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A Comparative Analysis of Corporate Governance Disclosure in Nigerian and South African Banks

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Authors' contributions

This work was carried out in collaboration between both authors. Author ACI designed the research study, wrote the literature review and the first draft of the manuscript. Author JJC managed the literature searches, analyses and interpretation of the results of the research. Both authors read and approved the final manuscript.

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ABSTRACT

This research examines corporate governance disclosure in Nigerian and South African Banks using the un-weighted disclosure index technique. This research provides a cross sectional examination of corporate governance disclosure practices in the annual reports of 10 listed banks in Nigeria and South Africa for the year 2013. The results suggest that Nigerian and South African banks have a high level corporate governance disclosure. However, Nigeria and South African banks have low levels of voluntary corporate governance disclosure. Furthermore, in reporting of voluntary corporate governance disclosure, Nigerian banks appear to be collating information with no link to the overall business strategy of the organization while the South African banks have a more robust approach to voluntary corporate governance disclosure as they apply international guidelines such as the global reporting initiative in reporting voluntary corporate governance disclosure.

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1. INTRODUCTION

Corporate governance disclosure is crucial for the functioning of an effective and efficient financial market [1,2]. The timeliness, adequacy and availability of appropriate information about financial and market securities are critical for both market confidence and pricing efficiency [2]. For investors to make critical decision and sound judgements on the value of market securities, they need to be well informed of the relevant facts [3]. Information disclosure is considered an important element that is needed for the effective operation of financial and security markets. Presently, regulators are increasingly disturbed about the quality of both financial and non-financial information disclosure of firms in both developed and developing countries [4].

There is an enormous disparity in the volume of corporate governance disclosure research in countries with developed capital markets when compared to countries with less developed capital markets. In countries with developed capital market and effective legal/regulatory frameworks, a significant amount of research on corporate governance disclosure has been executed [5]. Unfortunately, this is not the case with countries with less developed markets. In less developed countries, there is a paucity of research on corporate governance disclosure; in all sincerity, this should not be so [6,7,8]. In comparison with corporate governance disclosure in developed countries; in developing countries, there are generally lower disclosure standards, weaker regulatory and legal systems as well as limited enforcement capacity [9,10]; there is significant state ownership or holding of many private business corporations in developing countries [11] and board effectiveness and independence tends to be weak and ineffective [12].

From the onset, the intention of this research was to select the some of the best banks in Africa to examine their corporate governance disclosure practices, as larger banks are known to have better disclosure practices than smaller banks, since corporate governance disclosure tends to generate considerable costs to firms. More importantly, the research intends to examine the current state of corporate governance disclosure practices in Nigerian and South Africa so as to understand and inform on the nature, focus and extent of corporate governance disclosure in Nigerian and South African banking industry. This will inform to what extent corporate governance disclosure in Nigerian and South African banks are similar and different, and if there are differences, what exactly are the differences. The research questions this paper intends to address is to what extent do Nigerian and South African banks disclose corporate governance information in their annual report, is there any difference in the level of corporate governance information disclosed in their annual reports between these two countries? Secondly, do they disclose more corporate governance information than existing regulations require? This paper intends to contribute to the burgeoning research on corporate governance disclosure in developing countries with particular emphasis on South African and Nigerian Banks.

2. AGENCY THEORY

In corporate governance research, agency theory has been used to investigate corporate governance disclosure [13,14,2]. The basic assumption about of the agency theory is that managers (agents) and the owners (principals) interest are not aligned [15]. The managers or directors are more interested in maximizing their own wealth, power and prestige while safeguarding their reputation; on the other hand shareholders are more inclined to maximize the value of their shares and asset holdings [16]. This divergence in the alignment of interest has been the cause of severe tension between agents and principals. [17] posit that these divergences of interest could sometimes lead to what they call ‘agency loss.’ Agency loss may occur when the returns to the residual claimants (the owners) falls short or below what they would be if the principals, the owners exercise direct control of the corporation [18].

According to the agency theory, in a bid to address these tensions and resolve the differences, the principals have developed a number of policy incentives that seek to align the interest of agents alongside theirs [19]. Some of the policy prescriptions include: Incentive schemes for managers which recompense them monetarily for enhancing shareholders interest. These schemes constitute plans allowing senior executives to obtain shares of the company usually at a reduced price, consequently aligning financial interest of executives with those of shareholders [15]. Apparently, transparency in the form of increased corporate governance disclosure is considered an important instrument for aligning management and shareholders interest [2]. Also, it serves as a means of mitigating the information asymmetry that exist between management and shareholders.

