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Effect of Corporate Governance on the Survival and Sustainability of Banks In Nigeria

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Abstract: - The rapid development and transformation of any organization in today's hypercompetitive environment to a large extent is dependent the quantumof strategic relationships which would further enhance service excellence. An important strategic planning step for an organization going through transformation is to understand and institute the concept and principles of corporate governance. Corporate Governance has assumed the central stage for enhanced corporate performance. The relevance of corporate governance cannot be overemphasized since it constitutes the organizational climate for the internal activities of a company. Corporate governance brings new outlook and enhances a firm's corporate competitiveness and stakeholder's value. This study tries to examine the effect of corporate governance on the survival and sustainability of companies. This paper is of the opinion that the adoption of section 404 of Sarbanes-Coxley Act, which requires that management certify that internal controls contain no material weaknesses, so as to further enhance integrity of financial statement and ensure effective corporate governance and ethics in the banking industry in Nigeria.

Keywords: - *Corporate Governance, Reforms, Regulation, Supervision, Banking Sector.*

I. INTRODUCTION

The global economy appears to be back on the road to recovery after suffering its worst recession in the post-war era. Emerging markets in Asia and Latin America continue to experience growth whilst the United States of America, where the crisis originated is also recording some recovery, largely due to an aggressive fiscal and monetary stimulus package implemented by the US government. It is expected that commodity rich economies will benefit from the recovery as demand for commodities increases and prices continue to trend upward.

The year 2010 saw continued concern over the impact of the global crisis on the domestic challenging economy, leading to capital flight by foreign investors. Weak oil prices caused a contraction of government revenue and a reduction in external reserves.

The poor operating precinct hampered the performance of many companies. Rising unemployment, weakened purchasing power and weakened investor confidence exerted downward pressure on asset prices. The challenge of management in a rapidly changing world and challenging economies is therefore to prepare the leaders in governance, captains of industries, entrepreneurs, managers and the citizens to cope with unforeseen change and to manage planned change in such a way that it enhances performances and sharpens the countries and organizations growth and development.

Economically, politically and socially, the world around us has been changing so fast that corporate landscapes of industrialized economies have equally changed drastically.

Increase in global competition and liberalization of markets combined with shift in consumer demand and preferences (changes in peoples values and priorities) have prompted the drive for lower cost margins and greater efficiency.

As a result of this, countries and corporates have been more or less forced to cut out wasteful and unproductive activities and concentrate resources in their areas of core-competence in order to achieve sustainable competitive advantages. On the other hand, worldwide, recession has affected company structure and practices while global management has brought companies face to face with complex cross-cultural issues and competitions.

To survive these unprecedented turmoil, most organizations embarked on corporate governance. The aim is to solve today's business and high-end corporate's problems by improving business processes so as to engender companies sustainability and enhanced strategic performance.

Corporate governance, as a concept, can be viewed from at least two perspectives: a narrow one in which it is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000) and a broad perspective in which it is regarded as being the heart of both a market economy and a democratic society (Sullivan, 2000). The narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory. In contrast, Sullivan (2000), a proponent of the broader perspective uses the examples of the resultant problems of the privatization crusade that has been sweeping through developing countries since the 1980s, and the transition economies of the former communist countries in the 1990s, that issues of institutional, legal and capacity building as well as the rule of law, are at the very heart of corporate governance. Besides, the bitter experience of Asian financial crisis of the 1990s underscores the importance of effective corporate governance procedures to the survival of the macro economy. This crisis demonstrated in no unmistakable terms that ''even strong economies, lacking transparent control, responsible corporate boards, and shareholder rights can collapse quite quickly as investor's confidence collapse '' and emphasizing the need for mutual cooperation between the public and the privates sector in developing the capacity to ensure effective corporate governance with a view to ensuring the development of market-based economies and democratic societies based on the rule of law.

M.R. Chatu Mongol Sonakul, Governor, Bank of Thailand, ''Corporate Governance and Globalization, ''Opening Address at the ''Asian Economic Crisis and Corporate Governance Reform'' Conference held on September 12-14, 1999, Bangkok, Thailand. Quoted in Sullivan (2000).

