



RESEARCH ARTICLE

Building The Nigerian Corporate Governance Index (NCGI) and Intellectual Capital Disclosure Practices

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ARTICLE INFO	ABSTRACT
<p>Received: May 5, 2024</p> <p>Accepted: Jun 17, 2024</p>	<p>To assess the standard of corporate governance procedures used by Nigerian publicly traded companies in 2020–2021, a comprehensive corporate governance index, or NCGI, was created. In order to create the initial NCGI, which consists of five sub-indices and 52 factors, we manually gather governance data for listed organizations in the Nigerian Exchange Group and assess all firms' corporate governance procedures. Also, we look at the intellectual capital disclosure practices of Nigerian publicly traded companies using a disclosure checklist adapted from Abeysekera and Guthrie. The findings indicate that during the study period, corporate governance reform did not advance in Nigerian corporations. The ownership structure and board committee components have the weakest governance, according to the total NCGI mean, which is 70.64% and 69.25%, respectively. The highest level of governance is seen in board structures, where the mean value is roughly 86.03 of the maximum value of 100. Board disclosure and procedure practices are roughly 82.11% and 83.60%, respectively. In comparison to non-financial industries, the financial industry has the highest governance structure, according to the results. Also, publicly traded companies disclose below average intellectual capital information for the period under consideration. The NCGI will assist regulatory agencies like the Central Bank of Nigeria, the Securities and Exchange Commission, and the Financial Reporting Council of Nigeria in developing policies meant to increase investor confidence in the Nigerian economy.</p>
<p>Keywords</p> <p>Nigerian corporate governance index</p> <p>Board structure</p> <p>Board committee</p> <p>FRCN</p> <p>SEC</p> <p>Board procedure</p> <p>Ownership structure</p>	
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INTRODUCTION

Concerns about governance might be more significant in Nigeria than they are in other economies with comparable levels of development. All major organisations struggle with the basic principal-agent issues of keeping ownership and control separate and balancing public decision-makers' and managers' incentives with those of shareholders or other stakeholders. The extremely partial transfer of financial resources and decision-making authority from the public to the private sector exacerbates these issues in Nigeria. An efficient governance structure is the only way to prevent moral hazard chances for rent-seeking and self-dealing that arise from the pervasive governmental domination of economic activity. Onifade et al. (2020), Olaoye et al. (2021), and Ngene et al. (2021).

Any economy is based on corporate governance, which upholds the integrity, accountability, and transparency of businesses. The development of a strong corporate governance framework is crucial in growing markets such as Nigeria, where there is tremendous economic growth but also

governance issues. Additional national corporate governance regulations for listed firms have been prepared by Nigerian authorities; the New Nigerian Corporate Governance Code for firms listed on the Nigeria Exchange Group (NGX) was released in 2019. This law requires businesses to abide by its articles either voluntarily in accordance with the requirements of the law or on a mandatory basis in accordance with the "comply or explain" principles.

Nigeria does not have a corporate governance index that may provide stakeholders with essential information and represent the level of governance implemented inside listed companies. Information about the corporate governance of Nigerian companies is lost overall. There isn't a comprehensive metric to assess the level of corporate governance that decision-makers employ. The effectiveness of corporate governance reforms will be evaluated by NCGI (Sarkar et al. 2012; Jam et al., 2019; Jam et al., 2016; Kanval et al., 2024). It will assist both domestic and foreign investors in making investment decisions by assisting them in assessing the risk involved in straying from appropriate corporate governance norms. Companies in Nigeria can be ranked by NCGI based on how much they have embraced excellent governance standards. Lastly, research, international ratings, and rating organisations can all make use of the NCGI.

In keeping with the objective of our work, we have identified the following specific goals for the 2018 Nigerian Code of Corporate Governance, which recognises the importance of intellectual capital and places a strong emphasis on full transparency. This study examines how the COVID-19 pandemic affected companies' perceptions of their intellectual capacities and how disclosure practices changed after the implementation of the New Code of Corporate Governance. This study aims to shed light on how corporate governance affects listed companies' intellectual capital disclosure in Nigeria.

For these reasons, in order to construct the first NCGI for 126 listed businesses in the corporate sector for the years 2020 and 2021, we use five fundamental corporate governance mechanisms: ownership structure, board committees, board structure, board processes, and disclosure. We also create the Corporate Governance Index by Sector (NCGIS) and the Corporate Governance Sector by Firm. Nigerian institutions and norms are represented by the components of each sub-index.

The necessity of creating a Nigerian Corporate Governance Index (NCGI) and intellectual capital disclosure that is specific to the Nigerian environment is examined in this article. It looks at the research that has already been done, suggests a methodology, shows possible findings, talks about the ramifications, and ends with suggestions for improving corporate governance in Nigeria.

LITERATURE REVIEW

There is a wealth of research on the significance and impact of corporate governance, but little is known about creating an all-inclusive corporate governance index. Some of the key works in this field are Nsour and Al-Rjoub (2022), Ararat et al. (2016) and Black et al. (2019), Black et al. (2012), Balasubramanian et al. (2011), Cheung et al. (2010), Cheung et al. (2007), Beiner et al. (2006), Black et al. (2006), Bebchuk et al. (2005, and Gompers et al. (2003).