3. CORPORATE GOVERNANCE IN DEVELOPING COUNTRIES

Developing countries, in particular, have been warned of the consequences of adopting poor corporate governance practices that may cause the shares of businesses to be sold for billions of dollars less than they ought to if their firms had put in place good corporate governance practices and policies [20]. The model of corporate governance in developing countries has embraced both market based and insider approaches to corporate governance [21]. Privatization of government owned business enterprises is one example of market based corporate governance practices [12]. Of recent, the increasing trend of privatization mantra has followed decades of state ownership and control of business enterprises [22]; a common characteristic of most developing countries in Africa. After the period of independence, state ownership was done more as a sign of national pride and sovereignty rather than any practical economic considerations [23]. With the un-sustainability of most state owned enterprises by developing countries in Africa, most African countries have carried out far reaching economic reforms that has focused on privatizing most government run state enterprises [24]. The role of government in these countries has been redefined to focus on creating and providing the necessary infrastructure, enabling environment and regulatory framework for corporate governance firms and business enterprises to thrive [25].

Also, a common feature of corporate governance in developing countries is the inclination towards an insider approach, with a prevalence of family owned, closely guarded business enterprises and the problems and issues that arise with family oriented business structures [25]. The board executives of most of these businesses are filled with family members and close friends, often times, none of them are qualified for sensitive positions they occupy [26]. In a business environment such as this, the executives are more inclined to further their own personal interest to the detriment of other critical stakeholders and shareholders [27]. As a means of checking the excesses of board members, independent directors have been advocated as a panacea to curb the improper executive action [28]. However, in developing countries this is not the case, as the business community can regarded as quite small and also there is an interlocking of personal and financial interests [9]. In such developing countries, independence directors are more likely to be rubber stamp, they are incapable of acting as effective checks against executive excesses [29]. The weak nature of financial and capital market infrastructure and poor legal enforcement mechanisms implies that shareholder protection; especially minority shareholders and property rights of individual and corporations are not effectively protected [30,21].

3.1 Corporate Governance in Nigeria and South Africa

In Nigeria, corporate governance practices and conduct has been characterized by endemic corruption, poor transparency and disclosure practices as well as significant political interferences in corporate governance activities, consequently distorting and undermining corporate governance development [10,22,12]. In recent times, ongoing corporate governance reforms have been initiated to improve corporate governance practices in Nigeria. Some of these reforms include: 2003 Code of Conduct for Corporate Governance, the 2006 mandatory Code of Conduct for Nigerian Banks post consolidation, the 2007 Code of Conduct for Shareholders Association in Nigeria, consolidation of Nigerian banks and the increase in the minimum of capital base were all policy reforms intended to strengthen corporate governance practices in the state. These measures were taken to prevent a repeat of the incident that occurred recently, when several banks were bailed out by the central bank of Nigeria for inability to perform their banking obligations as result of financial failure, fraudulent activities by bank managers and questionable business practices [31].

The story is South Africa is not entirely different. Amongst emerging countries in the world, South Africa stands out as a very interesting case in which to examine how specific corporate governance reforms have emerged or unfolded [32]. [33] Identify a number of government legislations that have been designed to influence and strengthen corporate governance in South Africa: The Companies Act, the Insider Trading Act, the Public Finance Management Act and the Securities Services Act. In addition, South Africa initiated the publication of corporate governance guidelines and codes of practice with the King Report I, King Report II, and King Report III instigating an unprecedented global interest in corporate governance in Africa. In spite of several comprehensive legislations corporate governance reforms, South Africa has been affected by major corporate governance failures in recent years. The collapse of corporations such as Macmed, Regal Treasury Bank and Leisurenet are particularly significant [34]. In an effort to reform and address peculiar corporate governance problems in South Africa, [33] recommend that the following issues need to be resolved: intentional regulatory and bureaucratic strangling of small and medium scale business enterprise, addressing the problem of a weak, incompetent and ineffective board structure and also the issue of independence of board.