The adaptation of various economic reform programmes in Africa in the 1980s, in which privatization of government-owned enterprises form a major plank, has heightened the corporate governance debate in the continent. The bitter experience of massive governance in some countries of Eastern Europe like Czech Republic and Russia that rushed into large-scale privatization without the necessary corporate governance ''infrastructure'', suggests that Africa needs to take stock of its corporate governance capacity. This paper is an attempt to do just that, using Nigeria as a case study. In the next section, we provide some perspective of the current structure of owner ship in the business sector in the country as well as assess the implementation of the privatization programme so far. In section III, following Ricardo(2000), we identify and review the different provisions of legislation governing corporate governance in Nigeria from three perspectives: disclosure and transparency; minority and shareholder rights; and oversight management. We evaluate the standard of corporate governance in Nigeria using the OECD scoring instrument in section IV and concluded in section V.

Corporate governance is now established as an important component of international architecture, but barely half a decade ago it was little known beyond specialists in a few countries such as US, Australia, Canada, UK and South Africa. In 1999, There were an estimated 274 conference in 39 countries on corporate governance, but most were in developing countries and almost none in Africa.

That is change. In addition to the king report, which was authored in South Africa, which in the view of many is the global benchmark, there has been a rapid growth in the development of African thinking on corporate governance. In many African countries this interest in corporate governance has its origins less in the context of private sector financial systems, and more in the need to improve the performance of, and then to privatise state enterprise.

In general, it is easy to see why corporate governance has grown in status. The asian financial crisis, which cause so much damage to the global economy, was triggered by poor corporate governance practices.

The fundamental purpose of corporate governance is healthy national development. In a period in which the private sector is accepted as the motor for growth, good corporate governance is a essential lever for development and social justice.

In addition to the South African King Report, there has been a rapid growth in the development of African thinking on corporate governance. In a period in which the private sector is accepted as the motor for growth, good corporate governance is an essential lever for development and social justice. As the New Partnership for Africa's Development (NEPAD) recognises, the link with economic and political governance criteria is critical. New thinking is to attack on the supply side of corruption (company bribes) by complementary anti-corruption measures by the state. The recent initiative of the African Union (AU) to develop an AU Convention on Combating Corruption addresses the importance of declaring public officials' assets, and also breaks ground by targeting unfair and unethical practices in the private sector.Governance, which is the manner in which power is exercised in the management of economic and social resources for sustainable human development is an extremely important component in the maintenance of a dynamic balance between the need for order and quality in society; setting in motion the efficient production and delivery of goods and services; ensuring accountability in the use of power and the guarantee or protection of human rights and freedoms ;and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

Corporate Governance refers to the manner in which the power of a corporation is exercised in the management of the corporation's total portfolio of assets and resources, with the objective of maintaining and increasing shareholders' value and the satisfaction of other stakeholders in the context of its corporate mission.

Corporate Governance is concerned with creating a balance between economic and social goals and efficient use of resources, accountability in the use of power and as far as possible, to align the interests of individual corporations and society.

Corporate Governance means the establishment of an appropriate legal, economic and institution environment that allows companies to thrive as institutions for advancing long-term shareholders value and maximum human-centered development while remaining conscious of their other responsibilities to other stakeholders, the environment and the society in general.In the past business ownership was solely the prerogatives of the owners getting directly involved in the day to day running of the activities of the business. However with modernization, growth and expansion of business both in size and technical knowhow, it has become difficult and almost impossible for business owners to personally manage these trends alone. Appointment of managers has become imperative as business owners will like their enterprise to continue and such appointment is that the continuity and management will be done in their behalf. These are to give account of their stewardship periodically by reporting to the business owners the results of their works. Sanusi, 2003 asserts that there is no one single factor that contributes to institutional problems than the lack of effective governance. Widespread corporate scandals and failures had their root in dishonest management decisions and, in some cases, outright cover-ups of illicit activities, that is why in the words of Owolabi and Dada, 2011 as a result of fraudulent practices by the management of corporate organizations as well as in the preparation of financial statements prepared by the management and report thereon to the business owners has brought to the fore the role, which the pursuit of narrow group interest played in wrecking these corporations and, consequently, the lives of millions of innocent citizens who had a stake in them, therefore the concept of corporate governance emerges and we need to know.

