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The Impact of Stakeholders Model of Corporate Governance to the Effective Performance and Sustainability of Non-Governmental Organizations in Nigeria

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Abstract

Globally, the interest in the practice of governance has grown with the need to make organizations accountable to owners and stakeholders at large. The role of non-governmental organizations (NGOs) as a corporate entity in providing remedy to social problems has come into the spotlight. With investors channelling huge amount of capital into NGOs in Nigeria, there are key concerns on how these resources are managed to the benefit of stakeholders and beneficiaries generally. It is for this reason that this research would examine the impact of stakeholder regime of corporate governance on NGOs in Nigeria. This model takes the view that managers should take into consideration the interests of all stakeholders in the process of governance. This would seek to bridge the conflict between the various interests. The impact of diverse interests in these organizations is beyond the traditional ownership but encompasses internal and external stakeholders. It subsumes the interests of employees, investors, local community, and family members because corporate activities involve all interests both direct and indirect with the principal goal of ensuring that all concerned interests engage in the activities of the corporation with the aim that these organizations deliver on the desired goals of protecting the interests of stakeholders. By adopting the stakeholder model, this study would interrogate the current state of art in the governance practice among NGOs in Nigeria. Using doctrinal research approach, the various policy frameworks and guidelines governing boards would be explored. The reason for the choice of the stakeholder model of governance is not farfetched - It encompasses the shareholders and other notable models. The roles of this model (stakeholder) in enhancing good governance practice would be interrogated. The weaknesses of NGOs would be exposed through the lens of this model and consequent recommendations would be proffered in this light.

Keywords: Corporate, Governance, Stakeholders, Non-Government Organizations

Introduction

Globally, the impact of corporate governance among firms has been phenomenal with organizations of businesses moving from single ownership structure to a complex ownership by partners and non-governmental organizations. These ownership regimes have the characteristics of perpetual succession, the tendency to sue and be sued and the whole characteristics of legal personality.[1]This however implies that it is needful to emphasize on the activities of these

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corporations because of their socio-political and the economic contributions to the wealth of an organization specifically and the growth of the nation's wealth generally.[2] Moves to reform corporate governance have been suggested by the desires of stakeholders to exercise their various rights of ownership and enhance the value of their stakes. This need for change is traceable to various corporate scandals and frauds among various firms both at the supra -national level and the local level.[3] The menace of corruption amongst NGOs have become alarming due to access to huge investment capital by various stakeholders ranging from local to international donor of resources, the move to curtail these corrupt practices have influenced the recent amendments to the provisions of the Companies and Allied Matter Act. It is however, arguable that this menace is undertaken in a social context where inequality is pronounced.[4]Adopting a progressive model in the wave of corporate failures would help to strengthen the wealth base and legal framework of these organizations. In Nigeria, issues of corporate governance have raised lots of debate in recent years because of its impact as engine of growth and development. Essentially, the stakeholder model has been developed to ensure not only the survival of non-governmental organizations but to help this firms deal with challenges of governance. This is because the economic performance of any organization is shaped by the quality of its governance model.[5] From a legal perspective, corporate governance hinges on a process of controlling and directing the essence of institutionalizing the corporation. This is based on the principles of accountability, transparency, integrity, honesty and the need to satisfy the contending interest of stakeholders[6] it is arguable that the scholarly discourse of corporate governance among non-governmental organization in Nigeria is still at the rudimentary level. It is however important to give a clear picture of how this model can effectively enhance the quality of governance among NGOs in Nigeria.[7]

Defining Corporate Governance

The task of defining corporate governance is huge because of diverse perceptions and contextual connotation of corporate governance. Wilson conceives corporate governance as the way and manner in which a corporation is controlled, directed and governed with special concern on leadership, wealth creation and sustainability.[8] In the views of Jayashree this concept refers to a

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[1]Onyekachi E. Wogu, "Corporate Governance: the Stakeholders Perspective" (2016) 4(4*) International Journal of Business and Management Review*; 45-51.

[2]Sulieman A., Corporate Governance and Organizational Performance, Issues in Corporate Governance, Financial Institution Training Centre Lagos.

[3]Adeoye Amuda Afolabi, "Examining Corporate Governance Practices in Nigeria and South African Firms" (2015) 3 (1) *European Journal of Accounting Auditing and Finance Research,*10-29.

