Corporate governance practices as a reflection of the institutions, economics and political environment in Sub-Saharan Africa Anglophone countries

Adeoye Amuda Afolabi*

Department of Economic and Management Studies,
School of Social and Management Sciences
Afe Babalola University,
PMB 5454 Ado-Ekiti, Nigeria
Email: adeoye.afolabi@yahoo.co.uk
*Corresponding author

Aida Sy

Critical Accounting Projects Inc.,
New-York, USA
Email: aida.sy1776@gmail.com

Abstract: This paper reviews the historical background of corporate governance, emerging issues in the development and practice of corporate governance in Ghana, Nigeria and South Africa. It compared the corporate governance institutions, politics, corruption and economics of each country. We find that in Ghana there are lacks of institutional shareholders, while in Nigeria and South Africa there are institutional shareholders. However, shareholders association in Ghana and South Africa are not active compared with that of Nigeria. In addition, South Africa have a stronger institutional framework than Ghana and Nigeria, this really provide an evidence to show that corporate governance practices in South Africa seems to be better than Ghana and Nigeria. Generally, we find that corruption and bribery, politics, economics influence effective corporate governance practice in each country. We recommend that the socio-political and economic culture in Sub-Saharan Africa Anglophone in particular Nigeria and Ghana requires need for urgent re-orientation in order to restructure the National Institutions of each of the country. As a result, corporate governance guideline should be tailor towards the political economic and cultural environment of those countries.

Keywords: institutional frameworks; politics; corruption; economics and ownership structure; corporate governance; Africa.

Reference to this paper should be made as follows: Afolabi, A.A. and Sy, A. (2016) 'Corporate governance practices as a reflection of the institutions, economics and political environment in Sub-Saharan Africa Anglophone countries', *Int. J. Critical Accounting*, Vol. 8, Nos. 5/6, pp.417–432.

Biographical notes: Adeoye Amuda Afolabi obtained his BSc from Obafemi Awolowo University IIe-Ife, MSc in Accounting and Finance from Ahmadu Bello University Zaria and his MPhil and PhD in Accounting and Finance from Brunel University London, UK. He is currently a Senior Lecturer (Accounting and Finance) at Afe Babalola University Ado-Ekiti Nigeria. His research is focused on critical and African accounting. He has published articles in *AJAAF* and *IJEA*.

Copyright © 2016 Inderscience Enterprises Ltd.

Aida Sy received her Doctorate (with first honours) from the University of the Sorbonne. She received her Bachelor in Economics and Master in Advanced Studies in Economics from the University of Paris IX Dauphine. She held a degree of Chief Manager in Telecoms from ENSPTT Paris. She teaches accounting and taxation in the USA. She is a Research Fellow at the University of St. Andrews, University of Paris-Dauphine and University of Bordeaux-Montesquieu, France. She has numerous publications and edits several journals. She has participated in international conferences as a plenary speaker, presenter, chair and discussant. She is a member of the American Accounting Association, the European Accounting Association, the Critical Accounting Society and the PhD Project-KPMG/Deloitte. She is the co-organiser of the ANLP and ICCA.

1 Background of the study

Since the 1970's the issue of corporate governance has been the subject of significant debate in the US and around the globe. There are reforms of corporate governance in developed and developing countries. Efforts to reform corporate governance have been driven in part by the needs and desires of shareholders to exercise their rights of corporate ownership and increase the value of their shares and wealth. Over the past three decades corporate directors' duties have expanded their traditional legal responsibility of duty of loyalty to corporate organisations and shareholders, especially in developed countries. In the mid-1990s the issue of corporate governance in the US and UK received considerable press attention due to the wave of corporate governance failure in some firms which led to a wave of institutional shareholder activism. The East Asian financial crisis occurred as a way of ensuring that corporate value would not be destroyed traditionally because of the relationship between the CEO and the board of directors such as unrestrained issuance of stock option not infrequently.

In addition, in 1997 the East Asian financial crisis was seriously affected by the exit of foreign capital after the property assets collapse. This occurred as a result of lack of corporate governance mechanisms this highlighted the weakness of the institution in their economies. Finally in early 2000s the massive collapse of corporations such as Enron and WorldCom made shareholders and governments develop an interest in corporate governance. This brought the passage of the Sabaness-Oxly Act of 2002 (Sarbanes-Oxley, 2002, World Bank, 2002; OECD, 1999). Furthermore, international organisations such as the Organisation for Economic Cooperation and Development (OECD) and the Economic Commission for Africa (ECA) introduced principles of corporate governance of firms. The developed and developing countries introduced codes of corporate governance to enhance the effectiveness of corporate governance practices in firms. Consequently, the impact of corporate governance has shown a positive effect on different stakeholders by strengthening the economy. Therefore, good corporate governance is a tool for socio-economic development and this happened to developed countries such as the USA and the UK.