After examining 191 companies in the Nigerian market, Nsour and Al-Rjoub (2022) created the Nigerian Corporate Governance Index (NCGI), which consists of 60 factors and four sub-indices. Their findings demonstrated that, although companies listed in the ASE have significant shareholder rights, governance is weak in two of the sub-indices: board processes and disclosure. The study concludes that the NCGI will improve monitoring and provide policymakers and investors with deeper insights into areas that require appropriate legislation. Additionally, companies with strong governance structures will boost investor trust.

According to Black et al. (2019), "corporate governance indices" that are carefully designed and tailored to each nation can forecast greater company values in emerging markets. Brazil, India, Korea, and Turkey are the four main emerging economies that Black et al. study so as to create a

comprehensive corporate governance index. The five sub-indices that comprise the overall index are disclosure, board structure, ownership structure, shareholder rights, board process, and control of related party transactions. The following are the primary conclusions: (i) Disclosure, particularly financial disclosure, predicts higher market value across all selected countries; (ii) Board structure, particularly board independence, has a positive coefficient in all selected countries and is significant in only two; and (iii) ownership structure, shareholder rights, board procedure, and control of related party transactions indices do not predict firm value.

Ararat et al. (2016) examine the effects of corporate governance on business value and profitability in Turkey between 2006 and 2012 using manually collected data that includes the vast majority of listed companies. The five sub-indices that comprise the Turkey Corporate Governance Index (TCGI) are ownership, disclosure, board structure, board processes, and shareholder rights. The main findings of Ararat et al. are that TCGI predicts better market value when firm fixed effects are present, and higher company-level profitability when firm random effects are present. The disclosure sub-index is the primary sub-index that affects the index's performance and projects higher market value and profitability.

A corporate governance index was created by Sarkar et al. (2012) for the top 500 listed companies in the Indian business sector between 2003 and 2008. They make use of data on the ownership structure, audit committee, external auditor, and board of directors—the four key components of corporate governance. They show that the governance index of Indian corporations is trending upward. They look into the relationship further and discover that there is a high correlation between market performance and the Corporate Governance Index, with stronger corporate governance arrangements producing normal returns for the companies involved.

Balasubramanian et al. (2011) give an exhaustive "case study" on firm-level governance processes in India, based on a thorough survey of 506 Indian public companies' firms carried out in 2006. They find a significant link, larger for smaller firms, between firm market value and the Indian Corporate Governance Index (ICGI), using the latter as a broad measure of corporate governance excellence. Additionally, they look into certain facets of governance, including board composition, in order to forecast market values for businesses. They include 49 company traits, each of which is classified as "0" if a firm lacks the attribute and "1" if it does. These attributes are frequently seen to correlate with "good" governance. These components are grouped into five primary indices: disclosure, shareholder rights, board procedure, related party transactions, and board structure. They discover that the majority of businesses adhere to the board independence regulations set forth by Indian legislation and that Indian businesses are more likely to follow audit committee guidelines. Although related-party transactions are frequent, they frequently have lax approval standards. Just over two-thirds of businesses post their annual reports online. Although CEO pay is moderate by US standards, the danger of termination is minimal. Although voting by mail has been mandated by law since 1956, only approximately 75% of businesses permit it. There are hardly any government enforcement proceedings taken against businesses. In India, they discovered a statistically significant and positive correlation between ICGI and business market value. The correlation is stronger for more lucrative businesses and businesses with greater room for expansion. While sub-indices for related party transactions, board structure, disclosure, and procedure are not relevant individually, sub-indices for shareholder rights are.

Chen et al. (2007) investigate the connection between stock returns for Taiwanese listed companies and ownership and leadership structures. Based on four distinct facets of the company's governance structure—CEO duality, board size, management holdings, and block shareholder holdings—they developed a governance index. They use this index as a stand-in for an indicator of how well Taiwan's corporate governance system is working. Chen et al. (2007) discovered a substantial correlation between stock performance and the governance index.

Bebchuk et al. (2005) look at the relative weights of the 24 clauses that the Investor Responsibility Research Centre (IRRC) abides by and that are included in the Gompers et al. (2003) governance index. Their entrenchment index was based on six criteria: supermajority requirements for mergers and charter revisions, golden parachutes, poison pills, staggered boards, and limitations on shareholder bylaw modifications. They construct the "E index," which gauges entrenchment, using six provisions. A company's score, which ranges from zero to six, is determined by the IRRC database based on the number of these provisions it has in a particular year or month. According to Tobin's analysis, they find that between 1990 and 2003, there were notable reductions in business valuation and substantial negative anomalous returns.