[4]Daniel-Jordan Smith, AIDS NGOS and Corruption in Nigeria'(2012) 18 Journal of *Health and Place***; 475-480**

[5]Lai Oso and Bello Semiu, The Concepts and Practice of Corporate Governance in Nigeria: The Need for Public Relations and Effective Corporate Communication (2012) 3(1) Journal of Communication; 1-16.

[6]*Ibid* page 2.

[7]Wilson I., Regulatory and Institutional Challenges of Corporate Governance in Nigeria Post Banking Consolidation"2006 (12)2 Nigeria Economic Summit Group Economic Indicators; 1-10.

[8]*Ibid*. page 3

system of making directors accountable to shareholders for efficient management of companies in the overall interest of shareholders, with concern for ethics and values.[9]

It is a formal system established by corporate organizations to endure the processes of accountability, control and adequate management through oversight functions.[10] In support of this view, Bateman and Snell describes corporate governance as how corporate executive staff and board of directors ensure that the activities of firms meet the goals of stakeholders.[11]According to the Organization for Economic Corporation and Development (OECD), corporate governance is system where business organizations are directed and controlled, it specifies the distribution of rights and responsibilities among various participants in the corporation; such as the managers, the board, shareholders and other stakeholders. It spells the rules, procedures on how decisions are made about the affairs of the organization.[12] It is also described as a structural system of institutional policies, rule implementation and business controls which allows for a framework for managing the company.[13]

Impressively, what can be deduced from these various definitions is that corporate governance establishes a mechanism that ensures how a company is managed and directed in order to satisfy the demands and responsibilities of stakeholders.

Models of Corporate Governance

The effectiveness of the performance of NGOs has been a matter of great interest to scholars, however there is no consensus on what constitutes effective performance, in the absence of frameworks which fails in to the probability of success and act as monitoring mechanisms, in view of this it is necessary to examine some key models of corporate governance.[14]

a. Agency Theory

   In a corporation, the division between control and ownership is a vivid characteristic of the existence of an enterprise under the agency model. Developing a mechanism that will ensure adequate control, to make managers act in the overall interest of stakeholders has been the crux of concern in the field of corporate governance.[15]Stakeholders are the principals, while the managers are the agents working for the principal, this is what the agency theory stands for. This theory was developed by Jensen and Meckling, who argued that the principals or investors assure themselves that agents will make the optimum

[9]Jayashree S.," Some Views on Corporate Governance" Indira Management Review, Indira School of Management Studies, Pune :Tathawade

[10]Ferrell C.O, Fraedrich J and Ferrel L., *Business Ethics: Ethical Decision Making and Cases,* (Houghton Mifflin Company, Boston, 6th Edition, 2005).

[11]Bateman S.T and Snell A.S, *Management: Leading and Collaborating in a Competitive World* (McGraw-Hill Irwin, New York, 10th Edition, 2013).

[12]OECD, 2004.

[13]Ljubojevic and Ljubojevic,

[14]Nivia Bonazzi, Sardar M.N Islam, Agency Theory and Corporate Governance: A study of the effectiveness of the Board in their monitoring of the CEO (2007) 2 Journal of Modelling in the Management

[15]Allen F and Gale, D. *Comparing Financial Systems* (eds) (2001) MIT Press Cambridge, MA.

managerial decisions in the organization of the enterprise and in the interest of investors.[16] This model which is traceable to the works of Berle and Means noted that with the separation between ownership and control, there was no adequate monitoring and checks on the autonomy of managers, this gave rise to agency problems because the actions of the agents affected both his welfare and that of his principals. These often give rise to information asymmetry because they fail in the expectations required on them by this model, which is to act in the interest of the investors.[17] This theory is more favorable where an agent and principal are bound by some contractual responsibility, the possibility of an agent making huge benefit or suffer losses may not be foreseeable.[18]

b. Shareholder Model

The shareholder model as originally proposed by Milton Friedman focuses on the principle that it is the expectation of businesses to boost profit and nothing more. This is in line with the traditional company law doctrine which thought that corporations must be run and managed to promote and protect above all other rights and interest, the shareholders' rights and interests.[19] This model is based on the back-drop that managers/ directors are hired as the agent of the shareholders, thus there is a moral and legal imposition on the agents to act in the best interest of the shareholders. The decision in *Dodge v Ford Motors Co*[20]is a judicial representation of the pretext of shareholders theory which goes thus;