Moreover, the SEC (2006) explained that in the Africa region despite the diversity of the 53 countries with different colonial legacies, some pattern can be discerned with regard to corporate governance. As a result, the need for corporate governance among the listed, non-listed and state-owned enterprises cannot be over-emphasised. Thus, it is

obvious that corporate governance can contribute to the economic success of firms and to long-term stability, which in turn will attract local and foreign investors. The SEC (2006) revealed that a survey conducted by Mckinsey consulting group in 2002, found that 85% of respondents consider corporate governance in Sub-Saharan Africa to be more important than financial issues in deciding which companies to invest. Also, Okeahalam and Akinboade (2003) explained that corporate governance has impact on economic development though increasing the flow of financial capital to firms in developing countries. The authors' further explained that this is essential for policy-makers in Africa who are concerned with attaining high long-term growth rates of 7% per annum from the policy of new partnership for Africa (NEPAD).

Consequently, this study extends its coverage to listed firms in Anglophone countries in Sub-Saharan Africa such as Nigeria, Ghana and South Africa and these countries are English speaking countries and their selection is based on regional approach, this will give a wider scope. In addition, these countries have growing and strong economy with large markets. For instance Ghana have fastest growing economy in the sub-region after the discovery of crude oil, South Africa which is the strongest economy in the sub-region and Nigeria having huge population and large markets, blessed with abundant natural resources such crude oil and land fertile for agriculture. The regulation, control and governance of Business Corporation of these countries are largely contained within provision of company legislation which have their root from British colonies which is their source of political independence. Based on this, Ghanaian, Nigerian and South African legal systems and corporate governance mirror the UK pattern (Okike, 2007).

Thus, the contribution of this paper to literature is achieved in the following ways. Firstly, the study build on the academic research already conducted on the impact of socio-political environment on corporate governance (Bakre, 2011). Secondly, it compared the corporate governance practices in Ghana, Nigeria and South Africa using indicators such as institution bodies and agencies of corporate governance, politics, economics and corruption.

The next section of this paper shows the evolution of corporate governance in Ghana, Nigeria and South Africa, it also include globalisation, corruption, economic and corporate governance. Section 3 provides the methodology of the study; Section 4 illustrates the effect of institution, corruption, economic and political environment on corporate governance and comparative analysis each of the country. Finally, Section 5 indicates as conclusion and recommendation for the study.

2 The evolution of corporate governance in Ghana, Nigeria and South Africa

In Ghana there is guideline on corporate governance practices issued to listed firms, however the Ghana Companies Act of 1963 is perceived as outdated and there is need to review the companies act. Ghanaian government have not carried out major reform on corporate governance of firms. The legal framework for listed firms consist of the Companies Act 1963, the Ghana Stock Exchange (GSE) listing rules and the Securities Industry Law of 1993 PNDCL 333 which was amended by Securities Industry Act of 2001. This act vested the Securities and Exchange Commission of Ghana with the function of creating an atmosphere for orderly growth and development of the capital market and protecting the integrity of the market (GSEC, 2009).

GSEC (2009) further explained that the commission note the significant contribution for good corporate governance. In order to achieve this objective the Securities Exchange Commission (SEC) in Ghana provided guidance on mechanisms which will contribute to the implementation of suitable corporate governance practices in corporate bodies. The commission is licensed under the securities industry law and the issuers of publicly traded securities particularly those firms listed on GSE approved under law have formulated the following body of best practices. These best practices are based on principles originating from the OECD, the Commonwealth Association for Corporate Governance and codes of corporate governance issued by regulatory authorities in emerging markets. There are various institutional bodies and organisations that have responsibility for ensuring effective corporate governance practices of firms in Ghana, these includes the following; SEC of Ghana, GSE, Registrar General Department (RGD) and Private Enterprises Foundation (PEF)

Furthermore, Mensah et al. (2003) explained that there is GSE's Listing Regulations 1990 (L.I1509) this consist rules on take-over and mergers and acquisition on regulation for listed firms in Ghana. Other duties such as investment advisors, securities dealers and collective investment schemes are also function of Ghana SEC. However, the London Business Report (2003) revealed that the Ghana Companies' Act 1963 is perceived as outdated and is currently under review by the registrar general office. The establishment of the above institutional bodies by the government indicates that the government of Ghana is serious in providing a sound legal framework for corporate governance in Ghana.

