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Corporate Governance And Accountability On The Sustainability Of The Nigerian Economy

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ABSTRACT:
Organizations are revising their corporate governance practices while establishing corporate governance, which has become a priority for emergent economies like Nigeria and China. This paper aims to determine the director's independence, transparency, delivery, and efficiency in the sustainability of the Nigerian economy. It also assesses the impact of accountability and regular compensation review on the effectiveness of selected government establishments in Southeast East Nigeria. A population of three thousand three hundred and twenty-seven (3327) comprising the aggregation of senior, junior, and low-level management of selected firms of Federal Parastatals in the South East was used. The trend indicates a significant effect of directors' independence, transparency, diversity, and efficiency in the sustainability of the Nigerian economy. The study indicates a significant effect of directors' independence, transparency, diversity, and efficiency on the sustainability of the Nigerian economy. The study recommends that there is a need for government parastatals to adopt corporate governance mechanisms in order to make the board of directors more independent and avoid the unnecessary intervention of managing directors in important committees' commitment. The study also recommends that there is a need for the public account committee to maintain a stronger auditor's independence and transparency operation with no political influence to sustain an efficient and effective collection and accounting of public funds as well as adequacy in safeguarding assets and misappropriation for the sustainability of the Nigerian economy.

KEYWORDS: *Parastatals, independent directors, transparency, accountability.*

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INTRODUCTION

Organizations are revising their corporate governance practices while establishments and corporate governance have become priorities for emergent economies like Nigeria, China, and Indonesia. An adequate corporate governance system has two requirements: micro and macro thrust. At the micro level, it must ensure that the firm is a productive organization pursuing its objectives. At the macro level, corporate governance, in the words of Federal Reserve Chairman Alan Greenspan, has evolved to more effectively promote the allocation of the nation's savings to its most productive use. The collapse of high-profile firms like Enron, Tyco, and Xeron and the belief that poor corporate governance contributed to their collapse have generated renewed interest in determining the best corporate governance practice. (Sarbane-Oxley, 2012).

Furthermore, the need for robust corporate governance in developing countries like Nigeria is evident. Several recent studies have suggested that a strong corporate governance system is necessary to encourage inward investment and nourish long-term economic growth (Johnson, 2010).

The emergence of a growing economy and organizations struggling to fit into the emergence of technology and innovation in the system has brought difficulty in identifying the practical and institutionalization of corporate governance. There is also the pressing problem of aligning their thrust and structure of corporate governance and accountability towards attaining a sustainable goal in our economy in Nigeria; observance of the principle of corporate governance has been secured through the combination of voluntary and mandatory mechanisms. Security and Exchange Commission (SEC) in September 2008 inaugurated a national Committee on corporate governance chaired by Mr. M. B. Mahmoud for the review of the 2008 code of corporate governance for public terms in Nigeria to address the weaknesses and to improve the mechanism for its enforceability and sustainability.

The finding of the 2008 Mahmoud-led committee discovered challenges such as weak law enforcement, abuse of shareholders rights, lack of responsibilities of the board of directors, weakness of the regulatory bodies, lack of enforcement and monitoring mechanisms, including policy inconsistency and lack of transparency and lack of transparency (Okpara, 2011). This problem is evidenced worldwide, but the Nigerian experience was aptly summarized as the worst ever. These inherent problems necessitated this study to investigate corporate governance and accountability on the sustainability of the Nigerian economy.

LITERATURE REVIEW

There is no universally held definition of corporate governance and certainly not one authorship of corporate governance (Mayor, 2011). Corporate governance is a procedure, customs, laws, policies, and institutions that affect how a corporation is directed, administered, and controlled. It examines the relationship between shareholders and the management of firms. The stakeholders are defined as the employer's customers and creditors. The primary objective of corporate governance is to ensure accountability and transparency of those involved in the organization's policy.

Using the Agency theory approach, Shleifer and Vishny (2011) defined corporate governance as a process in which a supplier of finance to firms assures themselves of getting a return on their investment. In addition, Cadbury (2012) defines corporate governance as the system by which companies are directed and controlled by shareholders. Tsamenyi and Uddin (2015) posit that corporate governance adoption is becoming a central issue in less developed and emerging economies like Nigeria. Ndiweni (2018) examined corporate governance in South Africa in a social and cultural context; the author found the same evidence in Ghana in South Africa. In addition, Edward (2008) built up his paper on several previous studies of corporate governance in Nigeria (Oyejide & Soyibo, 2011) (Yakassi, 2011); Ahummari (2012); and Okike (2017). These authors examined the effects of ethnicity, gender, power, and power relationships on corporate governance practices in Nigeria. They discovered that corporate governance practices in Nigeria are based on developed world practices.However, there are inadequacies in the Nigerian regulatory system and a lack of mechanisms for implementing and enforcing corporate governance practices.