The improvement of corporate governance practices in widely recognized as one of the essential elements in strengthening the foundation for the long-term corporate performance of countries and corporations. Although the result revealed no evidence to support the impact of boar composition on performance, there was significant evidence to support the fact that CEO duality adversely impacted firm performance. The result also suggested firm size and leverage also impacted the firm performance. A new variable, identified as more than one family member on the board, was found to have an adverse effect on firm performance. Abdullah, 2004 suggested neither board independence nor leadership structure nor the joint effects of these two had any relation with the firm performance. The structures of boards were largely found to be independent of management and absence of any dominant person.

Effective corporate governance has been identified to be critical to all economic transactions especially in emerging and transition economies (Dharwardkar et al., 2000). However, at varying levels of agency interactions, market institutional conditions that reduce informational imperfections and facilitate effective monitoring of agents impinge on the efficiency of investment. Likewise, corporate governance has assumed the centre stage for enhanced corporate performance.

II. THEORETICAL AND LEGAL FRAMEWORK OF CORPORATE GOVERNANCE

The concept of corporate governance attracts so much attention from scholars, corporate watchers and stakeholders because it is concerned with the economic health of an organisation, in particular, and the society In general. Therefore, the concept has been viewed from various perspectives and different authors have come up with different definitions that reflect their various perspectives. Cadbury (2000), for example, says that ''corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for stewardship of those resources. The aim is to align, as nearly as possible, the interest of individuals, corporations and society. The organization for Economic Cooperation and Development (OECD) (1999) opines that:

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structures through *which the company's objectives are set and the means of attaining those objectives and monitoring performance.*

Corporate governance is crucial in an attempt to enhance efficiency in the banking system, sustain the confidence of depositors, ensure better risk management strategies, increase shareholders' value, and meet the expectations of the various stakeholders. Corporate governance in the context of banking refers to the situation where operations are controlled directly to enhance transparency and accountability, thus protecting stakeholder's interests. The OECD, according to the Basle Committee on Banking, defines corporate governance ''as involving a set of relationships between a company's management, its shareholders, and other stakeholders. ''on the other hand, Armstrong (2003) contends that corporate governance seeks to create corporations that are governed transparently an with integrity and which are accountable and responsible.

The development of corporate governance is a reaction to unethical business practices in corporate organisations such as tempering with financial statements to give false impression of the financial health of these organizations to the recipients of these reports. Many organizations, which were once icons of success, productivity and financial discipline, became bankrupt and collapsed. For example, ENRON made bogus sales of three bogus power generating barges to the Lagos State Government Independent Power Project to boost its profit (Olesin, 2004).

Similarly, Worldcom, Xerox, Quest communications, Arthur Anderson and Halliburton were involved in some unethical business practices which included the manipulations of financial statements. In Nigeria, African Petroleum (AP) was involved in the concealment of debts to give misleading information on its financial statement (Onyenankeya, 2003). These examples, together with other reported cases of corporate failure arising from massive frauds and material misstatements such as the Asian financial crisis of 1997-98, led to the development and growth of corporate governance.

There are two schools of thought: agency and stewardship. Agency theory presents governance as a contract between directors and the shareholders. The directors and management, seeking to maximise their personal utility, take actions that are advantageous to themselves but are the expense of the shareholders. Consequently, the transactions costs of appropriate checks and balances- such as ensuring adequate disclosures to shareholders, using independent directors and auditors- are high. Stewardship theory, the alternative perspective, takes a broader frame of reference based on the original and legal definition of companies in which directors have a fiduciary duty to the shareholders to act in the best interest of the company at all times not in their own sectional interest (Companies and Allied Matters Act (CAMA), Section 282 (FGN, 2004). Corporate governance, therefore, is about promoting corporate fairness, transparency and accountability. The systemic corporate governance failures highlighted above led to some legislative efforts in so many countries such as the USA where the Sarbanes-Oxley Act was passed in 2002. The Sarbanes-Oxley Act dramatically changed the regulatory landscape for organisations that

participate in the US capital market. It imposed major corporate governance and disclosure reforms and created an entirely new regulatory requirement for published financial statements. The basic principles of corporate governance are also fully articulated in the Organization for Economic Co-operation and Development (OECD) principle of corporate governance.