In Nigeria corporate governance can be traced to the colonial days through the independence that Nigeria obtained from Britain in 1960. Before the independent the British colonial government imposed an Anglo-Saxon-base system of corporate law and regulation on the SEC (2006). Despite all these provisions there are corporate failures in financial and non-financial sectors in the country. There are indications that banking industry and other firms were collapsing in their numbers, leaving a trail of woes for investors, shareholders, suppliers, depositors, employees and other stakeholders. This was a result of the messy state of the nation then that led the government to make a bold step in initiating the corporate governance evolution. In addition, in order to address the problem and to align with international best practices the SEC inaugurated a committee on corporate governance in June 2000 and the code of best practices on corporate governance in Nigeria was submitted in November 2003. This code of corporate governance practices was based on unitary board structure (as in the UK and USA) with emphasis on the identified triple constraints: the role of board of directors and management, shareholders rights and privileges and the audit committee (Olusegun, 2011).

The code of corporate governance best practice was issued in 2003 by SEC. In 2006 there was code of corporate governance for banks post consolidation issued by Central Bank of Nigeria (CBN) and recently SEC issued another code of corporate governance in 2011. It is obvious from the above that there is multiplicity of code corporate governance in Nigeria.

Moreover, in Nigeria there is legislation for financial and non-financial firms and this influences the operation of corporation enterprises in Nigeria. This includes the Companies and Allied Matter Act (CAMA) 1990, Investment and Securities Act (ISA) 1999 this act required the Securities and Exchange Commission (SEC) to regulate and develop the capital markets, maintains orderly conduct, transparency and protects the

investors. In addition, there is the Bank and Other Financial Institution Act 1991 the act empowered the CBN to register and regulates Bank and Other financial Institution. Also there is the Insurance Act of 2003 for regulation of insurance companies through the National Insurance Commission and the Nigerian Accounting Standard Board (NASB) Act 2003. This act empowered the board of the NASB to enforced compliance with statement of Accounting Standard by all limited liability companies in Nigeria (Okike, 2007). The conduct and governance of Nigerian firms which contain within the provision of the company legislation was originated from Britain, as a result Nigeria inherited Anglo-Saxon framework of corporate governance (Okike, 2007). After independence, the Nigerian government replaced the Companies Ordinance of 1922 with the 1968 Companies Act which was modelled on the UK Companies Act of 1948. This implies all the reforms in law and legal system are fashioned toward the Anglo-Saxon model and Nigerian legal operating framework for corporations have not been developed based on the country business environment (Adegbite and Nakajima, 2011). Consequently, the government of Nigeria have traditionally failed to deal with the problem of company law and legal system from the perspective of the socio-political environment of the country (Okike, 2007).

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

In 1994 the first King Report on corporate governance was published (King Report 1). This report comprised a code of corporate governance which is based on principle and practices. Rossouw et al. (2002) documented that the King Report on corporate governance was commissioned by the IoD in Southern African and this idea was supported by South African Chambers of Business (SACOB), the Institute of Chattered Secretaries and Administrators (ICSA), South Africa Institute of Chartered Accountants (SAICA) and the Johannesburg Stock Exchange (JSE).

Moreover, in 2002 the second more comprehensive King Report (King II) was issued with the aim of promoting higher standards of corporate governance practices by focusing on stakeholders of firms in South Africa. The king committee noticed seven key features of good corporate governance which include discipline, transparency, independence, accountability, responsibility, fairness and social responsibility (Vaughn and Ryan, 2006). All these features were part of a minimum standard of corporate governance practices of firms in South Africa. This report consists of new sections such as role and responsibilities of the board of directors, risk management, sustainability

reporting, accountability and auditing. In March 2010 King III Report was published, this Report focuses on the move from a complied or explained approach to a principle-based apply or explained approach. The existence of better corporate governance practice in South Africa attracts more investors for strong economic development and King III Report on code of corporate governance has been applicable to all listed firms (Moyo, 2010).

In sum, South Africa has the largest and most developed economy in Africa, generating about 40% of the income in Sub-Saharan Africa. Thus, in recent time South African firms faces challenges through constitutional and labour legislation with a common underlying theme of corporate governance reform that enhance the flow of foreign fund into the economy (Vaughn and Ryan, 2006). These corporate governance reforms such as the King I, II, III Reports on corporate governance, Insider Trading Act 1998, Stock Exchange Act of 1995 and Companies Act of 1973 (as amended Act 2008). Also South Africa Broad Based Black Economy Empowerment (BBBEE) Act 2003 all these reforms and act promulgated for firms is tailored to enhance the growth of the economy of South Africa. In addition, there are deep equity cultures in South Africa to the extent that some of the assets of non-financial listed firms are funded from the proceeds of equity issues. More than half of the assets growths in technology, media and communication companies are funded from equity issues (Malherbe and Segal, 2001).