3.2 Research on Corporate Governance Disclosure

Corporate governance disclosure practices do not and cannot develop in a vacuum, [35] maintain that the levels of corporate governance disclosure tend to reflect the underlying institutional and environmental influences that affects managers and business firms in different countries. There are a variety of environmental factors that influence disclosure practices by companies, they have been identified [36], and these factors include regulatory framework, capital markets, economy, enforcement mechanisms and culture all form part of environmental influences [37,3]. Most research on corporate governance disclosure has focused on disclosure issues of developing countries and have been researched from an agency theory perspective [38,13]. Again, agency theory perspective has used transparency as a tool and mechanism for aligning the interest shareholders and management. The influence of corporate governance disclosure has been examined at the level of country [39] and also at the level of the firm [40]. The extant research predicts that the governance variables likely to influence corporate governance disclosure can be classified into two categories: External governance mechanism in the form of political institutions, legal system and freedom of the press for the country-level studies [30,20]; and internal governance mechanisms that involve regulatory oversight, ownership concentration, share ownership by directors and managers, organizational structure of the corporation, and costs of voluntary corporate governance disclosure [41]. [42] examined corporate governance disclosure in eight Canadian banks; they categorized corporate governance disclosure of the banks into the following categories: Board structure and directors' profile, financial information and corporate information, board independence and board committee, corporate social responsibility disclosure, information on website and remuneration of board. They find that larger banks disclose more information than small banks, the smaller banks had less information on their websites. Also, information on board structure and directors profile was scanty and remuneration of board of small banks was not as detailed as the larger banks. The percentage scores for disclosure on larger banks ranged between 96% to 91%. For smaller banks, percentage scores ranged from 88% to 80%.

In developing countries, research on corporate governance disclosure are few and have focused on some of the following issues: overall levels of disclosure using disclosure index extracted from corporate governance literature, levels of compliance with international standards and domestic regulation, institutional factors that hinder, constrain and hamper corporate governance disclosure [43,29]. In general, the research on corporate governance disclosure for many developing countries reveals a low or minimal level of disclosure [44].

Samaha et al. [11] assessed corporate governance disclosure of Egyptian firms listed on the Egyptian Stock Exchange (ESA) and they find that the level of corporate governance disclosure by Egyptian firms to be minimal, however they also find that levels of disclosure of corporate governance are high for items that are considered mandatory under the Egyptian Accounting Standard. They conclude that the levels of corporate governance disclosure are lower for companies with duality position and levels of corporate governance disclosure increases with the number of independent directors on the board. [43] investigates the extent to which Ghanaian firms comply with international accounting standards and also the levels of corporate governance disclosure. The findings of the research reveal that most of the firms listed in the Ghana stock exchange did not overwhelmingly comply with international accounting standard disclosure requirements.

The pioneering research on corporate governance disclosure in Nigeria was done by [37] he found that most of the companies in the study a low level of corporate governance disclosure with respect to balance sheet, valuation method and historical items. However, the companies did not adequately comply with the disclosure requirements and also the levels of corporate governance disclosure was poor, an estimated 43.11%. A similar study on corporate governance disclosure in South Africa was done by [45] who did a comparative analysis of corporate governance disclosure in South Africa and the United Kingdom. For South African, the study revealed low levels of disclosure for listed South Africa firms and this was found to be common with other studies done on corporate governance disclosure in developing countries. Although the findings are not encouraging, they are consistent with [44,22] and who found similar results with companies in other developing countries.

3.3 Characteristics of the Banking Sector in Nigeria and South Africa

Prior to the banking consolidation reforms in 2004, there were a total of 89 in Nigeria with a total of 3200 deposit money banks (DMB) and total employment in the sector has gone up from about 55,000 before reforms to over 77,519 currently [46]. The banking consolidation exercise by the Central Bank of Nigeria has demanded that all deposit banks increase their minimum capital base from US $15 million to US $200 million by December, 2005. Banks that failed to meet these new requirements were expected to merge for failing to do so, and those who failed to meet the new minimum capital base requirements would have their license revoked. According to [47] some of the constructive reforms that have been put in place include: recapitalization of banks to 25 billion naira shareholder fund, zero tolerance of misreporting and infractions, stricter enforcement of corporate governance principles, stringent application of the contingency planning framework for systemic distress, closer collaboration with the Economic and Financial Crimes Commission (EFCC) in the establishment of Financial Intelligence Unit (FIU) and enforcement of the anti-money laundering measures and currency reforms. In actual fact, these institutional reforms were constructed to prevent the emergence of a banking crisis that could result from inherently weak banks characterized by persistent under capitalization, high levels of non-performing loans, illiquidity, insolvency, and poor corporate governance practices [48].

As of December 2013, the Nigerian Banking Industry is comprised of 20 domestic banks and 4 foreign banks. The six tier-one banks (Zenith Bank, United Bank for Africa, Access Bank, First Bank, Equatorial Trust Bank, and Guarantee Trust Bank) account for 70% of the industry's' total assets of $136 billion as at December 2012. The other banks (18 in number) hold less than 35% of total assets. For that reason, it should not come as a surprise that research on the Nigerian banking industry focuses on the 5 leading banks. According to the Central Bank of Nigeria (CBN), Nigerian banks operate through an extensive network that includes over 5,585 DMBs and close to 12,755 automated banking machines (ABMs) across the country. In total these financial institutions have over 136 billion dollars in assets, which represent a 300.5% increase in assets within seven year of the banking consolidation [48].

