



## ABSTRACT

These paper will exray the important of corporate reporting in Nigeria. Also, concentrating on the assessment of some relevant issues that will give a clear understanding on the nature of starting or doing business in Nigeria. The key issues to look at are the main users of corporate reporting, the main providers of funds for business, government legal system, the role of legislation, the development and implementation of local and international accounting standards, task of the professional bodies, the influence of religion and culture

# CORPORATE REPORTING IMPORTANCE AND THE EASE OF DOING BUSINESS IN NIGERIA

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## Introduction

In 1<sup>st</sup> January 2012 Nigeria fully adopt IFRS and became one of the first in Africa for financial reporting even though Nigeria is outside the EU countries. Given the fact the advantages of IFRS cannot be overlook as it contains a higher level of transparency and the comparability among practice countries as well as it impacts on financial reporting. However, the development on the Nigeria system of accounting has changed in the recent years with the fight against corruption and having positive influence on the Nigerian environmental and social responsibilities, the amendments of the Nigerian general accepted accounting principles (NGAAP}and the full endorsement of IFRS made it easier for Nigeria as its official language is English. The purpose of this report is to provide a critical analysis on the development of corporate reporting in Nigeria and to evaluate the IFRS with this report recommendations in accordance with financial reporting development manager (FRDM)

### Corporate Reporting In Nigeria.

Financial reporting is a transaction that involve two party or firm, of which the presenter who control its preparation and provide it to the users, who then in turn assessed the reliability of the statement in making financial decision making (Roseenfield,2006).

### The Nature of Corporate Reporting.

The main users of corporate reporting in Nigeria are the shareholders, investors, banks and government. As in Nigeria there are smaller sizes of companies who raise their capital from equity investors, thereby



on the economy, corporate social responsibility(CSR)and inflation/deflation. All these factors are essential towards providing a clear picture of the economy in Nigeria to provide potential investors making decision on expansion to Nigeria.

**Keywords:** Corporate reporting, Importance, Ease of doing business

making it almost impossible for most companies to survive without borrowing from the bank. And that is a major difference between Nigeria and other countries.

### **Corporate Reporting Purpose.**

The purpose remains the same and similar for Nigeria and Anglophone countries as the aim is to provide a true and fair view of an entity financial report. In order to influence the user's decision on the report. More so, other country based company as it is an already exiting company with limited branch office across the countries and differences in nature corporate reporting system

### **Factors Influencing Corporate Report**

These general factors are the government and national legislation, the stock exchange including (SEC,IOSCO, LSE), private regulatory bodies including IASB, FRC,FASB and other national standard setters such IFAC of which some of them will be discussed in subsequent discussion.

### **The Nigeria Economy Survey**

In 2015, Nigeria is the world's 20<sup>th</sup> biggest economy, worth more than \$500 billion and \$1 trillion as far as professed GDP with a purchasing power equivalence respectively. It outstand South Africa to become the Africa's biggest economy in 2014.Nigeria is naturally economically endowed with industrial raw materials such as oil, gas and agricultural produce and it has been recognized as a provincial power on the African landmass. A creation member of African Union, Commonwealth of Nations, OPEC and the United Nations. Giving Nigeria more advantages in external trade

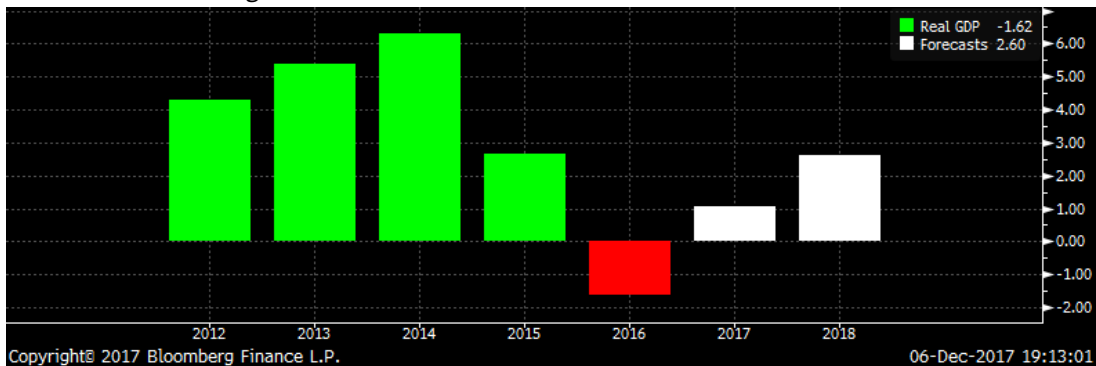
### **The GDP Growth Rate as Economic Reform for 2020. And The Key Point for the Economic Recovery, Growth Plan Includes the**