3 Globalisation, corruption, economic and corporate governance

Corporate governance best practices may be link with neo-liberal socio-political and economic environment where domestic firms increasingly raise capital in equity markets, shareholder's interest need to be given priority (Bakre, 2011; Mehra, 2009). This can bring a situation where there is a reduction in Bank capital and states have to encourage foreign portfolio investment in order to generate employment and stimulate key sector in the economy (Bakre, 2011; Hayek, 1948). Neo-liberal rationalist school believe that this approach have necessitated the changes to company law and the abolition of interventionist industrial policies (Friedman, 1967). Although, Ezzamel and Reed (2008) claimed that "A common feature of rationalist school is its narrow conceptualization of government mainly because of the desire to develop formal models of government that can rendered empirically tested in a positivistic research tradition. Endemic to such conceptualization is the exclusive focus on only one beneficiary constituency, that of money providers as owners or shareholders. Moreover, government is typically assumed to be secured through formal contracting and the application of reward and sanction schemes".

Beside this, neo-liberal rationalist concept of governance which mainly protects the shareholder interest, human rights activists and environmental campaigners posited that corporate governance best practices should considers other stakeholders interests. (Filatotchev and Boyd, 2009; Bakre, 2011). However, various interests that involved in corporate governance posited ideally concern with holding the balance between economic and social goal. This also include between individual and community goal, (*Second Pan African Consultative Forum on Corporate Governance*, 2003; Sternberg, 2000). Others such as transparency in decision taking (Cadbury Committee, 1992), managing risk and engaging stakeholders and making accountability real (Filatotchev and Boyd, 2009), promoting a framework for corporate social responsibility (EU Green Paper, 2001). Thus,

all these views on corporate governance best practices can only be realistic to be achieving in an environment where there is free internal socio-political, economic and cultural corruption, also free of trans-organised financial crime (Bakre, 2011). A society where the ruling elite seem to only to be committed to the public interest, the implementation and adherence to a code of conduct of corporate governance best practices will be lacking (Olowu, 1993). This suggest that in a socio-political, economic and culturally corrupt environment, repeated instance of corruption have destroyed public confidence in the capital market and other public institutions, this system have created unprecedented and highly distributed wealth (Currie, 1997; Bakre, 2011). As a result corruption may pose threat to either internally evolved or external imposed economic policy such as the western-dictated corporate governance guideline.

Developed countries may believe to have responded to challenges of enforcement of corporate governance best practices through adequate mechanism for implementation and effective legislation, the recent cases of financial crisis across the Europe, Asia and America seems to have challenge this claim (Wolf, 2008; Bakre, 2011; Sikka, 2009). This finding suggest that corporate governance legislation in the developed economies may not have been effective as been claimed (Livingstone, 2009).

In Sub-Saharan Africa Anglophone (SSAA) countries such as Nigeria, Ghana and South Africa socio-political corruption has been an obstacle to the economic development, this also affect the corporate governance best practices. From the above evidence this indicates that corporate governance practices in SSAA countries is a reflection of the kind of institution that operating, socio-political environment, economic and corruption.

4 Methodology of the study

This section provides the research method used in this study, it motivated by the need to create an awareness of the impact of institutions, economic, corruption and political environment on the practices of corporate governance in SSAA countries namely Ghana, Nigeria and South Africa. The investigation is based on the following document such as materials on corporate governance from academic literature, agencies, professional and institutional reports.

5 The effect of institutions, corruption, politics and economics on corporate governance

In Ghana the corporation and statutory entities are regulated and supervised by various bodies, the private companies that are not listed are regulated by the registrar general's office (established under ordinance 1950), listed firms are regulated by Company Codes 1963 (Act 179) which provides for government of all companies incorporated in Ghana. Also the Securities Industry Law 1993 (PNDCL 333) as amended by Securities Industry Act 2001 (Act 590) which provides law, rules and regulation for firms listed in the Stock Exchange. Apart from the above bodies, the banking industry are supervised and regulated by Bank of Ghana and insurance firms are also under Ghana National Commission of Insurance. In addition, other agencies such as that are assisting the firms to make progress in their operational activities and corporate governance are IoD, State

Enterprises Commission, Africa Capital Market Forum, Institute of Economic Affairs, Institute of Chartered Accountants of Ghana, Chambers of Commerce Association of Ghana Industries, Ghana Centre for Democratic Development PEF and Ministry of Private Sector Development (ECA, 2004).

In Ghana the revolution that took place in 1979 by Flight Lieutenant J.J. Rawling was as a result of corruption that is endemic in Ghana however; the issue of corruption is still prevailing in Ghana (ECA, 2004). Thus, Mensah et al. (2003) explained that President John Kufor who took office in January 2001, promised to adopt zero tolerant for corruption by developing a code of conduct for ministers, public and private officers of corporations to promote good conducts and government. As a result the authors found that the government set up the National Institutional Renewal Programme (NIRP), the aim and objective of setting up this organisation is to transform the public and private sectors from input-oriented, hierarchical systems and which are relatively inflexible. The NIRP participated in some institutional reforms and capacity building in Ghana.