In comparison, South African banks appears to have a better developed and more robust banking infrastructure than Nigerian Banks, they have a have large sophisticated financial structure and a highly competitive banking industry which is dominated by both local and foreign banks. The total financial sector asset is estimated 298 percent of GDP and it exceeds those of most developing economies. Commercial banks assets alone are an estimated 112 percent of GDP, while the insurance sector gross asset is 67 percent of GDP. The South African Reserve Bank (SARB) maintain that total banking sector asset recorded, on the average, an annual growth rate of 7.2 percent during a three year period (2011-2014) and reaching US $362 billion by December of 2014. On the whole, Southern African banks are well capitalized, and more often than not have lower non-performing loan ratios in comparison to the other developing countries.

In South Africa, there are 31 registered banks, this comprises of 17 South African Banks, 14 foreign banks, and 3 mutual banks. Also, 41 international banks have authorized representative offices in South Africa; however, these representative offices do not collect financial deposits. Five major commercial banks continue to dominate the South African banking industry: the Amalgamated Bank of South Africa (ABSA), Nedbank, FirstRand Bank, Investec and Standard Bank group – these banks account for an estimated 85 percent of total assets and have significant international presence. According to the South African Reserve Banks, South African banks function through sophisticated and intricate networks that consist of 5,144 DMB and close to 27,953 ABMs throughout the country.

Nonetheless, the system currently faces severe macro-financial risks and South African financial institutions are preparing themselves for a harsh business environment that has resulted largely from global economic recession. Southern African banks at the moment tend to have an increased credit risk, as a result of domestic household indebtedness and increasing debt service burden that has impaired asset quality. In addition to a strong market position in the domestic market, South African banks have also expanded rapidly into Africa markets. This has resulted in their diversification, and South African Banks have also been able to garner considerable market shares in Namibia, Botswana, Nigeria, Mozambique, and Zimbabwe.

3.4 Research Hypothesis

Based on the research question and the literature review, the research hypotheses were tested:

- H_o^1. There is no difference in the Board Structure and Directors Profile disclosure in the annual reports of the Nigerian and South African banks examined.
- H_o^2. There is no difference in the Financial Information and corporate information disclosure in the annual reports of the Nigerian and South African banks examined
- H_o^3. There is no difference in the Board Independence and Board Committee disclosure in the annual reports of the Nigerian and South African banks examined
- H_o^4. There is no difference in the Corporate Social Responsibility Disclosure in the annual reports of the Nigerian and South African banks examined
- H_o^5. There is no difference in the Information on website disclosure in the annual reports of the Nigerian and South African banks examined
- H_o^6. There is no difference in the Remuneration of Board disclosure in the annual reports of the Nigerian and South African banks examined

4. METHODOLOGY

In constructing a disclosure index, numerous studies and approaches have been developed, this is done with the purpose of ensuring that a scoring scheme can be designed that will serve as a useful guideline for assessing and determining the disclosure levels of annual reports [49,5]. In business and accounting research, there two known methods of designing a disclosure index: weighted disclosure index and unweighted disclosure index [50] both have been used in various accounting and business research papers in measuring the degree of disclosure in annual reports. Both techniques used in measuring disclosure in annual reports are not without their flaws, the unweighted disclosure index for example, has been criticized for making the basic assumption that all items in the annual reports are equally important to the information users and the use of a weighted disclosure index has also been criticized because of the possibility of introducing a bias towards a specific information users. However, the use of the unweighted disclosure index techniques addresses the issue of subjectivity that arises in assigning of different weights to different items when user preference of annual reports remain unknown [2]. As a result of the critique against the use of weighted scoring technique, unweighted disclosure technique has become the norm that is applied in conducting research for this type of studies [51]. In his considered opinion, [33] maintains that all disclosed items should be given equal consideration and that they should be of equal importance to the average users [52]. In this research, therefore, voluntary corporate governance disclosure in annual reports for 5 Nigerian and 5 South African banks for the year 2013 was considered and scored on a dichotomous basis. A score of 1 is assigned when a company's disclosure of an item and 0 for non-disclosure of an item. For all of the annual reports selected for this research, to calculate the disclosure score, the number of items that have been disclosed in the annual report was divided by the total number of items relevant to the particular bank, which the report covers:

The total disclosure score for each firm is:

$$D = \sum_{i=1}^{m} dj$$

where *di* is 1 if an item is disclosed and 0 if not**;** m is the number of voluntary items disclosed in the annual reports (here m=51).