A "Governance Index" (or "G") is developed by Gompers et al. (2003) to illustrate the extent of shareholder rights at about 1500 large firms from 1990 to 1998. They accomplish this by making use of the distinctive corporate-governance clauses found in all companies' Corporate Takeover Defences, which cover 24 governance principles. For each clause in a firm that restricts the rights of shareholders, one point is added to the G-index. Consequently, the total of one point is assigned to each provision, whether it is existent or not, in the Governance Index ("G"). Gompers et al. offer sub-indices for each of the five categories: delay, protection, voting, other, and state. However, this G-index does not sufficiently capture the relative effects of different laws. They find that businesses with stronger.

METHODOLOGY

The Nigerian Corporate Governance Index (NCGI), which represents the corporate governance process, serves as the study's independent variable. Using the OECD's Principles of Corporate Governance, OECD, 2004, and G20/OECD's Principles of Corporate Governance 2015 as a globally recognised benchmark, each component of the NCGI was meticulously selected with consideration for Nigerian peculiarities and previous research, especially the methodologies and associated specifications of Ararat et al. (2016), Black (2004), and Nsour and Al-Rjoub (2022).

Table 1: NCGI Sub-indices and elements

CODE	ELEMENTS OF GOVERNANCE
BOARD STRUCTURE	
BST1	Board has at least six members
BST 2	CEO is not chairman of the Board
BST 3	More than one director is engaged as director of another firm
BST 4	Board has at least 30% independent director
BST 5	Board has at least one female director
BOARD PROCEDURE	
BPR1	Board has > 4 physical meeting in a year
BPR 2	Firm has system to evaluate CEO intellectual performance and contribution
BPR 3	Firm has system to evaluate other executives
BPR 4	Firm has induction and continuing education program for executives
BPR 5	Board receives materials in advance of meeting
BPR 6	Firm has code of ethics
BOARD COMMITTEES	
BCM1	Nomination and Governance Committee exist
BCM 2	Nomination and Governance Committee chairman has >3years experience with the firm
BCM 3	Nomination and Governance Committee chairman has expertise in human resource

BCM 4	Nomination and Governance Committee has at least 50% independent directors as committee members
BCM5	Remuneration Committee exist
BCM6	Remuneration Committee chairman has >3 years' experience with the firm
BCM7	Remuneration Committee chairman has expertise in human resource
BCM8	Remuneration Committee has at least 50% independent directors as committee members
BCM9	Audit Committee exist
BCM10	Audit Committee chairman has >3 years' experience with the firm
BCM11	Audit Committee chairman has financial expertise
BCM12	Audit Committee has at least 50% independent directors as committee members
OWNERSHIP STRUCTURE	
ONS1	Firm has no class of shares with voting rights
ONS2	Firm has no outside block holder with more than 5% of shares
ONS3	Firm has Director shareholding
ONS4	Firm has institutional ownership
ONS5	Firm has no founder share with cash flow right
ONS6	Firm does not have loans to directors or policy limiting these loans
ONS7	Firm has investor relations officer/dept.
DISCLOSURES PRACTICES	
Dis1	The firm puts annual financial statements on the firm's website
Dis2	The firm puts quarterly financial statements on the firm's website
Dis3	The firm discloses material events on the firm website
Dis4	The firm puts an annual report on the firm's website
Dis5	The firm puts CG compliance reports separately on the firm's website
Dis6	The firm puts an annual schedule of corporate events on the firm's website
Dis7	Firm articles of association available on the firm website
Dis8	The firm includes shareholding voting information on the firm's website
Dis 9	The firm prepares English language financial statements
Dis10	The firm discloses the list of insiders
Dis11	The firm discloses shareholdings of individual directors
Dis12	CG charter or guidelines disclosed
Dis13	Code of conduct or ethics is disclosed
Dis14	Information on the last AGM disclosed
Dis15	Board member's current roles are disclosed
Dis16	Board member's background (education, employment, history) is disclosed
Dis17	Board members date of joining the board disclosed
Dis18	The background of senior managers is disclosed
Dis19	Information on internal audit/control is disclosed
Dis20	The number of meetings/years is disclosed
Dis 21	Board resolutions are disclosed
Dis22	The executive director's remuneration policy is disclosed

Table 1. Describes the sub-indices and elements in each sub-index The Nigerian Corporate Governance Index (NCGI) was created in two stages. For each of the five corporate governance components—ownership structure, board committees, board structure, board procedures, and disclosure—a sub-index was created in the first phase. The NCGI consists of five sub-indices, each with 52 entries. Companies in Nigeria are thought to employ components that are consistent with the Nigerian environment and validated by earlier studies as possible indicators of effective governance

procedures. According to industry best practices, Nigerian governance principles, and previously published literature, the paper outlines the number of governance requirements. Each sub index's components were assigned an equal weight based on the total number of criteria in the corporate governance that was being reviewed. In the second part of the study, the values of the five sub-indices are averaged to get the overall CGI. The total NCGI score is determined by averaging the sub-index scores. Each sub-index's elements are given equal weights based on the numerous elements that make up these sub-indices. To rate the corporate governance practices for each of the sample organisations, the following methodology was utilised to compute each desired corporate governance measure and produce a CGI for that corporate governance item.