Furthermore, ECA (2004) found that there are political reforms in Ghana, however, the economic and corporate governance as at year 2004 have received attention. In addition, the Commission argues that the companies' Code of 1963 Act 179 needs to be reviewed because it is outdated and there should be enforcement of the provision to not to allow many companies to operate like sole proprietorships. According to World Bank report 2010 on the Observance of Standard and Codes (ROSC) on corporate governance in Ghana, it was revealed that Ghana capital market development have shown a potential for improvement because Ghanaian capital market are more dependent on institutional capacity of the regulators, administration and judiciary than on reforming the legal framework. In addition, World Bank ROSC (2010) found that the overhaul of institutional framework is very important with introduction a new law on Financial Services which will govern the non-financial sector which is under consideration by the Parliament of Ghana. The draft law aims to establish a Financial Services Authority which will be part of Ghana Securities and Exchange Commission and Ghana National Insurance Commission. Also Bank of Ghana (BoG) will continue to service as regulators and supervisor for all banking and depository institution.

World Bank ROSC report (2010) revealed that the GSE which was established for trading in 1990, is fairly illiquid and with low market turnover. The report shows that in 2004, market capitalisation was about US$2.1 billion, which was 24% of Ghana GDP and in 2005 the report shows that the bond market is limited but Initial Public Offer (IOP) were increased with ownership concentration within local and foreign shareholders. The World Bank report found that as of December 2008, with the report from the US Department of Commerce 2009 country commercial guide the number of listed firms both local and foreign firms are 36. The reports also indicate that GSE is one of the best performing in emerging markets in 2007. However, World Bank ROSC (2010) documented that retail investors are very low, institutional investors are not very involved and lager shareholders tend to control the board. Moreover, there is evidence from the World Bank ROSC (2010) that factors such as possible loss of control, cost of listing, transparency and accountability are factors that will likely discourage medium and large firms from listing in the GSE.

Furthermore, Prempeh (2002) argues that the undercapitalisation of firms in Ghana is as a result of unwillingness on the parts of founding shareholders to share control of their firms and this seems to be cultural. Consequently, the authors explained that an average Ghanaian private firm remained a closed, thinly capitalised, debt-laden family business

that is often under the control of the family patriarch. In addition, the author explained further that undercapitalisation and excessive reliance on commercial credit bank debt is not only common to family-owned firms in Ghana, it can also be found among the multinationals and other foreign owned firms with substantial turnovers and asset value. These firms rely on domestic bank and commercial credit to finance their domestic operation. As a result, the author found that ensuring sound corporate governance in Ghanaian firms will also address the problem of lopsided higher-debt of corporate balance sheets. The authors found that the Ghanaian government has encouraged private firms to go public through the current corporate tax structure. This implies that public firms are taxed at a corporate rate of 30% and private companies are taxed 32.5%. This differential rate in tax is more favourable to public firms. The author recommend that the government should enact legislation requiring that certain categories of companies operate only as public companies; this legislation will certainly make sense in Ghana if it is implemented. Also any company that their annual turnover exceeds a certain benchmark or threshold should operate as a public firm.

In Nigeria the main regulators and enforcers of corporate governance are the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (which register all incorporated companies). The Companies Allied Matter Act 1990, (CAMA) and the investment securities act provide basic guidelines on company listing and more detailed regulations are covered in the Nigeria Stock Exchange Listing rules. The Banks and other Financial Institution Act 1991 as subsequently amended, the act empowered the CBN to register and regulate bank and other financial institution. Also there is the Insurance Act of 2003 for regulation of insurance companies through National Insurance Commission (NAICOM).

Furthermore, other institutions such as Institute of Chartered Accountant of Nigeria (ICAN), the Association of Accountant of Nigeria (ANAN) and IoD play various roles in promoting effective corporate governance systems in Nigeria. This occurs by enlightening their members through conferences, seminars and symposiums on compliance with the code of corporate governance practices for listed firms.

In Nigeria, Okike (2007) argues that the various measure taken by government to improve the investment climate and corporate governance, meant to help attract foreign investment, are commendable with the investment potential in Nigeria. However, the government effort cannot yield good results because of corruption in entire sectors in the county. The World Bank ROSC (2010) ranks Nigeria as the second most corrupt country in the world after Bangladesh. World Bank ROSC (2010) also revealed that corruption is the main obstacle to enforcement of standards and this affects the financial reporting when the auditors connive with management to defraud companies.

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

There are legal enforcement mechanisms established by the federal government to eradicate corruption in Nigeria. This include the Banks and other Financial Institutions

Act 1991, the failed banks (recovery of debts) and Financial Malpractices in Banks Act 1994. Others are the Money Laundering Act 1995 and the Money Laundering Act (Prohibition) 2004. In 1999 the president set up two anti-graft bodies such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crime Commission (EFCC) Act 2004 in order to eradicate corruption. However, as of today corruption has not being eradicated in the country. It is still persistent in every sector of the economy (SEC, 2011).