The coding sheet on disclosure of corporate governance in Nigerian and South African banks, has 51 elements. The first step that was taken was the reviewing the extant literature on corporate governance disclosure research. A particular research paper was of immense significance [42].

Agyei et al. [42] categorized dimensions of disclosure into six distinct categories: Board structure and directors profile, financial information and corporate information, board independence and board committee, corporate social responsibility disclosure, information on website and remuneration of board. This research adopted its dimensions of corporate governance disclosure from their work. A number of their suggested essential elements of disclosure have been adapted and integrated into the coding sheet. The second step was the use of supplementary points of interest that were revealed when examining the 2013 annual reports of the 5 largest banks in Nigeria (United Bank for Africa, Guaranty Trust Bank, Zenith Bank, First Bank of Nigeria, Access Bank) and 5 of the largest banks in South Africa (First Rand, African Bank, Ned Bank, Capitec and Standard Bank). The coding guideline and instruction is as follows - a positive score of 1 is given to any bank when it discloses the statement in question, if it fails to disclose, the bank is given a score of 0.

5. DISCUSSION OF FINDINGS

In Table 1 below, the descriptive statistics indicates that banks in South Africa and Nigeria banks both have similar unitary board structure that consists of a mix of executive and non-executive directors. [53] guidance on good corporate governance disclosure recommends specifically that the composition of the board regarding the balance of executive and non-executive directors should be disclosed. The composition of the board should be disclosed, in particular the balance of executives and non-executive directors, and whether any of the non-executives have any affiliations (direct or indirect) with the company. Table 1 also shows that the mix of executive directors for South African and Nigerian banks are both male dominated with a fewer women holding executive positions in both banks. In Nigerian Banks, women account for 24.05% of the total board of directors while in South African banks women account for only 16.25% of the total board of directors, a much lower percentage when compared to that of Nigerian Banks. With regards to the number of committees, all banks in South Africa and Nigeria have at least three committees. [53] categorically states that the establishing of board committee is intended to “facilitate fulfillment of certain of the board’s functions and address some potential conflict of interests”. The King’s II report and the Nigerian combined code on corporate governance are both very clear on committee representation, it states that for effective governance of the company’s affair, all companies should have minimum of two committees that should include remuneration committee and audit committee.

5.1 General Corporate Governance Disclosure of the Banks

A cursory glance at the summary of corporate governance disclosure for Nigerian and South African banks reveals that Nigerian banks on the average tend to disclose more corporate governance information than South African banks. South African banks tend to disclose less information in three core areas: board structure and director profile, financial and corporate information and corporate social responsibility disclosure. In addition, we find in the overall level of disclosure there is a 4% margin between First bank of Nigeria (FBN) and Standard bank, but the margin increases significantly between FBN and African bank its 13% & FBN and Capitec its 17%. However, the average disclosure score for Nigerian banks and South African banks is quite high (72.9% & 60%) when compared to developing countries such as Brazil 32.65% [54] Bangladesh 43.5% [50], and Ghana 52% [29].

One of noticeable trends in corporate governance in developing countries is the developments of regulations and codes of corporate governance that is targeted at improving corporate governance practices and policies [11,7], that is; in line with global best practice. Still, there is still room for improvement; the overall disclosure score for Nigerian and South African banks is 72.9% and 62.7% respectively. It is possible for developing countries to improve their levels of corporate governance disclosure over time and while the average percentage score for corporate governance disclosure for Nigeria and South African banks appear high, this is not the case when individual bank corporate governance disclosure scores are examined. For instance, a Nigerian bank, Zenith's overall corporate governance disclosure scores 58.8%, while a South African bank, Rand's overall corporate governance scores 47%. This simply implies that while on the average, corporate governance scores for Nigerian and South Appear high, individual banks scores may differ. In reality, that means some banks would have better corporate governance scores than others.

In Table 4, the results of the t-test of the hypothesis tested in the study at 20 percent level are displayed. The hypothesis tested for difference in six areas of corporate governance disclosure between Nigerian and South African banks. The null hypothesis that tested for significance in the areas of board structure and director profile, board independence and committee, information on website and remuneration of board were rejected at the 20% level of significance. Hence, we accept the alternative hypothesis in these areas. However the null hypothesis that tested for significance in the area of financial information and corporate information and corporate social responsibility disclosure between Nigerian and South African banks were accepted at the 20% level of significance. Hence we reject the alternative hypothesis.