Corporate governance framework entails the establishment of necessary structures to ensure that the principles and concept of corporate governance are instituted and practised. The structures required to adequately implement corporate governance are board of directors, audit, compensation, corporate governance and nomination, the code of personal and business conduct and ethics committees. (FGN, 2004) provides that every company shall have directors. Though the size of the board for effective corporate governance varies depending on the need, the common size is between seven (7) and fifteen (15). Majority of these are expected to be independent. Independence means that the directors are not employees of the company and do not depend on the company for their livelihood. These non-employee directors are expected to bring independent perspectives in their discussions at board meetings and provide a wide range of experience to the CEO in particular, the management, and the entire organization in general. The Central Bank of Nigeria (CBN) (2006) expects that the number of non-executive directors should exceed that of executive directors. To ensure that one person does not dominate at board meetings, corporate governance principles expect that the positions of the chairman of the board and the CEO are occupied by two different persons. It also expects the separation of the position of the chairman of the board from that of the CEO. Section 279 to 283 of CAMA (2004) specify the duties of directors which include the duty of care and skill in the best interest of the company. To carry out their duties with care and skill and to ensure good an effective corporate governance, the board creates four committees: adult, compensation, corporate governance and nomination, and code of personal and business conduct and ethics.

The purpose of the audit committee, which CAMA 2004 section 359 (3) requires all publicly quoted companies to establish, is to assist the board in its function of oversight of the integrity of the organisation's financial statements, external auditors' qualification and independence, the performance of internal audit function and external auditors and compliance with legal and regulatory requirements. The audit committee plays a vital role in financial and operational controls in the whole system of corporate governance. Section 359(6) of CAMA 2004 specifies the duty of audit committee. The committee has authority to conduct any investigation appropriate to fulfilling its responsibility. One of the most important jobs of the audit committee is to ensure the integrity of financial statements in the light of recent financial misstatements and corporate failure (Agbugba and Egbunike, 2003: Onyenankeya, 2003: Olesin, 2004).

To stem the trend of falsifying financial statements and ensure the independence of external auditors, Okafor and Eiya (2006) are of the opinion that regulatory authorities should appoint auditors for banks and other financial institutions and specify what is in the best interest of the economy as the requirements of audit.

Furthermore, they suggest that auditors should be paid by the regulatory authorities and the expense from banks by the Nigeria Deposit Insurance Corporation (NDIC). To ensure the independence of auditors Section 201 of Sarbanes-Oxley Act (2002) prohibits auditors from performing certain activities for the companies they audit. Furthermore, Section 203 of the Act provides for the rotation of audit partners responsible for the audit of a company so as to ensure programming, investigative, and reporting independence (Mautz and Sharaf, 1980). The Central Bank of Nigeria CBN (2006) restricts the activities of external auditors and limits their tenure to a maximum of ten years. Section 404 of Sarbanes-Oxley Act requires that financial statements include management certified statement that internal controls contains no material weakness. Material weakness exists in situations where the internal control system may not reasonably detect or prevent material misstatement in financial results.

The purpose of compensation committee is to ensure adequate compensation policy that encourages high performance, promote accountability, and align employees' interest with that of the shareholders. This committee will review and approve the competitiveness of the company's cash and non-cash executive compensation to attract and retain top flyers, motivate employees to achieve organizational goals and align the interest of employees to the long-term interest of the shareholders. To buttress this point, CBN (2006) provides that a committee of non-executive directors should determine the remuneration of the executive directors.

As for corporate governance and nomination committee its purpose is to advise and make recommendations to the board on matters concerning corporate governance and to identify and evaluate potential candidates for directorship instead of leaving these issues to the chief executive officer.

The code of personal and business conduct and ethics is to ensure that an organisation conducts its business in accordance with the highest ethical standards and maintain complete confidence and trust of customers and the general public. To this end, the committee would ensure that employees and directors disclose conflicting interest in any transactions with the organizations. This certainly will forestall the abuse of official position and insider dealings.