There are major factors affecting the economic growth and foreign direct investment (FDI) in Nigeria includes; over-dependence on the oil sector, which accounts for 95% of foreign currency income and 80% of the national budget. Also, the national deficit and foreign debt caused by free-spending, poor implementation of economic policies under past military regimes and corruption. Other factors are unstable regulatory and institutional environments and insecurity in the country (Bala, 2003). The latter author explained that in order to bring Nigerian investment into a more competitive position for FDI and to ensure free transfer and repatriation from Nigeria, the Federal government has legislated two laws. These laws are the Nigerian Investment Promotion Commission (NIPC) Act 16 and the Foreign Exchange (Monitoring and Miscellaneous provision) Act 17 which were enacted in 1995. This is to allow foreigner have 100% ownership of their business and repatriate their capital if they decide.

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

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

Nevertheless, South Africa has anti-corruption law in place, but still there are cases of corruption in both in public and private enterprises. Vaughn and Ryan (2006) posited that there are cases of private funding of political parties in South Africa and the sources of such funding are undisclosed. As a result, the author suggested that there is need for regulation of private funding of political parties. In addition, Moyo (2010) documented that corruption leads to poor corporate governance in South Africa because Transparency International in 2009 positioned South Africa at 55th out of 180 countries that were surveyed. However, in 2008, an index Ibrahim on African governance such Transparency Human Right and Corruption for Sub-Saharan African countries and South Africa was placed 5th out of 48 countries survey (Moyo, 2010).

South Africa was totally isolated from the globally economy from1961 to 1994. As a result of the political environment (apartheid),the United Nations excluded South Africa from involvement in international organisations, this amounting to imposing economic and trade sanctions against South Africa (Vaughn and Ryan, 2006). In 1986 there were political reforms which led to the collapse of apartheid in 1994. This led to the lifting of

sanctions imposed by the international community on South Africa. Thus, there are market pressures and the global economy on the country therefore; South Africa introduced key reform initiatives because of the need for sound corporate governance so as to attract foreign investment. Such key initiatives are the King Reports on corporate governance, Insider Trading Act and revised listing requirements for the stock exchange (Vaughn and Ryan, 2006).

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

6 The analysis of the information related to the corporate governance, institution, politics, corruption and economic in Ghana, Nigeria and South Africa

This section provides the comparative summary of the reflection of institution, politics and corruption and economic on the practices of corporate governance in the SSAA countries.

7 Conclusions

Based on the above information we conclude that in terms of board structure, Ghana, Nigeria and South Africa are using a unitary type of board structure. South Africa board structure is in King I, II and III Reports that contain the code of corporate governance. In Ghana and Nigeria the structure of the board is the same likewise the legislation and code guiding the board. In Nigeria there are codes of best practice of corporate governance while in Ghana there are guidelines for practices of corporate governance. The two documents are issued by the SEC; it has the same contents on the structure, role and responsibility of the board of directors. The companies' law and legal system are the same because Ghana, Nigeria and South Africa originated their common law in British common law.

Table 1 Summary of the corporate governance institutions, politics and economy in Ghana Nigeria and South Africa

Characteristic	*Ghana*	*Nigeria*	*South Africa*
Role of the government	Legislation is based on Companies Code Act 1963 Act 179 There are no major reforms of corporate governance. There is guideline of corporate governance practice	Legislation is based on Companies Allied Matter Act (CAMAD) 1990 There are major reforms of corporate governance such code of corporate governance by SEC in 2003, CBN 2004 for banks SEC 2011 and establishment of Financial Reporting Council (FRC) There is code of corporate governance best practices	Legislation is based on Companies Act 1973 There are major reforms such as King Report I, II and III code of corporate governance. There is reform of JSE and Insider Trading Act 1998.
Institutional bodies/agencies	Securities Exchange Commission (SEC), Bank of Ghana, Ghana Stock Exchange (GSE), Registrar General Department (GRD) and Private Enterprises Foundation (PEF)	Securities Exchange Commission (SEC), Nigeria Stock Exchange (NSE), Corporate Affair Commission (CAC), Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), Financial Reporting Council (FRC)	Johannesburg Stock Exchange (JSE), Financial Services Board (FSB), South Africa Reserve Bank
Role of professional bodies	Institute of Directors (IoD), Ghana Institute of Chartered Accountants (GIA), Africa Capital Market Forum	Institute of Directors IoD), Association of Corporate Governance, Institute of Chartered Accountants of Nigeria (ICAN), Association of Shareholder of Nigeria (ASN)	Institute of Directors (IoD), South Africa Institute of Chartered Accountants (SAIC), South Africa Institute of Chartered Secretaries
Code or guideline of corporate governance on regulatory framework	The same as it explain in corporate governance guideline issued by SEC	The same as it explain in code of best practices issued by SEC	The same as it explain in King I II and III Report code of corporate governance
Enforcement of corporate governance	The same with other countries	The same with other countries	The same the same with other countries
Ownership structure	Ownership is concentrated	Ownership is concentrated	Ownership is concentrated