- Increase oil output to 2.5 mbpd by 2020
- Introduction of cost reflective power tariffs The Nigeria economy has experience some serious macroeconomic challenges as reported by the World Bank in Nigeria (2016), that Nigeria economy has grew by 2.7% in 2015, which is significantly below its growth of 6.3%. Since the fall in oil price in mid-2014.growth has been on downward spiral that lead to recession. In 2016, it further deteriorates after recording a negative growth in the first two consecutive quarter (-0.4% and -2.1%) year on year in real terms, respectively. In the third quarter, GDP contracted by 2.2%driven by a significant decline in the country's oil output, shortages of power, fuel, and foreign exchange. Inflation double to 18.8% at the end of 2016 (projected), from its level of 9.6% at the end of 2015, mainly because of fuel and



electricity price increases and the depreciation of the Nigerian naira during the year. Average inflation will likely remain in the double digits over 2018? 2019.

- Nigeria has an economic recovery, growth plan presented by the government in March 7<sup>th</sup> 2017
- Raising tax revenue to GDP to 15% of GDP from 6%
- and 30% of government budget spent on capital expenditure
- Raise WB's ease of doing Business ranking to 100<sup>th</sup> from 169<sup>th</sup> which will be of Nigerian GDP current growth rate



source:Bloomberg

### **Development of Corporate Governance Practice In Nigeria**

The corporate reporting in Nigeria is still at the formative stage with just 40% of the Nigeria recorded firms have the information of what corporate governance involves. Despite the fact that, corporate governance as "particular idea" is of late, regulates, control the administration of public firms listed in Nigeria as detailed in CAMA 1990.

After Nigeria independence to mid-1990, CAMA 1990 controls corporate firms by the Securities and Exchange Commission (SEC). The code was successful in 2003 and the code was later amended in the year 2011. A portion of the suggestions in the Code incorporates the obligations and duty of the governing body. The 2003 code of corporate governance was later reviewed by CBN in 2006, to take care of Banks in Nigeria corporate governance. The 2008 code of corporate governance Licensed Pension Companies (PENCOM 2008), the Code of corporate governance for National Insurance Commission (NICM 2009) and later the Central Bank of Nigeria (CBN) revised guidelines for finance companies in Nigeria April 2014, stating the provision and compliance of the Code of corporate Governance, that finance companies must demonstrate compliance with the CBN code of corporate governance and show evidence of a competent, independent, unhindered and uncompromised Board as specified in the CBN guidelines for Licensed Banks (2010) section 4 of corporate governance, and the CBN circular on Approved Persons' Regime for financial institutions (2011).

However, before 1990, the principal company law statute in Nigeria was the company Act 1968, enacted to comprehended legislation modelled after the UK companies Act 1948, containing elaborate provision regards running companies. However, section 50 and 51 of corporate governance in Nigeria stipulate the objectives and functions of the directorate. Of the financial



reporting to promote the highest standards of corporate governance and create public awareness. The financial Reporting Council of Nigeria Act" in the year 2011 will hopefully address these difficulties. As of late, the Financial Reporting Council of Nigeria (FRCN) uncovered the drafted National Code of corporate governance (NCCG). The issuance of a national code of Corporate Governance will harmonize all other code of corporate governance in Nigeria.

### **The Role of Legislation and the Legal System of Corporate Reporting In Nigeria**

The corporate ownership of business in Nigeria is affected by the different policies promulgated by the legislature. Nigeria lawful and business condition imitated that of the British kind of government. The main statutory and managerial system for company's direction is the Company and Allied Matters Act (CAMA 1990). The first law in Nigeria that govern companies was during the colonial era, known as the Companies Ordinance of 1922. Furthermore, later substituted with the Companies Act of 1968 which is a duplicate of the UK Companies Act of 1948.

Be that as it may, a few economic and socio-political events prompted the annulment of the 1968 Companies Act with the Companies and Allied Matters Act (CAMA 1990). The organization's law is the primary statutory body to give rules to organization's directions in Nigeria and the statute that built up Corporate Affairs Commission (CAC). The Act contains real provisions on company formation, structure and disintegration of company. Likewise, corporate governance practices, for example, executive's responsibility, formation of audit committee, rules and regulations guiding publication of financial statement, annual general meetings, are altogether contained in the CAC Act. In any case, before the coming of SEC Code, CAMA controls great corporate governance for the governing directors, statutory auditors, and Chief Executive Officers for Nigeria existing listed firms. Beside CAMA 1990, the Investment and Securities Act 1999 and Banks and Other Financial Institutions Act 1999 as corrected guided operation of the corporate firms in Nigeria.