As we indicated, it is expedient for the majority of the members of the board to be independent to give the board an outside perspective. The membership of the committees mentioned above should be dominated by these independent members. It is the view of Dunn (1996) that independent directors should constitute the audit committee. This would perhaps increase the integrity of financial statements. It would be especially beneficial if the chairpersons of these committees are independent to ensure non-interference of the executive. To effectively institute corporate governance, the structures mentioned above must be established and allowed to function as anticipated not only by law but also for the benefit of all the stakeholders of an organization. The term corporate governance has been used in many different ways and he boundaries of the subject vary widely. In the economics debate concerning the impact of corporate governance on performance, there are basically two different models of the corporation, the shareholder model and the stakeholder model. In its narrowest sense (shareholder model), corporate governance often describes the formally system of accountability of senior management to shareholders. In its widest sense (stakeholder model), corporate governance can be used to describe that network of formal and informal relations involving the corporation. More recently, the stakeholder approach emphasizes contributions by stakeholders that can contribute to the long term performance of the firm and shareholder value, and the shareholder approach also recognizes that business ethic and stakeholder relations can also have an impact on the reputation and long term success of the corporate. Therefore, the difference between these two models is not as stark as it firm seems, and it is instead a question of emphasis.

The lack of any consensus regarding the definition of corporate governance is also reflected in the debate on governance reform. This lack of consensus leads to entirely different analyses of the problem and to the strikingly different solutions offered by participants in the reform process. . An understanding of the issues involved can also provide the basis from which to identify good corporate governance practices and to provide policy recommendations.

III. LITERATURE REVIEW

Corporate governance is an evolving field which have gained popularity in the last decades after the demise of Enron, WorldCom, Arthur Anderson, etc in the United States of America which have forced Academics, legal practitioners, accountants and other related professionals, regulatory agencies government institutions, NGOs and international financial institutions to pay attention to corporate governance reforms, (Key and Siberston 1995, Vinten, 1998; 2002; Chanbers 2006; Marlin 2008; Judge, Douglas and Kutan, 2008; De Cleyn, 2008). Other countries have had similar corporate scandals, for example HIH insurance in Australia; Marconi in UK, Parmalat in Italy; Regal bank, Leisure Net and Kron in South Africa and Cadbury in Nigeria. Consequent upon these publicized corporate a scandals and he preceding financial crises experienced in Asia in the late 1990s, there was a global impetus to promote good corporate governance, accountability and ethical business in many countries (Alo, 2001; samusi, 2003; Wilson, 2006; Inyang, 2008).

Corporate governance is a system by which organizations and companies are directed, managed, and controlled in order to enhance corporate performance and cater for shareholders concerns and stakeholders interest (Sanusi, 2003; Inyang, 2004). Corporate governance has leadership dimension, because it provide dimensional leadership to organizations by creating an enabling environment which integrates and systemize various collaborative efforts for settling objectives and achieving corporate goals (Ugoji and Isele, 2009). Good corporate governance helps to priorities organizational objectives and achieve good corporate performances, enhance ethical decisions making within organization where Shareholders concerns and stakeholders interest are addressed properly (sanda, mikailu, and garba, 2005 wieland, 2005, roe, 2008, de cleyn, 2008).

In its simplest conceptualization, corporate governance refers to the range of policy and practices that stockholders, executive managers, and board of directors use to manage the operations of corporate organizations towards fulfilling their responsibilities to the investors and other stakeholders in the society. It is essentially ''a system by which the organization or company directs, managers and controls the business of the company to enhance performance and corporate responsiveness to shareholders and other stakeholders'' (Inyang, 2004). Corporate governance is a term that is used extensively today. In the media, we hear of good governance. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporate such as, the board, managers, shareholders and stakeholders, and spells out the rules and procedures for making decisions on corporate affairs Kajola (2008).

Hussy (1999) defines corporate governance more formally as '' the manner in which organizations, particularly limited companies are managers to the owners. In other words, corporate governance is not just a set of rules but also a structure of relationship geared towards establishing good corporate practice and culture..