Table 1 Summary of the corporate governance institutions, politics and economy in Ghana Nigeria and South Africa (continued)

Characteristic	*Ghana*	*Nigeria*	*South Africa*
Number of listed firms in stock exchange	Few firms (about 32) in number are listed because controlling owner of unlisted firms do not want to lose control	Many firms (206)	Many firms (620)
Code or guideline on board structure, management and role of the board of directors	The same with other countries	The same with other countries	The same with other countries
Code or guideline of corporate governance on role of auditors and audit committees	The same with other countries	The same with other countries	The same with other countries
Code or guideline on corporate governance on remuneration of the directors	The same with other countries	The same with other countries	The same with other countries
Institutional investors	No	There are institutional investors	There are strong instructional investors
Shareholders association	No	Yes	Yes, but not active
Politics, government and corruption	Previously military rules, for the past two decade stable democratic government There is corruption	Previously military rule, for the past one decade stable democratic rule There is corruption	Previously apartheid for the past two decades stable democratic ruler There is corruption
Economy, markets and investments	Fastest growing economy, recently discover oil, capital market not strong	Largest market because of population, abundant natural resources such as oil and agriculture	Strongest economy and capital market in the sub-region, depend on mining industry

Furthermore, corruption is common in developing countries as a result; SSAA countries such as Ghana, Nigeria and South Africa cannot be excluded from corruption. One of the factors contributing to poor corporate governance of firms in South Africa is corruption although which South Africa is ranked low by Transparency International. In addition, for South African corporate governance to meet the corporate governance international standard there is need for the government to deal with their local challenges such as financial crime, fraud within the private and public sector and money laundering.

In Ghana, the Ghana Centre for Democracy and Development and the World Bank found that corruption is prevalent in both the private and public sectors in Ghana. The socio-political corruption has been an obstacle to economic development in Nigeria because corruption is being institutionalised and Nigeria is ranked high in the global corruption index. Based on this evidence from the above, it shows that corruption is

common in SSAA countries. Moreover, we find Ghanaian firms lack institutional shareholders, while in Nigeria and South Africa there are institutional shareholders also shareholders association in Ghana and South Africa are not active compared with that of Nigeria. In addition, South Africa have a stronger institutional framework than Ghana and Nigeria, this really provide an evidence to show that corporate governance practices in South Africa seems to be better than Ghana and Nigeria. Generally, we find that corruption and bribery, politics, economic and ownership structure influence effective corporate governance in each country.

8 Recommendation

From the finding of this study, we recommend that the socio-political and economic culture in SSAA in particular Nigeria and Ghana requires need for urgent re-orientation in order to restructure the National Institutions of each of the country. In my own opinion what we need in Sub-Saharan African Anglophone countries is that the corporate governance guideline should be tailor towards the socio-political economic and cultural environment of the sub-region so that it will provide sound corporate governance practices.

Reference

Adegbite, E. and Nakajima, C. (2011) 'Corporate governance and responsibility in Nigeria', *International Journal of Disclosure and Governance*, Vol. 8, No. 1, pp.252–271.

Bakre, M.O. (2011) 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Bala, J.J. (2003) 'The challenges and opportunities of the investment environment in Nigeria', Paper presented at *International Meeting for the Promotion of Investment to Africa*, Ministry of Foreign Affairs of Japan at Mita, Tokyo, 26 February.

Cadbury Committee (1992) *Report on the Financial Aspect of Corporate Governance*, Gee Publishing, London, UK.

Currie, E. (1997) 'Market crime and community: toward a mid-range theory of post industrial violence', *Theoretical Criminology*, Vol. 1, No. 2, pp.147–172, in Bakre, M.O. (2011) 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

ECA (2004) *Governance Profile of Ghana*, Economic Commission for Africa, September.

EU Green Paper (2001) *Promoting A European Framework for Corporate Social Responsibility*, European Commission Directorate General for Employment and Social Affair Unit EMPLL/D.I July, EUcsr, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting* Vol. 2, No. 3, pp.133–170.

Ezzamel, M. and Reed, M. (2008) 'Governance: a code of multiple colour', *Journal of Human Relation*, Vol. 61. No. 1, pp.597–630.