Table 2: Disclosure checklists and their operational definitions

A	Human Capital (HC)	Operational definition
1	Employee education programmes (HC1)	Education programmes initiated by the firm for the support of its executives/staff or community members, for example school or university programme/scholarship
2	Vocational qualifications (HC2)	Qualifications obtained other than academic achievement by its employees such as team building courses, communication skills, etc.
3	Employee Industrial relations (HC3)	Relations between employers and employees (Oxford Learners Dictionary, Advanced, 2000)
4	Union activity (HC4)	This refers to details of union representing employees
5	Employee thanked (HC5)	Public expression of gratitude to employee/employees as a token of appreciation on job well done (other key word search: award).
6	Employee featured (HC6)	Special display of prominence of employees of the firm.
7	Employees' involvement in the community (HC7)	Employees' involvement in the community work such as charity, fund-raising activity.
	Training and Development	
8	Training programmes (HC8)	This refers to the in-house or external training programme and for its executives and staff.
9	Career planning and development programme (HC9)	Career development opportunities of an employee's career with the firm (other terms HC development programme).
10	Succession planning (HC10)	This refers to the process of identifying and preparing suitable employees to replace key players, for example, the CEO as his term expires.
	Innovation	
11	Entrepreneur skills (HC11)	These refer to the ability to build on previous knowledge and generate new one (Roos, 1997) (other key words: new products, new ideas, continued improvement of existing lines of products).
	Equity Issues	
12	Equity issues (HC12)	Equal career opportunities for all irrespective of race, religion, gender and policy in place for employment of the disables.

	Employee Safety and Health	
13	Employee safety and health (HC13)	Company' prevention and reduction of health and safety hazards at work
	Work-related Knowledge	
14	Know-how (HC14)	It relates to the knowledge and skills possessed by employees (other key words; skills, competence).
15	Professional experience (HC15)	Average number of years that executives worked in their profession (Sveiby,1997).
16	Expert seniority (HC16)	Years of employment of executives with the firm (Sveiby,1997).
17	Senior executive performance and results (HC17)	Results achieved by senior executives over a given period of time period (Guthrie and Petty, 2000)
B	Structural Capital (SC)	Operational Definition
18	Management philosophy (SC1)	This refers to the vision and mission statement. (Search terms cover philosophy and strategy)
19	Corporate culture (SC2)	This refers to disclosure of the attitudes, experience, beliefs and values of the firm. Search terms included; code of ethics, code of conduct)
20	Management processes (SC3)	This covers policies, procedures, re-engineering and other process and quality certifications associated with the firm (Guthrie, 2006). Other search terms cover business process, performance report, management plan and performance indicators.
21	Quality/recognition/achievements (SC4)	Disclosure of awards achieved by the firm as a measure of its high quality.
22	Information systems (SC5)	This covers systems designed to manage <i>the major functions of the firms</i> such as database, IT system, computer network, hardware, software, etc.
23	Networking systems (SC6)	These include information technologies, encompassing a broad array of communication media and devices which <i>network</i> with others, gaining access to customers, suppliers, databases. Other search term covers internet, video-conferencing, fax, etc.
24	Financial relations (SC7)	Relationship between the management and its finance providers such as investors and analysts.
C	Customer Capital (CC)	Operational Definition
25	Brands (CC1)	Details of brands associated with the firm
26	Customers (CC2)	This refers to customers' evaluation of its product or service. Reflected in customers' loyalty, normally found out by survey, customer feedback (Other key words associated to this are customers' confidence, high reputation for goods and services).
27	Company names (CC3)	The esteem held or effect of the firms' name by their stakeholders.
28	Favourable contracts (CC4)	A contract obtained because of the unique market position held by the firm (Brooking,1996)
29	Market share (CC5)	Firm's share of the market.
30	Distribution channels (CC6)	Information/details on the infrastructure of how firm provides its products/services to its customers.

31	Business collaborations (CC7)	Other business partnering in producing or creating the product or services (Other search term, alliance, partnership and joint product).
32	Licensing agreements (CC8)	Refers to wide ranging agreements that give contracts to other organizations or entities to sell their products or services.
33	Franchising agreements (CC9)	A contractual agreements that grant the license by a person (franchiser) to another (franchisee) to carry out a franchise; franchisee to provide assistance to franchisee in payment of a fee.

Table 2. Describes the intellectual capital disclosure checklist. Customer capital (CC), structural capital (SC), and human capital (HC) are the three components of the Intellectual Capital Disclosure Score (ICDscore), which is the IC information that businesses reveal. These three components are demonstrated to be consistent in the context of intellectual capital research (Huang, 2010). The evaluation of the sentences in the related section of the annual reports of the selected firms forms the ICD unit of analysis for this study. The analysis's contents are divided into three groups: qualitative with narrative, quantitative with numerical data, and quantitative with monetary data. The Guthrie and Petty (2000) grading system, which ranges from '0' to '3', was used. "0" indicates no disclosure. "1" denotes a narrative disclosure; "2" denotes a numerical disclosure; and "3" denotes a monetary value disclosure. The overall ICD score is calculated as follows:

$$ICDScore_j = \frac{\sum HCScore + SCSScore + CCSScore}{\text{Number of observations}}$$

Number of observations

In table 2, the ICD checklist comprises 33 items group under HC (17), SC (9) and CC (7). It was adapted from the studies of Abeysekera and Guthrie (2005), Beattie and Thomson (2007), Bozzolan (2003), Guthrie and Petty (2000) and Huang (2010).