Corporate governance refers to the process by which company is controlled, or governed. Just as nation have governments that respond to the needs of the citizens and establish policies, so do banks have systems of internal governance that determines the overall strategic direction and balance sometimes divergent interests.

Shleifer and Vishny (1997) ''Corporate governance deals with the way in which suppliers of finance to corporations assure themselves of getting a return or their investment.

Ultimate Business Dictionary (2003) defines corporate governance functionally as ''the managerial or directional control of an incorporated organization, which when well practiced can reduce the risk of fraud, improve company's performance and leadership and demonstrate social responsibility.

Wolfensohn (2001) ''corporate governance is about promoting corporate fairness, transparency and accountability'' OECD (1999) '' corporate governance is the system by which business corporations are directed and rights and responsibilities among different participants in the corporation such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedure for making decision on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and means of attaining those objectives and monitoring performance. From the public asset Coyle (2002) says ''corporate governance is about nurturing enterprises while ensuring accountability in the exercise of power and patronage by firm. From the shareholder's view Coyle (2002) is therefore concerned with achieving a balance between economic and social goals and between individuals' and communal goals. The relationship between the owners (shareholder) and decision makers (board of directors) has generated into conflicts which is now the major source of many problems with corporate governance.

The Basel committee on banking supervision (1999) states and that from a banking industry perspective, corporate governance involves the manner in which the business and affairs of individual institution are governed by their boards of directors and senior management. It sets out the duties of the board of directors to include:

a. Set corporate objectives (including generating economic returns to owners).
b. Run the day to day operations of the business
c. Consider the interest of recognized stakeholders.
d. Align corporate activities and behavior with the expectation that banks will operate in safe and sound manner, and in compliance with applicable laws and regulations.
e. Protect the interests of depositors.

The committee further enumerates basic components of good corporate governance to include:

a. The corporate values, codes of conduct and other standards of appropriate behavior and the system used to ensure compliance with them.

b. A well defined strategy against which the success of the overall enterprises and the contribution of individuals can be measured.
c. The clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the board of directors.
d. Establishment of mechanisms for the interaction and cooperation among the board of directors, senior management and auditor.
e. Strong internal control system, including internal and external audit functions, risk management functions independent of business lines and other checks and balances.
f. Special monitoring of risk exposures where conflicts of interests is likely to be particularly great, including business relationship with borrowers affiliated with the bank.
g. The financial and managerial incentives to act in an appropriate manner, offered to senior management, business line management and employees in the form of compensation, promotion and otter recognition.
h. Appropriate information flows internally and to the public. On a theoretical discipline which examines how to achieve an increase in the effectiveness, contracts, organizational regulation and business legislation. It is not a disputed fact that banks are crucial elements to any economy; this therefore demands that they have strong and good corporate to any governance in practice if their positive effects are to be achieved.

Ultimate Business Dictionary (2003) defines corporate governance functionally as ‘’the managerial or directional control of an incorporated organization, which when well practiced can reduce the risk of fraud, improve company’s performance and leadership and demonstrate social responsibility
In its simplest conceptualization, corporate governance refers to the range of policy and practices that stockholders, executive managers, and board of directors use to manage the operations of corporate organizations towards fulfilling their responsibilities to the investors and other stakeholders in the society. It is essentially ‘’a system by which the organization or company directs, managers and controls the business of the company to enhance performance and corporate responsiveness to shareholders and other stakeholders’’ (Inyang, 2004). Corporate governance is an evolving field which has gained tremendous popularity and interest worldwide after the collapse of Enron,Worldcom, Arthur Andersen etc in the United States of America which had forced academics, legal practitioners, Accountants, regulatory agencies ,government institutions, NGO’s local and international financial institutions and other professionals in related fields to be attentive to corporate governance reforms (Kay and Siberston, 1995; Vinten, 1998; 2002; Chanbers, 2006; Marlin, 2008; Judge, Douglas and Kutan, 2008; De Cleyn, 2008). Consequent upon published corporate scandals and the preceding financial crises experienced in Asia in the late 1990’s, there was global impetus to promote good corporate governance, accountability and ethical business practice in many countries (Alo, 2001; Sanusi, 2003; Wilson, 2006; Inyang, 2009). Corporate governance is a system by which organisations and companies are directed, managed and controlled in order to enhance corporate performance and cater for shareholder’s interest (Sanusi, 2003; Inyang, 2004). Corporate governance has a leadership dimensionbecause it provides dimensional leadership to organisations by creating the enabling environment which integrates and systemize various collaborative efforts for setting objectives and achieving corporate goals (Ugoji and Isele, 2009). Good corporate governance helps to prioritiseorganisational objectives and achieve good corporate performances, enhances ethical decision making within organisation where shareholders concerns and stakeholders interests are addressed properly (Sanda, Mikailu and Garba, 2006; Wieland, 2005; Roc, 2008; De cleyn, 2008). The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporate such as, the board, managers, shareholders and stakeholders, and spells out the rules and procedures for making decisions on corporate affairs Kajola, (2008).
.. Akinsulire, (2008) define corporate governance as the system by which the affairs of companies are directed and controlled by those charged with the responsibility.