> "*A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits among stockholders in order to devote them to other purposes. There is committed to the discretion of directors, a discretion to be exercised in good faith, the infinite details of business, including the wages which shall be paid to employees, the number of hours they shall work, the conditions under which labor shall be carried on, and the price for which products shall be offered to the public*…"[21]

c. Stakeholder Model

The development and growth of the stakeholder idea was rooted in the emerging need to address the concerns of non-shareholder groups, whose interest are also significant to the existence and growth of the corporation. Suffice to say, the stakeholder paradigm is growing culture in corporate governance, which emphasizes on a company's broader social

[16]Jensen M and Meckling W, "Theory of the Firm: Managerial Behaviour, Agency cost and Ownership Structure" (1976) 39 Journal of Financial Economics; 1021-1039.

[17]Fama E.T and M.C. Jensen, Separation of ownership and control, 1983 88 Journal of Law and economics; 301-325.

[18]Berle and Means, "Modern corporation and private property" (1990) 18 Journal of Reviews in American History

[19]P.M Vasudev, "The Stakeholder Principle, Corporate Governance and Theory: Evidence from the Field and the Path Onward" (2012) 41(2) *Hofstra Law Review*; 2.

[20]170 N.W 688 (Mich. 1919).

[21]*Ibid* at 684.

responsibilities.[22] The notion of Corporate Social Responsibility is premised on the unarguable assertion that businesses are part of the larger society and therefore have a duty of care to others beyond itself.[23]

Non-Governmental Organizations and Corporate Governance

In this present dispensation, good corporate governance has become a cliché. It is a concept that is fast growing into a pillar that conforms to a universally accepted corporate standard.[24] The accountability and efficiency of an organization is a matter of public and private interest. This explains the positions of scholars who argued that what determines the increase in the capacity of an organization is efficiency, the same applies to Non-governmental organizations (NGOs). [25] The board of trustees is a very critical agent of governance for such NGOs to attain credibility and create an impact on its constituent.[26] Their goal is to identify and safeguard the visions and missions of the organization. It has been contended that good corporate governance means being accountable to the government and not to the public. This view is anachronistic because the reality of good governance is better measured by stakeholders at large. [27]

Business investors seek to protect their investments as a channel of generating returns on investment. Consequently, there has to be corporate governance for efficiency, accountability and for investors to re-invest.[28] It is observed that many NGOs in Nigeria lack accountability, in practice; they are not sanctioned for failure to use their budget and investments for the purposes intended particularly when funding does not come from the government and it is the founder that majorly solicits for it. Any attempt to question how the funds are used by the government is often resisted by founders or managers who have huge control over members of the board of trustees and the organization as a whole. Among some NGOs, most of these funds come from international organizations, founders of the organization, board of trustees, the government, members of the society and civil organizations. These are various stakeholders and it is expected that these monies are legitimately channelled towards the achievement of the goals for which the organization is formed.[29] These persons and entities should openly question managers of these organizations where there are suspicions of fraud or lack of transparency in the management of these corporate institutions.

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[22] Edward Dennehy, 'Corporate governance- A Stakeholder Model' (2012) Vol X *International J. Business Governance and Ethics.*

[23]*Ibid*

[24] Uddin SMA., 'Does the Good Governance Impact on the Local Development in Bangladesh?' (2008) Unpublished Thesis, Roskilde University, Denmark.

[25] E. Shava and D.R. Thakhathi., 'Non-governmental Organizations and the Implementation of Good Governance Principles' (2016)47 *Journal of Social Sciences* 218-228.

[26]Hendrickse F.R., 'Governance and Financial Sustainability of NGOs in South Africa' (2008) Unpublished PhD Thesis, University of Western Cape, Cape Town, South Africa.

[27]Dhafani A., 'Governance and Accountability of Non-Governmental Organizations in the Manicaland Province of Zimbabwe'(2013) Unpublished Masters thesis, Zimbabwe Chinhoyi University of Technology, Chinhoyi.

[28] A Handbook for NGOs 2011. 'Fostering Good Governance' available at www.NGOConnect.Net/> accessed on 3/10/2020.

[29] Mick Moore and Sheelagh Stewart., 'Corporate Governance for NGOs? Available at *file;///C:/Users/HP/AppData/Local/Temp/eade80-90.pdf* accessed on 4/10/2020.