### **Development of Accounting Standards in Nigeria**

The Nigerian Accounting Standard Board (NASB) was established in 1982 as a private sector idea in association with the (ICAN) Institute of chartered Accountants of Nigeria a professional body. In 1992 the NASB became government agency, reporting to the Federal Ministry of commerce. This also became the NASB Act of 2003 providing the legal framework in setting accounting standards. Represented by some fragments of government officials and interest groups. The two-major accounting professional bodies in Nigeria (ICAN) and (ANAN) a nomination of two members each to the board.

The act of 10 July 2003 was to develop, publish and update statements of Accounting Standards to be followed by companies when preparing financial statement, and to promote and enforce compliance with the standards. The IASB had published many of the earlier standards prepared by the IASB committee and its successor the IASB, However, they are stressing more emphasis on enforcement rather than updating to the more modern (IFRS)

At that point FRCN Act, 2011 was built to substitute the (NASB). The FRCN has the statutory power to set up standards for financial reporting in all public interest, which incorporates cited and unquoted firms as well as governments and non-governmental companies and organizations that are required by law to document returns with authorities. Also, according to Olesegun Aganga, the



then minister of exchange and investment, as he opines the inclusion of valuation, accruals and auditing standards is the right step taken by the FRC. To unify the independent regulatory bodies to provide a good corporate compliance in the system.

#### **Adoption of IFRS in Nigeria**

The 1st January 2012 was the actual date for the adoption of (IFRS) in Nigeria. The Nigerian Federal Executive Council directed the former NASB, under the supervision of the Nigerian Federal Ministry of commerce and industry, to take necessary measures to achieve the said objective. The adoption was based on the commendations of committee report on the highway plan to the adoption of IFRS in Nigeria. Equipped to employed group of government and private sector specialists established by (NASB). However, the adoptions of IFRS were in phases as follows.

- The adoption of IFRS standards for quoted companies and companies with significant public interest was effective in January 2012.
- The adoption of IFRS standard for other public interest companies was effective in January 2013,
- The adoption for SMEs was effective in January 2014.

#### **The Role of the Board and Committee to Enhancing Quality Report**

The board of directors and its audit committee are the internal mechanisms for corporate governance put in place to settle agency conflict within the system. But, the 2011 Nigeria code corporate governance indeed makes provision for the composition of the board very clear, that the board of directors of firms must be a right mix of the non-executive and executive directors with a higher majority of non-executive directors of which one must be an independent director.

#### **Challenges to the Credibility of Financial Report**

Customarily, auditors are "corporate watch dogs" responsible for providing independent assurance and all disclosures that are credible and in conformity to GAAP. The basic requirement here is "independent of mind". The big issue here is the credibility of the Nigerian auditors report considering the numerous financial scandals cases and the rating of Nigeria on corruption perception index and that resulted into professional confidential crisis.

Secondly, according to Report of the Observance of standards and Code (ROSC 2004) has a great input to the failure of the past financial reporting era in Nigeria. Reason is to the non-compliance with the statutory requirements. similarly, the conflict of authority among regulators as evident in the recent faceoff between FRCN charge with the responsibility of enforcing compliance with the accounting and reporting standards adopted by council and CBN the regulatory body over the banking sectors are concerns for the listed companies to comply with IFRS statutory requirements in Nigeria.

#### **Users of Corporate Reports in Nigeria**

According to Girard (2008) it is evident that the primary beneficiaries for using corporate reporting are the Nigerian investors who plays a vital role in business or the government for tax purposes. Therefore, it is important to have a more effective and transparent information contained in he



reports. In order to influence investors decisions. It should also be noted that reporting electronically is common in the global settings today which is an important factor when communicating corporate financial reporting. However, some firms in Nigeria complains of technological problems like websites issues considering the diversity in culture, organizations and accounting standards, as it pay a higher cost to become familiar with the difference in GAAP setting (Blanchette & Desfleurs,2011)