Data Source

In 2020 and 2021, we will personally gather corporate governance practices data for every company listed on the Nigerian Stock Exchange (NGX). The company's annual reports, corporate governance compliance reports, charters, the Security and Exchange Commission, the Financial Reporting Council of Nigeria, and the Nigerian Exchange Group (NGX) are the manual sources of information about the corporate governance dimensions of ownership structure, board committees, board structure, board procedures, and disclosure.

RESULTS AND DISCUSSIONS

Table 3: Nigerian Corporate Governance Index

CODE	ELEMENTS OF GOVERNANCE	No	Mean %
BOARD STRUCTURE			
BST1	Board has at least six members	122	96.82
BST 2	CEO is not chairman of the Board	111	88.09
BST 3	More than one director is engaged as director of another firm	106	84.13
BST 4	Board has at least 30% independent director	98	77.78
BST 5	Board has at least one female director	105	83.33
	Board structure sub-index		86.03

BOARD PROCEDURE			
BPR1	Board has > 4 physical meeting in a year	125	99.21
BPR 2	Firm has system to evaluate CEO intellectual performance and contribution	98	77.78
BPR 3	Firm has system to evaluate other executives	76	60.32
BPR 4	Firm has induction and continuing education program for executives	102	80.95
BPR 5	Board receives materials in advance of meeting	110	87.30
BPR 6	Firm has code of ethics	121	96.03
	Board Procedure Sub-index		83.60
BOARD COMMITTEES			
BCM1	Nomination and Governance Committee exist	98	77.78
BCM 2	Nomination and Governance Committee chairman has >3years experience with the firm	87	69.05
BCM 3	Nomination and Governance Committee chairman has expertise in human resource	76	60.32
BCM 4	Nomination and Governance Committee has at least 50% independent directors as committee members	67	53.17
BCM5	Remuneration Committee exist	86	68.25
BCM6	Remuneration Committee chairman has >3 years' experience with the firm	56	44.44
BCM7	Remuneration Committee chairman has expertise in human resource	65	51.59
BCM8	Remuneration Committee has at least 50% independent directors as committee members	56	44.44
BCM9	Audit Committee exist	121	96.03
BCM10	Audit Committee chairman has >3 years' experience with the firm	110	87.30
BCM11	Audit Committee chairman has financial expertise	105	83.33
BCM12	Audit Committee has at least 50% independent directors as committee members	120	95.24
	Board Committee Sub-index		69.25
OWNERSHIP STRUCTURE			
ONS1	Firm has no class of shares with voting rights	121	96.03
ONS2	Firm has no outside block holder with more than 5% of shares	87	69.05
ONS3	Firm has Director shareholding	122	96.83
ONS4	Firm has institutional ownership	89	70.63
ONS5	Firm has no founder share with cash flow right	65	51.59
ONS6	Firm does not have loans to directors or policy limiting these loans	41	32.54
ONS7	Firm has investor relations officer/dept.	98	77.78
	Ownership Structure Sub-index		70.64
DISCLOSURES PRACTICES			
Dis1	The firm puts annual financial statements on the firm's website	125	99.21
Dis2	The firm puts quarterly financial statements on the firm's website	122	96.83
Dis3	The firm discloses material events on the firm website	109	86.51
Dis4	The firm puts an annual report on the firm's website	125	99.21
Dis5	The firm puts CG compliance reports separately on the firm's website	107	84.92

Dis6	The firm puts an annual schedule of corporate events on the firm's website	125	99.21
Dis7	Firm articles of association available on the firm website	98	77.78
Dis8	The firm includes shareholding voting information on the firm's website	67	53.17
Dis 9	The firm prepares English language financial statements	126	100.00
Dis10	The firm discloses the list of insiders	78	61.90
Dis11	The firm discloses shareholdings of individual directors	121	96.03
Dis12	CG charter or guidelines disclosed	52	41.26
Dis13	Code of conduct or ethics is disclosed	56	44.44
Dis14	Information on the last AGM disclose and	121	96.03
Dis15	Board member's current roles are disclosed	122	96.83
Dis16	Board member's background (education, employment, history) is disclosed	126	100
Dis17	Board members date of joining the board disclosed	125	99.21
Dis18	The background of senior managers is disclosed	120	95.24
Dis19	Information on internal audit/control is disclosed	67	53.17
Dis20	The number of meetings/years is disclosed	126	100
Dis 21	Board resolutions are disclosed	67	53.17
Dis22	The executive director's remuneration policy is disclosed	34	27.00
	Disclosure Sub-Index		82.11
NCGI	Nigerian Overall Corporate Governance Index		78.33

Table 2 presents the Corporate Governance Index along with its components for the years 2020-2021. The corporate governance index's mean value is 78.33%, above two-thirds of its maximum value. Sub-index results ranked in descending order.