In the attempt to ensure adequate administration of NGOs, the Financial Reporting Council of Nigeria (FRC) affirmed that the inclusion of 'not -for- profit Non-Governmental Organization' in the National Code of Corporate Governance (NCCG) is not for the purposes of taxation. Most entities having financial difficulties suffer from weak corporate governance structures, hence, compelling the adoption of the Code has become imperative to guard against financial recklessness and poor accountability.[30] The concept of corporate governance is vital to the corporate wellbeing of organizations and stakeholders. For it to be effective, administrators must be proactive and be focused towards the success of the firm in order for them to attain the highest standard of responsibility and ethics.

Stakeholders Activism

Stakeholders are individuals or group of persons with the ability to affect or get affected by the purposeful achievements of a corporation.[31] Stakeholders` activism is a corporate governance accountability mechanisms and activities undertaken by investors in connection with conversations between managers and those funding the business.[32] The act involves monitoring by investors and all stakeholders with the aim of effecting changes in the organizational control and framework. It is settled that NGOs represents the community within the social system and should be accountable to the public particularly There are a range of actions undertaken to influence management. They include letter writing, meetings with the management, forming associations and holding shareholder meetings.[33] It is not a homogenous practice. It is driven by different actors and interests with diverse impact on target firms.[34] Stakeholders` activism has played a huge role in corporate decision making.[35] The increase in the scrutiny by stakeholders focuses on efficiency of corporate governance practices within firms.[36] With globalization, activists operate on the premise that shareholders can check managerial opportunistic tendencies and thus promote effective corporate governance.[37]

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[30] Corporate Governance for NGOs not for tax purposes, says FRC. Available at *https://guardian.ng/business-services/corporate-governance-for-ngos-not-for-tax-purposes-says-frc/* accessed on 4/10/2020.

[31] Freeman R.E., *Strategic Management: A Stakeholders Approach* Cambridge University Press 2010. See also ChristopherIsike., 'Stakeholders Engagements as a core Management Function: Analyzing the Business value of Stakeholders Engagement for Nigerian Business Organization' available at *https://www.researchgate.net/publication/314981809* accessed on 16th November 16, 2020.

[32]Schacht K. N.,' Institutional investors and shareholder activism: Dealing with demanding shareholders' (1995)21 *Directorship* 8-12.

[33]Becht M, Franks J. Mayer C and Rossi S., "Returns to Shareholder activism: Evidence from a clinical study of Hermes U.K focus fund' (2009)22*The Review of Financial Studies* 3093-3129.

[34] Sarkar J. and Sarkar S., 'Large shareholders activism in corporate governance in developing countries: Evidence from India' (2000)1 *International Review of Finance* 161-194.

[35]Goranova. M and Ryan L.V., 'Shareholder Activism: A Multidisciplinary Review' (2014) 40 *Journal of Management* 1230-1268. Smith M.P., 'Shareholder Activism by Institutional Investors: Evidence from CalPERS' (1996) 51 *The Journal of Finance* 227-252.

[36] Burgess k. and McCrum D., 'Boards wake up to a shareholder spring' (2012) Financial Times London: FT Group. Gillan S.L and Starks L.T., 'Cor` `123porate governance proposals and shareholder activism: the role of institutional investors' (2000)57*Journal of Financial Economics* 275-305.

[37]Becht M., Franks J., Mayer C and Rossi S., Returns to shareholders activism: Evidence from a clinical study of the Hermes U.K focus fund'(2009)22 *The Review of Financial Studies* 3093-3129., Black B.S., 'Agents watching agents: The promise of institutional investor voice' in Becht M., Franks J. Mayer C and Rossi S.,(2009)22 The Review of financial studies 3093-3129., Gillan and Starks 1998, Rubach and Sebora 2009

Impact of Stakeholders in Governance of NGOs

The impact which stakeholders have on the corporate value of businesses is phenomenal.[38] For instance, the rationale behind developing a community through NGOs means providing basic amenities like roads, consumable water, healthcare facilities, schools, electricity, human capital buildings. These huge responsibilities cannot be adequately handled by government alone and this notion has provoked the need for a synergy among development partners to realize these objectives both at the rural and urban areas.[39] Research has revealed that the goals of most NGOs concentrate more on developmental activities like acquisition of skills, economic empowerment, control and management of diseases, building capacity, literacy schemes, resolving conflicts, providing charity and promotion of peace.[40] There are lots of criticisms about the accountability and governance of NGOs.[41] These criticisms bother specifically on the goals and obligations of NGOs towards assisting their communities which are stakeholders in providing development.[42] The challenge of accountability often arises from lack of information about the activities of NGOs towards the community and lack of supervision in the disbursement of funds. This happens often due to scandals and abuse of power by the manager of these NGOs.[43]

