:

i. Are there weaknesses in corporate governance of banks in Nigeria?
ii. Do banks in Nigeria comply with corporate practice code?
iii. Are there impacts of corporate governance on information management?

IV. LITERATURE REVIEW AND CONCEPTUAL ISSUE

Banks should be encouraged to disclose information that goes beyond the requirements of law or regulation. The new consolidated banking environment will call for timely and accurate information to be disclosed on matters such as the banks financial and operating result, its objectives, major share ownership, remuneration of key executives and materials issue regarding employers and other stockholders and the nature and extent of transactions with affiliate and related parties (Jessen 1993).

For the financial industry, the retention of public confidence through enthronement of good corporate governance remains of utmost importance given the role of the industry in the mobilization of fund, the allocation of credit to the needy sectors of the economy, the payment and settlement system and the implementation of monetary policy (Unegbu 2004).

An attempt to strategically place the Nigerian banking system in regional and international context and promote soundness, stable as well as enhance the efficiency of the system, brought about the need to strengthen corporate governance in banks (Oluyemi 2007).

The concept of corporate governance relates to relationship between a company's management board, shareholders and other stakeholders. The narrow approach to corporate governance on the subject is the mechanism through which stakeholders assured that managers would act in their best interests. The broad view of corporate governance however, refers to the process that seeks to direct and control the affairs of an organization so as to protect the interest of all shareholders in a balanced manner (Oluyemi 2007).

Bukky (2007), have suggested that, since financial settlement do not present all information that are material to investors, comprehensive disclose of information should also be made and managed, so as to enhance sound corporate governance.

Bodie (2009), suggested that the current information management requirement in the industry are grossly inadequate which effectively bridge the information asymmetry between banks and investors in public consolidated banks. With consolidation, it is important that the accounting as well as disclose requirements of emerging banks be reviewed. Apart from its effect on individual banks performance and market valuation disclosure will also affect the country's ability to attract domestic and foreign investment.

The management quality of information provided by banks is fundamental to corporate governance in a consolidated banking system. Transparency would enable the financial market, depositors and other stakeholders to form a fair view of the banks value and to develop sufficient trust in the quality of the bank and its management (Ogubunka 2010).

The quality of information disclosure depends on the standards and practice under which it is prepared and presented full adoption of international accounting standards and practice will facilitate transparency and comparability of available information across the entire banking arena (Sanusi 2010).

Ogubunka (2010), Concluded in his studies that banks must be made to disclose management information whether they follow the recommendation of international accepted principle and codes in their documents or where they do not, such institutions should provide explanations concerning divergent practice.

V. METHODOLOGY

For the purpose of this study, the population consists of the entire banks in Nigeria which have the total number of 25 banks. Owing to the fact that the population of the study is too many, sample of five (5) banks were taken these were done using the asymmetric sampling procedure. It involves selecting every nth item in the sampling frame the researcher decided to select 1 out of every 5 banks in the populations.

The data used in this research work have been obtained and collected through personal interview and questionnaire method. These methods were used so as to have accurate and complete information needed for this purpose. The researchers used simple percentage method in analysis the data collected. This is because converting to percentage enables the comparison of sub-group responses of unequal size meaningful. It also makes the comparison clear, simple and less cumbersome.

VI. DATA PRESENTATION AND ANALYSIS

This section presents, analyses and interprets the data collected for this study. The data collected have been analyzed under the following headings:

i. Weaknesses in corporate governance of banks in Nigeria.
ii. Compliance with corporate governance practice code by Nigerian banks.
iii. Impact of corporate governance on information management discloses.

Table 1: Responses to questions on weakness in corporate governance of banks in Nigerian

Question 1	**Responses**	**Respondent**	**Percentage (%)**
Are there any weakness in corporate governance practice of Banks that needs to be addressed	Yes	65	65
	No	35	35
	Total	**100**	**100**
Question 2 If yes please mention some of the weakness you have identified?	1. Area of internal control 2. Area of risk management 3. Area Board oversight function	34 40	34 40

	4. Area of Compliance 5. Area of Internal Audi	12 8 6	12 8 6
	Total	**100**	**100**
Question 3 What lead to weakness in corporate governance practice of banks in Nigeria?	1. Unethical Conduct 2. Unprofessional Conduct 3. Lack of education and training of directors on matters of corporate governance	60 20 20	60 20 20
	Total	**100**	**100**
Question 4 How can these weaknesses be over come?	1. Implementing the role specified by the regulatory agencies and individual banks and procedures 2. Education and training of directors and some stakeholders. 3. Recognizing and publishing the respective roles and responsibilities of board and management	46 36 18	46 36 18
	Total	**100**	**100**

Source: Field Study (2012).