Table 4: NCGI and Sub-indices rankings. Maximum mean values are 100

Elements of governance	Mean
Board structure sub-index	86.03
Board Procedure Sub-index	83.60
Disclosure Sub-Index	82.11
Ownership Structure Sub-index	70.64
Board Committee Sub-index	69.25
NCGI	78.33

With typical values of 70.64% and 69.25%, respectively, Table 3 demonstrates that ownership arrangements and board committees have the worst governance. The highest level of governance is seen in board structures, where the mean value is roughly 86.03 of the maximum value of 100. Approximately 82.11% and 83.60% of the maximum value of the sub-indices are accounted for by disclosure policies and board procedures, respectively.

Table 5 NCGI by Financial Sector

CODE	ELEMENTS OF GOVERNANCE	No	Mean %
BOARD STRUCTURE			
BST1	Board has at least six members	50	100
BST 2	CEO is not chairman of the Board	50	100
BST 3	More than one director is engaged as director of another firm	50	100

BST 4	Board has at least 30% independent director	50	100
BST 5	Board has at least one female director	50	100
	Board structure sub-index for Financial Sector		100
BOARD PROCEDURE			
BPR1	Board has > 4 physical meeting in a year	50	100
BPR 2	Firm has system to evaluate CEO intellectual performance and contribution	50	100
BPR 3	Firm has system to evaluate other executives	50	100
BPR 4	Firm has induction and continuing education program for executives	48	96
BPR 5	Board receives materials in advance of meeting	50	100
BPR 6	Firm has code of ethics	50	100
	Board Procedure Sub-index for Financial Sector		99.3
BOARD COMMITTEES			
BCM1	Nomination and Governance Committee exist	50	100
BCM 2	Nomination and Governance Committee chairman has >3years experience with the firm	50	100
BCM 3	Nomination and Governance Committee chairman has expertise in human resource	50	100
BCM 4	Nomination and Governance Committee has at least 50% independent directors as committee members	50	100
BCM5	Remuneration Committee exist	50	100
BCM6	Remuneration Committee chairman has >3 years' experience with the firm	50	100
BCM7	Remuneration Committee chairman has expertise in human resource	50	100
BCM8	Remuneration Committee has at least 50% independent directors as committee members	50	100
BCM9	Audit Committee exist	50	100
BCM10	Audit Committee chairman has >3 years' experience with the firm	50	100
BCM11	Audit Committee chairman has financial expertise	50	100
BCM12	Audit Committee has at least 50% independent directors as committee members	50	100
	Board Committee Sub-index for Financial Sector		100
OWNERSHIP STRUCTURE			
ONS1	Firm has no class of shares with voting rights	0	0
ONS2	Firm has no outside block holder with more than 5% of shares	0	0

ONS3	Firm has Director shareholding	50	100
ONS4	Firm has institutional ownership	35	70
ONS5	Firm has no founder share with cash flow right	45	90
ONS6	Firm does not have loans to directors or policy limiting these loans	0	0
ONS7	Firm has investor relations officer/dept.	50	100
	Ownership Structure Sub-index for Financial Sector		51.43
DISCLOSURES PRACTICES			
Dis1	The firm puts annual financial statements on the firm's website	50	100
Dis2	The firm puts quarterly financial statements on the firm's website	50	100
Dis3	The firm discloses material events on the firm website	50	100
Dis4	The firm puts an annual report on the firm's website	50	100
Dis5	The firm puts CG compliance reports separately on the firm's website	0	0
Dis6	The firm puts an annual schedule of corporate events on the firm's website	50	100
Dis7	Firm articles of association available on the firm website	50	100
Dis8	The firm includes shareholding voting information on the firm's website	0	0
Dis 9	The firm prepares English language financial statements	50	100
Dis10	The firm discloses the list of insiders	50	100
Dis11	The firm discloses shareholdings of individual directors	50	100
Dis12	CG charter or guidelines disclosed	50	100
Dis13	Code of conduct or ethics is disclosed	50	100
Dis14	Information on the last AGM disclose and	50	100
Dis15	Board member's current roles are disclosed	50	100
Dis16	Board member's background (education, employment, history) is disclosed	50	100
Dis17	Board members date of joining the board disclosed	50	100
Dis18	The background of senior managers is disclosed	50	100
Dis19	Information on internal audit/control is disclosed	50	100
Dis20	The number of meetings/years is disclosed	50	100
Dis 21	Board resolutions are disclosed	50	100
Dis22	The executive director's remuneration policy is disclosed	0	0
	Disclosure Sub-Index for Financial Sector		86.36

NCGI	Nigerian Overall Corporate Governance Index for Financial Sector		87.418
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Table 6 NCGI by Non-Financial Sector