From the stakeholders` perspective, all participants- the employees, shareholders, managers, creditors, customers, government and the society at large are all contributors towards the growth of the organization. In view of this, in the execution of the governance plan, managers of NGOs must be accountable formerly and morally not only to the principal financiers but to other interest

[38]Leadbeater C., *Living on thin air: The new economy* London: Penguin. (2000). Svendsen A.C et al 2001, Castells 2000

[39]Edigan B.I, Ikhanoba Aleakhue and Shaibu Segiru., 'Impact Assessment of Non-Governmental Organization Development at fugar, Nigeria' (2018)5 *Geographical Information System and Global Analysis 41-47.*

[40]Adebayo A., 'The Role of NGOs in Poverty Alleviation: A case study of farmers development Union (FADU) in poverty Alleviation in Nigeria'(1997) Selected papers for the 1997 Annual Conference of Nigeria Economic Society 397-414.

[41]Gibel Man and Dan Gelman S.R., "Very Public Scandals: Non-Governmental Organizations in Trouble" 2001 12 International Journal of Non-Profit and Voluntary sectors quarterly 49-66. See Goddard A. and Musa Juma Assad, 'Accounting and Navigating Legitimacy in Tanzanian NGO" (2006) 19 Accounting, Auditing and Accountability Journal 377-404; seeEbrahim A., "Accountability in Practice: Mechanisms for NGOs (2003) 31 World Development 813-829; Brown L David and Mark .H Moore; Accountability, Strategy and International NGO (2001) Working Paper, Harvard University; Kovach H, Neligan C and Burali S, Power without accountability? The global accountability report 1, one world trust, London available at www.oneworldtrust.org/htmlGAP/report accessed 23/10/2020(2003); Dickson Rob, John Ritche and JullianaSiwale; Micro-finance: Accountability from the grassroot (2006) 19 Accounting, Auditing and Accounatability journal 405-427;
Grey R, Jan Bebbington and David Collinson; NGOs, Civil society and Accounatability: Makinig the people accountable to capital (2006)19 Accounting, auditing and Accountability Journal 318-348, Unernan and O'dwier (2006) Kaldor M , Civil Society and Accountability' (2003) 4 Journal of human development; (2003)

[42] Lehman G, "Disclosing new World: A role for social and environmental Accounting and auditing" 1999 24 Accounting organizations and society 217-242; Lehman G, "A critical perspective on the harmonization of accounting in a globalizing world" 2005 15 critical perspectives on accounting 975-992; Fries R, "the Legal environment of civil society "in Kaldor M, Anheier H and Glasius (2003) (eds) Global civil society 2003 Oxford University Press 221-238.

[43]Gibel Man and Dan Gelman S.R, *Ibid.*

groups.[44] The failure to assume this role as a social organization brings about poor corporate governance.[45]

Members of the organization can demand proper accountability by requesting for publicity of information, disclosure of financial statements, insisting on performance assessment and social audit.[46] Since people are affected by the acts of the organization they are entitled to explanations from these organizations, this is the stakeholders` democracy control mechanism. These stakeholders have a right to determine the trend of things in the activities of the organization and ensure that decisions made are in line with the goals and objectives of the organization and the stakeholder`s theory. This stakeholder model is a good governance system of an organization, which is also a fundamental process of democracy. Problem arises when there is a deviation from these goals due to corrupt leadership[47]

Role of CAMA 2020

The Companies and Allied Matters Act 2020 (CAMA)[48] is the legal framework that allows businesses and non-profits organizations to operate in Nigeria. The new CAMA happens to be motivated by the government's desire for an economy that is configured with mechanisms that promote the ease of doing business.

However, while the new law is hailed as a boon to businesses by making it easier to do business, it also imposes stricter rules on Non-profits Organizations (NGO), Civil Society Organizations (CSO), Community-based Organizations, and Faith-based Organizations that are registered as Incorporated Trustees.