O’Donovan, (2007) defines corporate governance as ‘an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity. Sound corporate governance is reliant on ‘external marketplace commitment and legislation, plus a healthy board policies and processes’. O’Donovan goes on to say that ‘the perceived quality of a company’s corporate governance can influence its share price as well as the cost of raising capital. Quality is determined by the financial markets, legislation and other external market forces plus the international organizational environment; how policies and processes are implemented and how people are led. External forces are, to a large extent, outside the circle of control of any board. The internal environment is quite a different matter, and offers companies the opportunity to differentiate from competitors through their board culture. To date, too much of corporate governance debate has centered on legislative policy, to deter fraudulent activities and transparency policy which misleads executives to treat the symptoms and not the cause.

It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental aid local community needs.
Report of SEBI committee (India) on Corporate Governance defines corporate governance as the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company." The definition is drawn from the Gandhian principle of trusteeship and the Directive Principles of the Indian Constitution. Corporate Governance is viewed as ethics and a moral duty.
The triple bottomline reporting introduced by Elkington (1997) and adopted by the kings report Iodsa, (2002, 2009) requires modern corporations to disclose their economic, social and environmental performances for better decision making. The social responsibility investment index adopted by South Africa to integrate social responsibility and environmental sustainability issues into their corporate strategic plans and to adapt sound business practice (Naidoo, 2002; Wixly and Everinghan, 2005; Tailor, 2000;Roc, 2003).
Brown et al, in 2004 argued that the firms which practice the corporate governance more profitable and prosperous. Not only they earned more profit but also these firms pay more to their shareholders.
For comparison between developed and developing nations, Rashid 2008, posited that corporate governance play equally and balanced role in enhancing the performance of the firms in both developed and developing nations.
It is widely acclaimed that good corporate governance enhances corporate performance Brickely et al, 1994; Brickley and James, 1987; Byrd and Hickman, 1992; Chung et al, 2003; Brickley et al, 2000; Lee at al, 1992; Rosenstein and Wyatt, 1990; Weisbach, 1988.

IV. CORPORATE GOVERNANCE MEASURES IN NIGERIA

Over the years, Nigeria as a nation has suffered a lot of decadence in various aspect of her national life, especially during the prolonged period of military dictatorship under various heads. The political and business climate had become so fouled that most developed countries and any serious foreign investors will not want to do business with us.
The new democratic government of president obasanjo in 1999 inherited a pariah state, majorly because of the high level of corruption in the environment.
Corporate governance institutions must put in place strong internal control mechanisms to provide checks and balance against the oversight responsibility of the boards. Almost all reported cases of corporate failures indicate some level failure on the part of directors to properly discharge their oversight functions and ensure that receive all relevant information and demonstrate good faith (Ahmed, 2007). The internalization of effective mechanisms in the running of corporate organizations would encourage accountability and transparency and also discourage concealment of financial statements. Such internal mechanisms would help establish the concept of insider whistles in form of honest staff of the companies to speak out on questionable practices without repercussions.
Most public corporations such as NITEL, NSL, NEPA and NRC were either dead or simply drain pipes of public resources, while the few factories that were merely available were working below 50% of their installed capacity. The banks with their super profits were failing in their numbers, leaving a tail of woes for investors, shareholders, suppliers, depositors, employees and other stakeholders, hence the need for the government's far reaching decisions in introducing various corporate governance reforms.