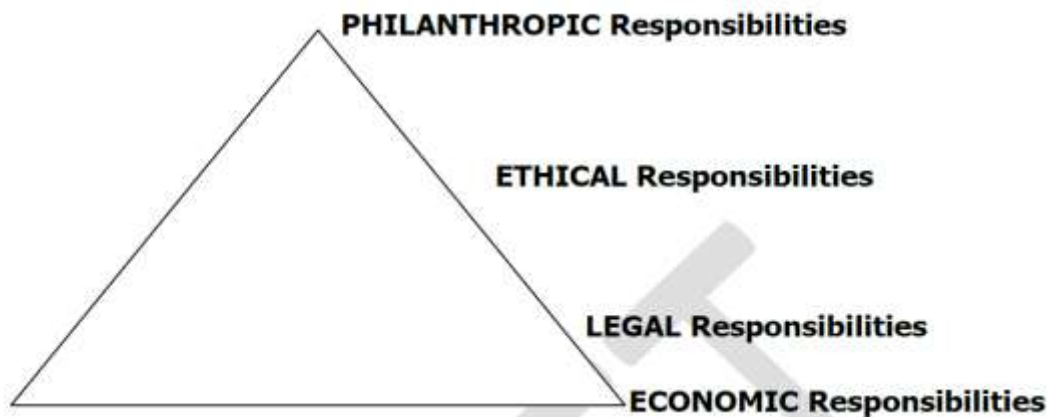
### **System of Financing Business in Nigeria**

The sources of funds to finance companies in Nigeria consist of the shareholders' funds, borrowings from friend's members of the public, inter-corporate borrowings and the borrowings from banks and other financial institutions. Securities funds consist of commercial paper, debentures/investment notes. However, for the funding of SME there are certain criteria's set by the CBN and it is to simplify the corporate reporting system for SMEs in Nigeria are as follows

- Companies can access SME funds subject to compliance with minimum prudential norms, as defined by the CBN
- To the specification requirements as defined by CBN for the SME funds, these funds may only be accessed for asset finance, working capital and export finance transactions.
- Companies may assist clients access SME funds through vehicles such as the SME credit Guarantee Scheme, MSME Development fund and the Nigeria incentive-Based RISK Sharing System for Agricultural lending (NIRSAL) funds for clients in the Agric value-chain business.
- For foreign funding arrangements, the finance companies shall be allowed to raise funds from foreign investors or parties must be subject to CBN approval.

### **Corporate Social Responsibilities In Nigeria**

Most organization are relied upon to be capable to their customers and also their environment and society. (Branco and Rodriques, 2012), Opines that a route in which firms impart society to win the general population by living up to their social desires.



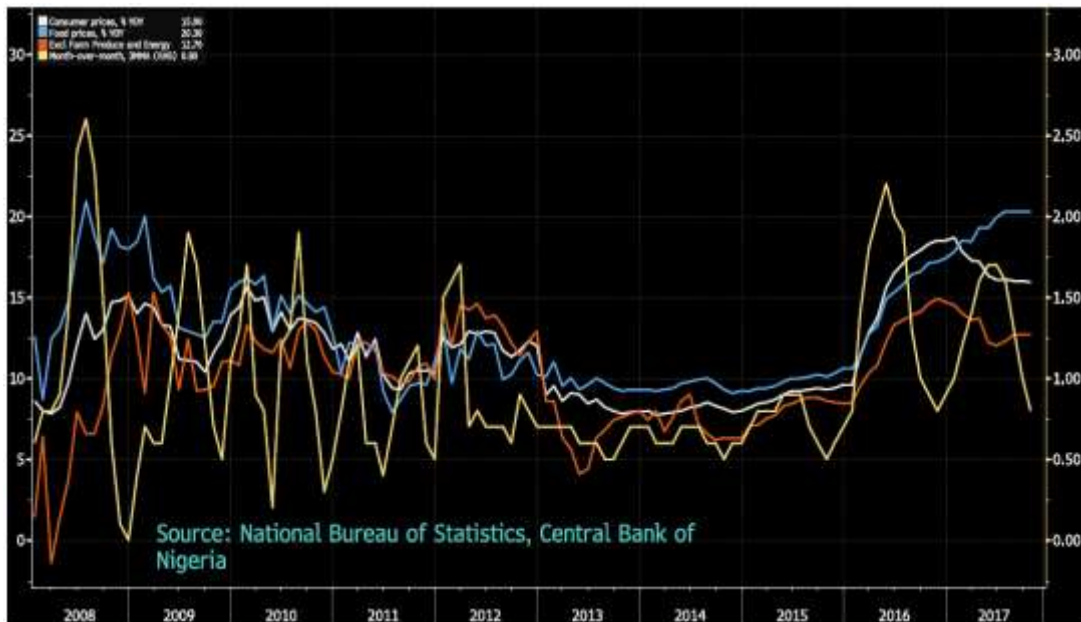




From the above pyramid, the foundation of corporate social responsibility is the economic responsibility that is to be profitable. Thus, the strategy should shape to maximize the profits of the organization.