Filatotchev, I. and Boyd, B. (2009) 'Taking stock of corporate governance research while looking for the future', *Corporate Governance: An International Review*, Vol. 17, No. 3, pp.257–265.

Friedman, M. (1967) *The Monetary Theory and Policy of Henry Simon Journal of Law and Economic*, Vol. 10, pp.1–13, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Ghana Securities Exchange Commission (GSEC) (2009) *Ghana Securities Exchange Commission Securities Market Journal*, 2009 ed., Research and Planning Department Securities Exchange Commission, Accra, Ghana.

Hayek, F.A. (1948) 'Individualism and economic order', University of Chicago Press, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Livingstone, K. (2009) *Neo-Liberalism has Failed, Now Nationalised the Banks*, p.19, 6 February, Tribune, London, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

London Business Report (2003) *Africa Published London Stock Exchange.*

Malherbe, S. and Segal, N. (2001) 'Corporate governance in South Africa', Discussed at the *Policy Dialogue Meeting on Corporate Governance in Developing Countries and Emerging Economies*, OECD Development Centre and European Bank for Reconstruction and Development, OECD HQ, 23–24 April.

Mehra, M. (2009) 'Governance of corporation in a disparate world', *World Council for Corporate Governance Conference*, March [online] http/www.wcfg.net/cg_in_a_disparate_world.htp, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Mensah, S., Aboagye, K., Addo, E. and Buatsi, S. (2003) 'Corporate governance and corruption in Ghana: an empirical finding and policy implications', *African Capital Markets Forum*, Accra, Ghana.

Moyo, N.J. (2010) *South African Principles of Corporate Governance: Legal and Regulatory Restraints on Power and Remuneration of Executive Directors*, Master's thesis, University of South Africa.

Obinatu, F. (2006) 'Business ethic and corporate governance', Paper presented at *Mandatory Continuing Professional Induction of the Institute of Certified Public Accountants of Nigeria*, July, Port Harcourt River State Nigeria.

OECD (1999) *Organisation for Economic Co-Operation and Development; Principles of Corporate Governance Guideline*, pp.1–50, Paris, France.

Okeahalam, C.C and Akinboade, O.A. (2003) 'A review of corporate governance in Africa: literature, issues and challenges', Paper prepared for the *Global Corporate Governance Forum*.

Okike, E.N.M. (2007) 'Corporate governance in Nigeria: the status quo', *Corporate Governance International*, Vol. 15, No. 2, pp.173–193.

Olowu, D. (1993) 'Ethical violation in Nigerian public service: pattern explanation and remedies', in Rasheed, S. and Olowu, D. (Eds.): *Ethic and Accountability in African Public Services*, ICIPE Science Press, Nairobi, Kenya, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Olusegun, A. (2011) 'Corporate governance in Nigeria', *Guardian Newspaper*, 21 March, Stock Watch in association with Lead Capital.

Prempeh, H.K. (2002) 'Reforming corporate governance in Ghana: the private sector', *A Brief Paper Presented by Ghana Centre for Democratic Development*, Vol. 2, No. 4.

Rossouw, G.J., Watt, A. and Malan, D.P. (2002) 'Corporate governance in South Africa', *Journal of Business Ethic*, Vol. 37, No. 3, pp.289–302.

Sarbanes-Oxley (2002) *Public Company Accounting Reform and Investor Protection Act Enacted by USA senate and House of Representatives*, July, US Congress Achieve, Washington, DC.

SEC (2006) *Nigerian Securities Exchange Commission Securities Market Journal*, 2006 ed., Research and Planning department Securities Exchange Commission, Abuja, Nigeria.

SEC (2011) *Code of Best Practices on Corporate Governance*, Securities Exchange Commission, Abuja Nigeria.

Second Pan African Consultative Forum on Corporate Governance (2003) 21–22 July, Centre for Corporate Governance, Nairobi, Kenya.

Sikka, P. (2009) 'Distancing regulator from regulated', *The UK Guardian*, 17 March, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

Sternberg, E. (2000) *Just Business: Business Ethic in Action*, 2nd ed., Oxford Press, Oxford, Englan, UK.

Vaughn, M. and Ryan, L.V. (2006) 'Corporate governance in South Africa: a bellwether for the continent?', *Corporate Governance International*, Vol. 14, No. 5, pp.504–512.

Wolf, M. (2008) 'No alternative to nationalisation', *London Financial Times*, 9 September, p.2, in Bakre, M.O. (2011): 'Corporate governance practices as a reflection of the socio-political environment', *International Journal of Critical Accounting*, Vol. 2, No. 3, pp.133–170.

World Bank (2002) *An Assessment of the Private Sector in Nigeria*, The World Bank Group September, World Bank, Washington, DC.

World Bank ROSC (2010) *Report on the Observance of Standard and Codes*, Washington, DC, USA.