V. INTERNAL COMPLIANCE AND CONTROL ISSUES

Internal compliance and controls are the nuts and bolts which keep the organization firmly I check. it ensures that structures, policies and procedures are established and complied with. Internal controls also ensure that laws and rules are adhered to by the company. When an effective internal control system is not in place, a company is bound to run into crisis which could threaten its existence. In some cases, decisions and actions revolve solely around the chief executive which does not make for good governance.
Many times, board of directors of companies when invited to all parties meetings have appeared to be quite at "sea" with happening in the companies, their responsibilities and indeed their liabilities. For good internal controls, entities must have structures designed by the boards, implemented by management and understood be the staff. There must be an internal control unit staffed with qualified personal with full mandate to ensure that internal controls are adhered to. The controls should also aim at ensuring that financial statements are reliable through the maintenance of proper and accurate records. Audit committees are also set up to ensure that internal controls are working effectively. Unfortunately some audit committee have not lived up to their responsibilities. To play their role effectively, it is important that those elected as audit committee have knowledge of internal control and accounting.

VI. ENHANCING CORPORATE GOVERNANCE IN THE BANKING SECTOR

Given the important financial intermediation role of banks in an economy, their high degree of potential difficulties arising from ineffective corporate governance and the need to safeguard depositors fund; corporate governance for the banking organization is of great importance to the local and international financial system. The Basel Committee on banking supervision published guidance to banking supervision in promoting the adoption of sound corporate governance practices and banking organization in their countries in 1999. This guidance drew from the principles of corporate governance that were published that year by the Organization for Economic Co-operation and Development (OECD) with the purpose of assisting government in their efforts to evaluate and improve their framework market regulator and participants in financial markets.

VII. CORPORATE GOVERNANCE AND RISK MANAGEMENT ISSUES

An important governance issue which become quite glaring in recent times is risk management of companies. It is obvious that many entities placed little attention on risk identification and management. Regulators are beginning to give attention to these requiring regulated entities in particular to put mechanism in place to identify and mitigate risks and disclose same in periodic fillings to regulators and in annual report. Indeed the disclosure of risk in annual reports as an important corporate governance is becoming a best practice. Indeed in the recently exposed drafts rules of the SEC, all public quoted companies including Banks shall:

- Include risk management as part of its accounting policies, disclose by way of notes any materials effect of unmitigated risk on corporate profitability.
- Disclose by way of notes strategies for preventing risks the company is exposed to.

The justification is that managing risk is part of any organizational strategy and operational activities. It is therefore important to report to the investing public the types of risk companies are exposed to, the effort to minimize it and where it becomes inevitable, the
effect or likely effect should be promptly made known to the investing public.

The board also needs to understand the risk which their companies are exposed to and frankly should periodically request management for briefing on this. Developing expertise in risk management should be a priority for entities and the capital market as a whole.

VIII. CONCLUSIVE REMARKS AND RECOMMENDATION

There is no doubt that, although corporate governance and corporate sustainability are relatively new areas in management science, several studies have been conducted in this area (and is still on-going) most especially on listed companies and multinationals. I suggest that future studies should strive to increase the sample size by including the small and medium sized enterprises, or at least privately owned large enterprises, because of their large population and dominance of the economics of most developing nations.

IX. RECOMMENDATIONS

After a detailed study and analysis has been carried out in investigation of the impact of corporate governance on the survival and sustainability of banks in Nigeira, the following recommendations are made:

i. There should be compliance of members of staff with laid down internal controls and operation procedures.
ii. There should be upgraded internal control system in banks.
iii. Shareholders should be more active in the affairs of banks.
iv. Board of directors of banks should be very active.
v. Procedures should be put in place to prevent, detect and correct fraudulent and self serving practices among members of the board and staff.
vi. Non- compliance with rules, laws and regulations guiding banking business should not be ignored.
vii. An effective management information system should be employed.

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