One of these is with regards the functions of the Corporate Affairs Commission[49] which have been expanded by section 8 (1) (c) and (d) of CAMA 2020 to emphasize the Commission's power to "arrange or conduct an investigation into the affairs of incorporated trustees" when the interests of members or the public demand it, including ensuring compliance with the Act and relevant regulations. Furthermore, CAC may with the approval of the Minister of Trade, through an order of Court, suspend or remove the Trustees of an Association and appoint Interim Managers in the following instances:

a) where there is misconduct or mismanagement in the affairs of the Association;
b) to protect the property of the Association;

[44]Anik Yuesti, Luh Gde Novitasari and Ni Wayan Rustiarini., ' Accountability of Non-Government Organization from the perspective of stakeholder theory' (2016) 4 International of accounting and taxation; 98-119
[45]Gibel Man and Dan Gelman S.R, *Ibid.*
[46]Anik Yuesti, Luh Gde Novitasari and Ni Wayan Rustiarini, *op.cit*103.
[47]Bendell Jem, Debating NGO Accountability*: Working Pape*r. United Nations- NGLS Development Dossier.
[48]Companies and Allied Matters Act, 2020 (popularly known as CAMA) was introduced as an executive bill in the National Assembly in December 2019, was passed in record time by the 9th Senate on 10March 2020 and the House of Representatives on 5 March 2020 without public scrutiny by way of a public hearing. It received Presidential Assent on 7 August 2020 thereby replacing the Companies and Allied Matters Act, 1990.
[49](Commission or CAC) The Corporate Affairs Commission of Nigeria was established in 1990 vide Companies and Allied Matters Act No 1 1990 as amended, now on Act cap C20 Laws of Federation of Nigeria. Its establishment, structure and funding is now governed by the Companies and Allied Matters Act 2020.It is an autonomous body charged with the responsibility to regulate the formation and management of companies in Nigeria.

c) in the interest of the public; and
d) in the instance where fraud is committed in the running of the affairs of the Association.[50]

In this vein, it can be said that the intent and provisions of the much-maligned Non-Governmental Organization Regulatory Commission Nigerian (Establishment) Bill, 2016 (the NGO Regulation Bill) have been incorporated into this CAMA 2020. Clause 26(2) of the bill, for example, sought to empower the Commission to monitor the activities of a non-governmental organization. Inadvertently, this provision gives the CAC the same powers. [51]

The procedure for the suspension or removal of Trustees is as follows:

a) A petition to the relevant court by either of CAC or one-fifth of the Members of the Association supported with reasonable evidence.

b) Upon receipt of the petition with evidence, the Court may give the following orders:

i. suspend any Member of the Association from office or employment for a period which will not exceed 12 months from the date of the order;
ii. replace removed Trustees or appoint additional Trustees for the proper administration of the Association;
iii. vest any property held by or in trust for the Association in the Official Custodian to be designated by the Court from time to time;
iv. require a person vested with the property of the Association to transfer same to the Official Custodian designated by the Court;
v. appoint any person to transfer the Association's property to the Official Custodian;
vi. order any person or Trustee who holds property for the Association not to part with it without the Court's approval;
vii. order a debtor of the Association not to discharge its liability directly to the Association but to pay such debt into an interest yielding account held by CAC for the benefit of the Association;
viii. restrict the transactions which may be entered into or the nature or amount of payments to be made in the Association's administration without the Court's approval; or
ix. appoint an Interim Manager as Receiver and Manager of the Association's property and affairs.

c) The Court shall stipulate the functions, powers and duties of the Interim Manager which shall be performed to the exclusion of the Trustees, and under CAC's supervision.[52]

It is worth noting that the entire scope of the above section can only be used with the approval of the Minister of Trade. Flowing from the above, in terms of the interim manager, the Court, with the help of CAC, will define their powers and responsibilities, and they will work under the

[50] s. 839 (1), (7)(a) and (11) CAMA 2020.
[51] <https://placng.org/i/wp-content/uploads/2020/09/CAMA-Analysis.pdf> Accessed 26/5/2021.
[52] s. 839 (2), (3), (4), (6), (7)(b) and (8) CAMA 2020.

supervision of the Commission. CAC is also expected to issue regulations governing the interim manager's functions, powers, and remuneration, as well as interim administration reporting. This provision is the most concerning because it could be interpreted as allowing the government to interfere with the activities of associations, as well as a violation of the constitutional right to freedom of association. Furthermore, it appears that the intent of this provision is to introduce stricter regulation than the NGO Regulation Bill could.[53]

Another provision of CAMA 2020 with relation to NGO's that is worthy of note is that a bank is required to notify CAC of any dormant accounts held by or on behalf of an Association.[54] Whereby, upon receipt of such notice, CAC may, with the approval of the Minister of Trade, request the Association to provide evidence of its activities. Where there is:

(a) a failure of the Association to respond satisfactorily within 15 days of the request; or

(b) CAC is unable to locate the Association or any of its Trustees, CAC may dissolve the Association.