Table 2: Response to question on compliance with corporate governance practice code of Nigeria banks

Question 5	**Responses**	**Respondent**	**Percentage (%)**
Do the banks comply with the code of corporate governance practice issued by CBN?	Yes	60	60
	No	40	40
	Total	**100**	**100**
Question 6 To what extent is the minimum legal information required by law to be published by companies adhered to it informative.	1. 70% of the requirements are been adhered to and are informative. 2. 80% of the requirements are been adhered to and are informative 3. 60% of the requirements are been adhered to but are grossly inadequate to effectively bridge the information asymmetry between banks and investing public.	34 26 40	34 26 40
	Total	**100**	**100**

Source: Field Study (2012)

Table 3: Response to question on the impact of corporate governance on in formative disclosure

Question 7	**Responses**	**Respondent**	**Percentage (%)**
Does good corporate governance practice lead to increase in financial information disclosure in the Nigerian Banking Industry?	Yes	100	100
	No	Nil	Nil
	Total	**100**	**100**
Question 8 Does corporate governance have impact on	Yes	100	100

information disclosure?	No	Nil	Nil
	Total	**100**	**100**
Question 9 If yes please mention some of the impact you have identified	1. It leads to timely and balanced disclosure. 2. It leads to increase in qualitative and quantitative information. 3. It leads to the disclosure of critical and sensitive information	42 38 20	42 38 20
	Total	**100**	**100**

Source: Field Survey, 2012.

VII. DISCUSSION OF FINDINGS

From the results of table 1, 100% of the respondents believed that there are weaknesses in the corporate governance practice of banks in Nigeria especially in the area of internal control of the banks' board over-sight functions, area of compliance and internal audits as well as risk management. The respondents felt that unethical and unprofessional conducts of banks' operators had lead to weaknesses in corporate governance practice of banks in Nigeria, so also lack of education and training of directors on matters relating to corporate governance had lead to these weaknesses.

Based on the responses collected, the respondent proclaim that implementing the rules specified by the regulatory agencies and individual banks policies and transactions procedures, recognizing and publishing the respective roles and responsibilities of the board and management will help in overcoming these weaknesses.

From the result of table 2, 60% of the respondents felt that banks are complying with the code of corporate governance practice issued by CBN while 40% of the respondents felt that no full compliance to the code of corporate governance practice. Some of the respondents believed that the minimum legal information required by law to be published by companies is adhered to and to large extent informative, whereas, others felt that the information is grossly inadequate to effectively bridge the information asymmetry between banks and investing public.

From the table 3 above, 100% of the respondents believed that there will be increase in financial information disclosure as a result of good corporate governance practice. It could also be seen that 100% of the respondents are in agreement that corporate governance has impact on information disclosure.

Based on the collected responses, the respondents identified some impacts of corporate governance on information management disclosure including; timely and balance disclosure, increase in qualitative and quantitative information and disclosure of critical and sensitive information by banks regarding their operations.

VIII. CONCLUSION

This paper concludes that banks in Nigeria are not fully complying with the code of best practices for corporate governance. And the minimum legal information required by law to be published by companies is not fully adhered to.

The study also found that lack of transparency, honesty, accountability and commitment to banks and mutual respect as some of the problems faced by the banks in complying with the code of best practice for corporate governance.

Lastly, to check abuse, in the emerging consolidated banking system, the institutionalization of good corporate governance practice is both necessary as well as desirable.

IX. RECOMMENDATIONS

The following recommendations are made:

(i) There should be proper implementation of the specified rules by the regulatory agencies, individual bank's policies and transaction procedures as well as publishing the respective roles and responsibilities of the board and the management.

(ii) The minimum legal information required by the law should be fully adhered to. The board members, management and staff should be transparent, honest, accountable and committed to the banks as well as to ensure and undertake the responsibility of rebuilding confidence in the banks such as in operating the institutions in line with good corporate governance practice, financial information management and professionalism in compliance with the code, rules and regulations of the industry.

(iii) The regulatory agencies should further strengthen the timely and balance disclosure, qualitative and quantitative information and disclosure of critical and sensitive information by banks regarding their operations to public.

Other recommendation includes:

(i) The banks should comply and adhere to the proposed International Financial Reporting Standards (IFRS).

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