5.2 Board Structure and Directors Profile

The King and the CBN corporate governance code recommend the separation of the role of the chairman and the chief executive officer. Both roles are considered two powerful to be given to a lone individual to execute. This is considered good corporate governance practice, the CBN corporate governance code and the King report and all Nigerian and South African banks in the study have complied with this guideline requiring them to separate the roles of the chairman and the chief executive officer. In addition to regulatory requirements, the Nigerian and South African banks have disclosed more information in terms of qualifications of directors, photographs of directors and the number of years they have served on the board.

5.3 Financial and Corporate Information

The findings of the research reveal that Nigerian and South African banks follow international and domestic guideline in disclosing their financial and corporate information as well as the operating results. The United Nations, the King III report and the CBN corporate governance codes all request that corporate entities to disclose their financial and corporate information so that shareholders and stakeholders can understand the nature and present state of affairs of the business.

In Table 6, the financial and corporate information disclosure reveals that Nigerian banks scored an 85.4% while South African banks scored 65.4%, a 20% point difference. In the areas of summary of financial data, disclosure of retained profits, and bank loans Nigerian and South African banks tend to be at par, in terms of the levels of disclosure. However, Nigerian banks tend to disclose a bit more information in the areas of general information about the economy, corporation mission statement, business environment and contribution to national economy.

Table 1. Structure of executive board, board meetings and number of committees

Company	Male directors	Female directors	Total	Non-executive directors	Board meetings in a year	Number of committees
First Bank (FBN)	11	3	14	4	4	6
United Bank for Africa (UBA)	14	5	19	7	6	6
Guaranty Trust Bank (GTB)	10	4	14	7	4	5
Zenith Bank (ZEN)	13	2	15	7	4	5
Access Bank (ACS)	12	5	17	9	4	4
Total	60	19	79	34		
African Bank (AFN)	9	2	11	6	11	5
First Rand (RAND)	16	4	20	17	6	4
Standard Bank (STD)	15	2	17	14	7	
Ned Bank (NED)	11	3	14	11	5	6
Capitec (CAP)	16	2	18	9	6	6
Total	67	13	80	57		

Table 2. Summary of corporate governance disclosure for Nigerian and South African banks

	Banks	Possible score	United Bank for Africa	Guaranty Trust Bank	Zenith Bank	First Bank of Nigeria	Access Bank	First Rand	African Bank	Ned Bank	Capitec	Standard Bank
1	Board structure and directors profile	12	11	10	5	10	10	7	6	9	9	11
2	Financial Information and corporate information	11	9	10	8	11	9	5	8	6	9	8
3	Board Independence and board committee	11	8	8	5	10	6	6	9	6	8	9
4	Corporate social responsibility disclosure	4	3	4	4	4	1	0	3	0	0	4
5	Information on website	4	4	4	4	4	4	3	3	3	3	3
6	Remuneration of board	8	4	4	4	4	4	3	3	3	3	3
	Total score	50	39	40	30	43	34	24	32	27	32	38
	Percentage of disclosure		78.4	76.5	58.8	82.4	68.6	47	66.7	56.9	64.7	78.4

Table 3. Descriptive statistics of corporate governance disclosure for Nigerian and South African banks

		Nigerian Banks					South African Banks				
		Mean	Standard deviation	Variance	Maximum	Minimum	Mean	Standard deviation	Variance	Maximum	Minimum
1	Board structure and directors profile	9.2	2.38	5.7	12	5	8.4	1.94	3.8	12	6
2	Financial Information and corporate information	9.4	1.14	1.3	11	8	7.2	1.64	2.7	11	5
3	Board Independence and board committee	7.4	1.94	3.8	11	5	7.6	1.51	2.3	11	6
4	Corporate social responsibility disclosure	3.2	1.3	1.7	4	1	1.4	1.94	3.8	4	0
5	Information on website	4	0	0	4	4	3	0	0	4	3
6	Remuneration of board	4	0	0	8	4	3	0	0	8	3
	Percentage of disclosure	72.9%					60%				

Table 4. Critical value tests for corporate governance disclosure in Nigerian and South African banks

	Variance of means	Standard error of means	Calculated t-values	Critical t-value 20% @8d.f.	Critical t-value 10% @8d.f.	Result of hypothesis
1	1.9	1.378405	0.580381	1.39	1.86	Rejected
2	0.8	0.894427	2.459675	1.39	1.86	Accepted
3	1.22	1.104536	-0.18107	1.39	1.86	Rejected
4	1.1	1.048809	1.716233	1.39	1.86	Accepted
5	0	0	0	1.39	1.86	Rejected
6	0	0	0	1.39	1.86	Rejected