CODE	ELEMENTS OF GOVERNANCE	No	Mean %
BOARD STRUCTURE			
BST1	Board has at least six members	76	100
BST 2	CEO is not chairman of the Board	48	63.16
BST 3	More than one director is engaged as director of another firm	70	92.11
BST 4	Board has at least 30% independent director	69	90.79
BST 5	Board has at least one female director	76	100.00
	Board structure sub-index for non-financial sector		89.21
BOARD PROCEDURE			
BPR1	Board has > 4 physical meeting in a year	76	100.00
BPR 2	Firm has system to evaluate CEO intellectual performance and contribution	56	73.68
BPR 3	Firm has system to evaluate other executives	38	50.00
BPR 4	Firm has induction and continuing education program for executives	40	52.63
BPR 5	Board receives materials in advance of meeting	75	98.68
BPR 6	Firm has code of ethics	76	100.00
	Board Procedure Sub-index for non-financial sector		79.17
BOARD COMMITTEES			
BCM1	Nomination and Governance Committee exist	51	67.11
BCM 2	Nomination and Governance Committee chairman has >3years experience with the firm	51	67.11
BCM 3	Nomination and Governance Committee chairman has expertise in human resource	45	59.21
BCM 4	Nomination and Governance Committee has at least 50% independent directors as committee members	45	59.21
BCM5	Remuneration Committee exist	55	72.37
BCM6	Remuneration Committee chairman has >3 years' experience with the firm	50	65.79
BCM7	Remuneration Committee chairman has expertise in human resource	51	67.11
BCM8	Remuneration Committee has at least 50% independent directors as committee members	45	59.21
BCM9	Audit Committee exist	75	98.68
BCM10	Audit Committee chairman has >3 years' experience with the firm	76	100.00
BCM11	Audit Committee chairman has financial expertise	45	59.21
BCM12	Audit Committee has at least 50% independent directors as committee members	56	73.68
	Board Committee Sub-index for non-financial sector		70.72
OWNERSHIP STRUCTURE			
ONS1	Firm has no class of shares with voting rights	46	60.53
ONS2	Firm has no outside block holder with more than 5% of shares	43	56.58
ONS3	Firm has Director shareholding	45	59.21
ONS4	Firm has institutional ownership	54	71.05
ONS5	Firm has no founder share with cash flow right	65	85.53

ONS6	Firm does not have loans to directors or policy limiting these loans	45	59.21
ONS7	Firm has investor relations officer/dept.	56	73.68
	Ownership Structure Sub-index for non-financial sector		66.54
DISCLOSURES PRACTICES			
Dis1	The firm puts annual financial statements on the firm's website	71	93.42
Dis2	The firm puts quarterly financial statements on the firm's website	68	89.47
Dis3	The firm discloses material events on the firm website	65	85.53
Dis4	The firm puts an annual report on the firm's website	67	88.16
Dis5	The firm puts CG compliance reports separately on the firm's website	54	71.05
Dis6	The firm puts an annual schedule of corporate events on the firm's website	56	73.68
Dis7	Firm articles of association available on the firm website	71	93.42
Dis8	The firm includes shareholding voting information on the firm's website	73	96.05
Dis 9	The firm prepares English language financial statements	56	73.68
Dis10	The firm discloses the list of insiders	56	73.68
Dis11	The firm discloses shareholdings of individual directors	65	85.53
Dis12	CG charter or guidelines disclosed	56	73.68
Dis13	Code of conduct or ethics is disclosed	65	85.53
Dis14	Information on the last AGM disclose and	56	73.68
Dis15	Board member's current roles are disclosed	56	73.68
Dis16	Board member's background (education, employment, history) is disclosed	71	93.42
Dis17	Board members date of joining the board disclosed	72	94.74
Dis18	The background of senior managers is disclosed	65	85.53
Dis19	Information on internal audit/control is disclosed	65	85.53
Dis20	The number of meetings/years is disclosed	67	88.16
Dis 21	Board resolutions are disclosed	51	67.11
Dis22	The executive director's remuneration policy is disclosed	0	0.00
	Disclosure Sub-Index for non-financial sector		79.31
NCGI	Nigerian Overall Corporate Governance Index for non-financial sector		76.99

Detailed sub-index results reveal some intriguing findings. For example, the board process sub-index indicates that the majority of listed companies have above-average governance practices. Just over 13.97% of publicly traded companies lack a code of ethics or behaviour, and 23% lack a framework for assessing the intellectual performance and firm-building contributions of their CEOs. In the disclosure sub-index, the numbers are a little different; they reveal that more than 70% of Nigerian listed businesses do not publish a compensation policy. Just 41% of the 126 corporations reveal their corporate governance charter, and only 18% reveal information about internal audit control. Nonetheless, the majority of the publicly traded firms revealed their association articles, codes of conduct of ethics, corporate governance compliance reports, and quarterly financial statements. Just 20% of the study sample contains the policy for the introduction and continuing education programme for executives within the board process sub-index. The audit, pay, nomination, and governance committees' results on the board committee are likewise above average.