### **The Rate of Inflation in Nigeria**

Nigeria's high inflation has shown signs of becoming rooted, with food price continuing to increase. However, the year to year rate eased to 15.9% in October 2017 from 16% in September 2017, only a slightly below an 11-year high of 18.7% reached in January. Month-over-month inflation eased to 0.75% from 0.79% in September and average 1.5% in 1H. notably, inflation in Nigeria for now stay at a double digit as food price continued to rise, although at a slightly slower pace than in previous months at 0.8% month on -month. With non-food, non-energy price growth slowed to 0.9% from 1.0%. The figure 2 below show the fluctuations in the inflation rate for the past ten years and possible prediction of GDP growth in 2018 in figure 1



Source: Bloomberg

### **Regulations Relating To Single and Smaller Companies**

In Nigeria all SMEs as portray in the statutory requirements to use the IFRS for SMEs standards from 1 January 2014 special case miniaturized scale estimate elements as stipulated in the law, giving them the alternative to choose IFRS for SMEs to provide a standard for both small and medium size firms procedures on bookkeeping (SMEGA) level 3 delivered by the United Nation meeting on Trade and Development (UNCTAD). To provide to those micro-scale companies that are not open conspiracy not open to interest of public SMEs and such SMEs

- SME that have no process of providing debt or equity safeties for public trading.
- wh are not allowed to hold assets in trustee for a large number of foreigners as a main obligation for their businesses,



- Who have yearly income of not more than N500 million (approximately US\$3 million) or such amount as may be fixed by the corporate Affairs Commissions.

For foreign financing arrangements, the finance companies shall be allowed to raise funds from foreign investors or parties must be subject to CBN approval.

- The over-all assets worth should not further than N200 million (approximately US\$1 million) or as such may be approve by the Corporate Affairs Commission,
- Companies that have no foreign Board memberships,
- That have no members that are a government or a government corporation or agency or its nominee,
- SME that directors are not allow to hold equity share capital not less than 51%.

### **The Impact of Culture and Religion**

Nigeria is every so often discussed to the giant of Africa, due to its large population and economy potentials with a growing population of approximately 186 million inhabitants, the most populous country in Africa and the seventh most populated country in the world. The country is viewed as a multinational state as it is inhabited by over 500 ethnic groups speaking over 500 different languages and identified with wide varieties of culture with two main dominant religions Christians and Muslims. However, the official language is English.

There are three distinct systems of law in Nigeria.

- The common law, which is derived from British colonial system, and later Nigeria advance its own law after liberation,
- The traditional law, which is the indigenous customary norms and practice, of the pre-colonial Yoruba, Igbo, Ibibioland and Ekpe the laws are used in settling conflict resolution in society.
- The Sharia law, which is only mainly used by Muslims in the northern part of the Nigeria it is the legal system of Islam that is in practice before the colonial government.

### **Suggested discussion points for Two Views on the Purpose of a Business.**

1. Discuss the conflict of interest in the strategy development process.

Strategy development is a political process with implications for the personal careers of those concerned, managers can find difficulties establishing and maintaining a position of integrity.

2. Then discuss the points in the two perspectives from manager's, shareholder's and a consumer's point of view.

### **Shareholder view - Friedman's view**

Primary objective is to maximise the shareholder wealth. Thus, the strategies are aligned to maximise the wealth of the shareholders

### **Stakeholder view**

Based on the view that wealth is created, captured and distributed by a variety of stakeholders.





Thus, the corporate strategy is focused on rationalizing and harmonizing the economic, compliance, ethical, and sustainability dimensions of corporate responsibility and sustainability in the context of stakeholder requirements; managing non-financial risk, particularly to brand, reputation, local license to operate and to performance instability as an integral part of corporate sustainability management; integrating eco-design and other sustainability requirements into product and service offerings; managing the sustainability performance optimization process to continually increase stakeholder satisfaction; developing strategic responsibility and sustainability capabilities

### **Conclusion**

This report has presented the economic background and corporate report analysis in Nigeria, and relating to other country standards, to enhance potential investor in their investment decision. In this way, corporate governance ought to be considered those agency issues arising from ownership of firm structure as it different to what is attainable in the western world corporate laws Nigeria imitates. The agency issues are how to alleviate the minority shareholder manipulation by the majority shareholders in Nigeria. Therefore, this exploration work proposes to all potential investor that the future of corporate report in Nigeria ought to consider the nation institutional setting.

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