Table 5. Board structure and directors profile

	Nigeria	South Africa
Number of directors	5/5	5/5
Duties of board of directors	4/5	1/5
Number of meetings	4/5	2/5
Chairman Identified	5/5	5/5
CEO Identified	5/5	5/5
Minimum qualifications of directors	4/5	5/5
Name	5/5	5/5
Residence	0/5	0/5
Qualification & occupation	4/5	5/5
Number of years on board	2/5	4/5
Photos of members	5/5	2/5
Biography of members	3/5	4/5
Percentage of disclosure	92%	86%

Table 6. Financial information and corporate information

	Nigeria	South Africa
Summary of financial data for at least 2 years	5/5	5/5
Share price information	4/5	3/5
Retained profits	5/5	5/5
Bank loans	5/5	5/5
Foreign currency fluctuation during the year	2/5	5/5
General information about the economy	5/5	3/5
Corporate mission statement	5/5	1/5
Business environment (economics, politics)	5/5	3/5
Statement disclosure relating to competitive position in industry	1/5	0/5
Corporate contribution to national economy	5/5	3/5
Significant issues during the year	5/5	3/5
Percentage of disclosure	85.4	65.4

5.4 Corporate Social Responsibility Disclosure

The King's report encourages South African companies to report on corporate social responsibility, this is not the case in Nigeria, none of the regulatory agencies require that companies should report on corporate social responsibility. However, there is the awareness of the importance of integrating of corporate social responsibility disclosure as part of the banks environmental, social and ethical risk strategies. Both Nigerian and South African banks tend to recognize that non-financial risk can pose significant threats to their business activities and so, they have decided to design effective strategies to tackle non-financial that may threaten the continuity of the business. South African banks tend to be more systematic in the reporting of corporate social responsibility, they abide by regulations of the Kings report and also apply international standards such as the global reporting initiative in their corporate governance voluntary disclosure. Sadly, with regards to corporate social responsibility disclosure for Nigerian banks, disclosure appears to be a compiling and collation of information at the end of the year. Certainly, this should not be so, non-financial disclosure should be linked to the overall business strategy of the organization.

Board independence is an integral element of corporate governance practices. Research maintains that independent board enhances corporate governance practices as boards of directors who do not have pecuniary and material interests invested in the corporation tend to give more independent valuations and are less swayed to protect managerial interests to the detriment of shareholders. The United Nations, the King III report and the CBN corporate governance codes all stress the importance of an independent board of directors. In disclosure relating to board independence and board committee, Nigerian banks and South African banks tend to have similar levels of disclosure, Nigerian banks score of 74% and South African banks score of 76%.

Table 7. Corporate social responsibility disclosures

	Nigeria	South Africa
Statement on corporate social responsibility	4/5	2/5
Statement on environmental policy	3/5	2/5
Environmental projects/activities taken	4/5	2/5
Information on community involvement/participation	5/5	1/5
Percentage of disclosure	80%	35%

Still, when a meticulous examination of board independence and board committee in Table 8 is undertaken, the findings reveal that in relation to sections dealing with outlining board independence and determining independence of board remuneration, Nigerian banks performance worse than their South African banks counterparts in that area. In Table 9, corporate governance disclosure relating to remuneration of board of Nigerian and South African banks. The tables reveal low levels of disclosure for Nigerian and South African banks on both issues. In fact, corporate governance disclosure on remuneration of the board of directors appears to be the least disclose for Nigerian and South African banks. Nigerian banks scoring 30% that is 20% lower than South African banks which score 50%. For Nigerian and South African banks none of the five banks disclosed any issues relating to loans to CEO, explanation of CEO stock requirements and loans to directors. On the whole, South African banks disclose more information relating to remuneration of board than Nigerian Banks.

5.5 Corporate Governance Voluntary Disclosure of Nigerian and South African Banks

A more informative sign or indicator of a bank's corporate governance disclosure is the level of voluntary corporate governance disclosure. Voluntary corporate governance disclosure is simply explained as information that banks provide that they are not obligated to disclose or divulge under any form of regulation. In determining which item of the coding sheet was mandatory and which item was voluntary, a review of the disclosure requirements of the Nigerian Stock Exchange, Corporate Governance Codes for Nigerian Banks, Corporate Matters Allied Act, Kings Report, South African Stock Exchange, United Nations Corporate Governance Codes and OECD governance codes.