Table 7: Summary results of Sub-index by sector

Sub-index	Financial	Non-financial
Board Structure Sub-index	100	89.21
Board Procedures Sub-index	99.3	79.17
Board Committee Sub-index	100	70.72
Ownership Structure Sub-index	51.43	66.54
Disclosure Practices Sub-index	86.36	79.31
Nigerian Overall Corporate Governance by sector	87.42	76.99

The ownership structure sub-index has the lowest percentage in both the financial and non-financial subsectors (51.43% and 66.54%, respectively), according to Table 6's summary results of the sub-index. Tables 5 and 6 present the mean NCGI value for financial and non-financial enterprises, respectively. The non-financial sectors score highest in both board structure and disclosure procedures, at 89.21% and 79.31%, respectively, while the financial sector obtains the highest score of 100% in both board structure and board committee sub-index. The financial sector has the highest overall corporate governance index in Nigeria, with 87.42, compared to the non-financial sector's 76.99. This indicates that there is a higher level of corporate governance compliance in the financial sector than in the non-financial sector. This can be explained by the fact that, in the Nigerian economy, the financial sector is subject to more stringent monitoring and compliance regulators than the non-financial sector. The indicator for the non-financial sector is likewise higher than average, indicating some degree of adherence to governance procedures. The governance system can be greatly enhanced overall.

Table 8: Intellectual capital disclosure

Items	Intellectual Capital Disclosure	No	Mean %
Human capital (HC)			
(HC1)	Employee education programmes	6	35
(HC2)	Vocational qualifications	5	29
(HC3)	Industrial relations	10	59
(HC4)	Union activity	8	47
(HC5)	Employee thanked	3	18
(HC6)	Employee featured	5	29
(HC7)	Employees' involvement in the community	6	35
(HC8)	Training programmes	8	47
(HC9)	Career planning and development programme	8	47
(HC10)	Succession planning	7	41
(HC11)	Entrepreneur skills	6	35
(HC12)	Equity issues	7	41
(HC13)	Employee safety and health	6	35
(HC14)	Know-how	7	41
(HC15)	Professional experience	8	47
(HC16)	Expert seniority	6	35
(HC17)	Senior executive performance and results	8	47
	Human Capital Disclosure		39
Structural Capital (SC)			
(SC1)	Management philosophy	4	57
(SC2)	Corporate culture	4	57
(SC3)	Management processes	3	43

(SC4)	Quality/recognition/achievements	5	71
(SC5)	Information systems	4	57
(SC6)	Networking systems	3	43
(SC7)	Financial relations	4	57
	Structural Capital Disclosure		55
Customer Capital (CC)			
(CC1)	Brands	5	45
(CC2)	Customers	6	55
(CC3)	Company names	7	64
(CC4)	Favourable contracts	4	36
(CC5)	Market share	5	45
(CC6)	Distribution channels	4	36
(CC7)	Business collaborations	3	27
(CC8)	Licensing agreements	5	45
(CC9)	Franchising agreements	4	36
	Customer Capital Disclosure		44
NCGI	Nigerian Overall Intellectual Capital Disclosure		46

Table 8, reveal some intriguing findings. For example, the human capital indicates that the majority of listed companies have below-average information disclosed. Just over 47% of publicly traded companies disclosed information regarding employees training and employees career development and 29% disclose information regarding employees featured reports. The structural capital is the only variable with above average disclosure which has 55% information disclosed. Just 43% of the 126 corporations reveal their networking systems, and management processes. Nonetheless, the majority of the publicly traded firms revealed their quality/recognition/achievement. The entire customer capital disclosed by Nigerian publicly traded companies within the time was below average with 44%. Company names and brands both have the highest disclosure at 64% and 55% respectively, other items are below 50%.

CONCLUSIONS AND POLICY IMPLICATIONS

We create the inaugural Nigerian Corporate Governance Index (NCGI) by surveying all listed corporations on the Nigerian Exchange Group (NGX) regarding their corporate governance procedures throughout the 2020–2021 year. The 52 factors that make up the NCGI are divided into five sub-indices for ownership structure, board committees, board structure, board processes, and disclosure. Every company listed in 2020 and 2021 has its corporate governance practices data manually gathered. The mean value of the corporate governance index is 78.33%, which is almost two-thirds of its maximum value.

With a mean score of 69.25% and 70.64%, respectively, the overall results indicate that the ownership structure and board committee aspects have the worst governance. The highest level of governance is seen in board structures, where the mean value is roughly 86.03 of the maximum value of 100. Board disclosure and procedure practices are roughly 82.11% and 83.60%, respectively. The NCGI-by-sector (NCGIS) results indicate a comparable ranking.

Policymakers, the NGX, SEC, CBN, FRCN, and other capital market participants can use the development of NCGI to develop regulations and policies that are tailored to Nigerian specifics and enhance investor confidence, particularly given the country's need for foreign direct investment. The NCGI will assess the effectiveness of corporate governance reforms and the ability of domestic and foreign investors to assess the risk of departing from appropriate corporate governance norms and make investment decisions. Companies in Nigeria can be ranked by NCGI based on how much they have embraced excellent governance standards. Lastly, research, international ratings, and rating organisations can all make use of the NCGI.

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