Empirical Review

Akisi (2018) examines the relationship between foreign direct investment (FDI) inflow and its determinants in 27 emerging markets between 1997 and 2005. The author focuses on the role of accounting standards and corporate governance. The author discovered that high-quality accounting standards and effective corporate governance will increase Foreign Direct Investment (FDI). As a result, the author concludes that emerging markets can attract foreign investment opportunities by improving their financial reporting and corporate governance quality.

Carter D'souza Sirikin and Simpson (2013) researched to determine the relationship between board diversity and a firm's value using a sample of 638 from 1000 firms. The result of this study suggests that a higher percentage of women and minorities on the board of directors can increase firm value, as proxied by Porchia-Uddin (2018). They discovered a positive relationship between board diversity measured by the presence of women and minorities, suggesting that the properties of women on boards are a significant determinant of the fraction of minority directors on the board in another development.

Kieschnik and Moussawi (2018) studied the United States of America (USA) from 1996 – 2016 on Chief Executive Officers' duality, board independence, and board size. The study discovered a negative association between governance attributes and financial leverage. Dethamrong *et al.* (2017) in Thailand with 793 firms from 2001 = 2014 on CEOs duality, Board independence, and board diversity. Audit reputation, ownership concentration, and board size.

The study revealed no association between the level of debt and corporate governance in Nigeria. Ahunwan's (2012) empirical study provided an account of the corporate governance system in Nigeria and examined the prospect of recent reform and how it will contribute to more governance.

The author found that the Nigerian judiciary system is weak, and the economy is made of underdeveloped market institutions caused by deeply noted corruption and disrespect for the rule of law.

METHODOLOGY

The researcher adopted a survey research design with primary and secondary data collection with a population of three thousand three hundred twenty-seven (3327) comprising the aggregation of the Senior, Junior, and management of selected firms of federal parastatals. In the South East, Nigeria. The researcher derived its sample size with the 1964 Taro Yamane formula:

$$n = \frac{N}{1 + Ne^2}$$

Where: n = Sample size
N = Total population (3.327)
I = Constant
e = Margin of tolerance error
5% (0.05)

$$= \frac{3327}{1 + 3327\,(0.05)\,(0.05)}$$

$$= \frac{3327}{9.3} = 357.7 \text{ or } 358$$

The regression analysis results determine the effects of the board of directors' independence on the performance of selected federal government parastatals in South East Nigeria.

Model **a = dependent** **b = independent variable**	**Unstandardized coefficient**		**Standard coefficient**				
	B	**Std error**	**Beta**	**T**	**Sig**	**Lower bound**	**Upper bound**
1 = constant Directors = Independent	.020		9.73	.329	.743	.138	.099
Performance = Dependent	1.009			76.001	.000	.982	1.035

@ 95.0% confidence interval; R = 0.973, R-square = 0.946; Adjusted R squared = 0.746; Std error of the estimate = 0.21898; Durbin Watson = 0.254; f. statistics = 5776.172; T. statistics (df) = 1 & df_2 – 132 = 9.322; a = dependent variable: performance; b = Predictor variable independent of directors; Source: Researchers use of 2023 SPSS version 23.0; Significance 95% confidence level; Critical value = 1.984

The F-statistics of 5776.172 measures the model's goodness of fit, which is greater than the 2.5 rule of thumb.
The calculated t-statistics remains @ 9.322 (df = 1 & df_2 = 132)
Ho = B1 = 0
Test the hypothesis that all slope coefficients are equal to zero
Hi ≠ B1 ≠ 0 Test the hypothesis that not all slope coefficients equal zero.

Since the calculated t-statistics of 9.322 is greater than the critical value of 1.984. Then, the null hypothesis was rejected, and the alternative was accepted. This means that there is a significant effect of the director's independence on performance accountability on the sustainability of the Nigerian economy.

CONCLUSION AND RECOMMENDATIONS

This study investigated the impact of corporate governance and accountability on the sustainability of the Nigerian economy. The frequency distribution and percentages was determined. The hypothesis were tested using regression analysis and Pearson Product Moment Correlations with the aid of SPSS version 23.0. And therefore recommends the need for government parastatals to adopt corporate governance and avoid the unnecessary interventions of the managing directors of firms. Improvement should be made on corporate governance for proper accountability of the stakeholders. There is need for internal and external audit committee for independence and transparent operation of firms. The Nigerian Judiciary should sit up so that accounting officers in government parastatals will carry out government business in accordance with the rule of law, accountability, efficiency and responsiveness to duty. Finally, government should craft strategies to manage socio-cultural diversity of employees to handle corruption practices affecting corporate governance in Nigeria.

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