Out of 51 items that were listed on the coding sheet, 20 of the items were found to be completely voluntary. The list of these voluntary corporate governance items with the frequency of their governance disclosure is displayed in Table 10. In comparing the levels of disclosure, a comparative analysis was done between Nigerian and South African banks. In general, the results show that Nigerian and South African banks have poor levels of voluntary corporate governance disclosure, with South Africa banks faring a bit better with a score of 38.9% while

Table 8. Board independence and board committee

	Nigeria	South Africa
Separate section outlining board independence	1/5	2/5
Separation of the role of chairman and CEO	4/5	5/5
Capable of determining independence of board remuneration review	1/5	5/5
Capable of determining independence of audit committee	5/5	5/5
Capable of determining independence of conduct review or risk committee	4/5	4/5
Number of committees	5/5	5/5
Duties of committees	3/5	4/5
Number of meetings	5/5	3/5
Number of members	5/5	3/5
Identify chairmen	4/5	2/5
Percentage of disclosure	74	76

Table 9. Remuneration of board

	Nigeria	South Africa
CEO salary	3/5	5/5
Number of shares owned by CEO	3/5	5/5
Explanation of CEO stock requirement	0/5	0/5
Loans to CEO	0/5	0/5
Directors salary	3/5	5/5
Number of shares owned by directors	3/5	4/5
Explanation of directors stock requirements	0/5	1/5
Loans to directors	0/5	0/5
Percentage of disclosure	30	50

Table 10. Governance information disclosed voluntarily

Voluntary Information Disclosed	Nigeria	South Africa
Residence	0/5	0/5
Occupation	4/5	5/5
Number of years on board	2/5	4/5
Capable of determining independence of board remuneration review	1/5	5/5
Capable of determining independence of conduct review or risk committee	4/5	4/5
Photos of members	5/5	2/5
Biography of members	3/5	4/5
Explanation of CEO stock requirement	0/5	0/5
Explanation of director stock requirement	0/5	1/5
Number of related directors	0/5	0/5
Reasons for relations	0/5	0/5
Online link to corporate governance web page	3/5	5/5
Number of affiliates	0/5	0/5
Reason of affiliation	0/5	0/5
Past committee experience	0/5	0/5
Separate Section outlining board independence criteria	1/5	2/5
Online histogram of organization	0/5	0/5
Minimum qualification for directors	4/5	5/5
Number of directors that can sit on and outside the board	0/5	0/5
Percentage of disclosure	28.4%	38.9%

Nigerian banks scored 28.4%. More South African banks had disclosure on online information, online annual reports, number of years on board and online link to corporate governance web page than their Nigerian banks counterparts. However, there are some issues in voluntary corporate governance disclosure were Nigerian and South African banks record poor levels of voluntary disclosure and they include: residence of directors, explanation of CEO stock requirement, past committee experience, and number of directors that can sit on and outside the board.

6. SUMMARY AND CONCLUSION

The findings of this research are inconsistent with previous corporate governance research on Nigeria and South Africa [37,45]. Previous research had found low levels of disclosure for South African and Nigerian companies listed on the stock exchange. One sensible explanation would be that the previous research papers are more than two decades old, a lot of significant changes could have happened over the period that would have enhanced disclosure practices such as the introduction of corporate governance codes intended to improve the levels of transparency and disclosure. The introduction new technology (information communication technology and availability of internet technology are responsible for enhancing corporate governance disclosure as business organizations can place electronic copies of their annual reports online and also, other relevant corporate governance information not included in the annual report can be placed on their websites.

Furthermore, corporate governance disclosure in Nigerian and South African banks is tending towards greater stakeholder inclusivity. Again, reflecting a deeper shift from the prevailing shareholder and agency theory framework and towards a stakeholder oriented framework. Here, corporate governance disclosure is targeted at disclosing information to a wide variety of users of corporate annual reports as well as internal and external stakeholders. Nevertheless, with regards to disclosure of non-financial information, with that we mean disclosure relating to social, environmental and ethical reporting or corporate social responsibility as the names imply. Here, it does appear there is significant room for improvement in disclosure practices. As it stands, reporting of social, environmental and ethical reporting or corporate social responsibility appears to be a collation of information at the end of the year. Certainly, this should not be the case. Non-financial information disclosure should be linked to the overall business strategy of the organization. As it stands, most of the banks in question have not taken the time to adopt any international standard or guidelines.

While this research has examined corporate governance disclosure in Nigerian and South African banks, there is still the need to conduct further research on corporate governance in developing countries. It would be interesting to have a longitudinal research on corporate governance in developing countries like Nigeria and South Africa to examine how corporate governance disclosure has evolved. Another direction that further research would be necessary to examine corporate governance disclosure in other industries, the banking sector represents just one of several other industries. This would help ascertain whether the level of corporate governance disclosure in the banks is similar to other industries or if it is different and if different, what those different may be.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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