CAC may also instruct the bank to transfer the aggregate amount to the Association's credit to other specified Association(s) after that other specified Association has written acceptance of the amount.

Any amount received by the Association must be received on the terms that:

a) it will be held and applied by the Association for the purposes of the Association;

b) it will not be subject to any restrictions on expenditure; the receipt of any amount by the Trustee of an Association is a complete discharge of the bank in respect of that amount.[55]

Furthermore, a bank is prohibited from reactivating a dormant account without first notifying CAC if:

a) the account ceases to be dormant before any transfer is made to other specified Association(s);

b) where CAC receives a satisfactory account of the activities of the Association.[56]

Interestingly, failure to submit a bi-annual statement of affairs to CAC in accordance with the CAMA 2020 will result in a daily penalty for each trustee.[57]In addition, the usual yearly returns must be accompanied by audited Statements of Accounts.[58] Still closing the loose ends, CAMA 2020 requires organizations to keep accounting records that sufficiently show and explain their transactions,[59]day-to-day income and expenditure, as well as a record of assets and liabilities, should be included in these records.[60]It also stipulates that these accounting records should be kept

[53] <https://placng.org/i/wp-content/uploads/2020/09/CAMA-Analysis.pdf> accessed 26/5/2021.
[54] <https://ao2law.com/cama-2020s-new-provisions-on-incorporated-trustees/> accessed 26/5/2021.
[55] s.842 (1) to (6) CAMA 2020.
[56] s.844 (1) and (2) CAMA 2020.
[57] s. 845 CAMA 2020.
[58] s. 848(2) CAMA 2020.
[59] s. 846(1) CAMA 2020.
[60] s. 846(2) CAMA 2020.

for a period of six years.[61] Finally, based on an association's regulations, the Commission must determine the financial year of the organization.[62]

Enforcing Stakeholders Model

As Freeman opines, 'a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives'[63]

There exist various groups of individuals that play important roles as well as have an impact on corporate governance.[64] More often, stakeholders in an organization are categorized into internal and external stakeholders. For easy appreciations of the subject we will adopt this.

The Internal stakeholders as it relates to an NGO are:

1. Donors: These could be international or local donors who contribute equity for the funding of the object of the NGO.
2. Board of trustee: These set of stakeholders carry the legal capacity of the NGO. They are responsible for the statutory obligations of the organization.
3. Management: These are those tasked with the responsibility of running the day-to-day affairs of the organization.

External stakeholders in an NGO includes:

1. Beneficiaries: They consist of those who benefit from the NGO activities
2. Supplier: This refers to those who make available various inputs required by the organization to ensure its smooth running.
3. Government regulatory authorities: Consists of all regulatory bodies that regulate NGO activities.
4. Host community: This refers to the people and area where the corporation is situated i.e. the geographical location of the organization.

Bruchell, J. and Cook, J.[65] argue that there are two important dimensions of stakeholder governance, which is: power and scope. In other words, to understand the level of stakeholders' impact on an NGO, it must be considered by knowing the powers that stakeholders have over an

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[61] s. 847 CAMA 2020.

[62] s. 846 (5) CAMA 2020

[63]Freeman, R.E. (1984), Strategic Management: A Stakeholder Approach, Pitman, Boston, MA.

[64]Onyekachi .E. Wogu, "Corporate Governance: the Stakeholders Perspective" [2016](4)(2) *International Journal of Business and Management Review*.<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjn3umIqvvwAhWNTsAKHR1EAogQFjAAegQIAxAD&url=https%3A%2F%2Fwww.eajournals.org%2Fwp-content%2Fuploads%2FCorporate-Governance-The-Stakeholders-Perspective.pdf&usg=AOvVaw3p-2i023AdnJSJcd1XV6FM> accessed 3/6/2021.

[65] J Burchell& J Cook, "It's Good to Talk? Examining Attitudes Towards Corporate Social Responsibility Dialogue and Engagement Processes", (2006) (15)(2) *Business Ethics: A European Review*, 154-70.

NGO as well as the scope of the exercise of these powers. What decisions can stakeholders make that binds the NGO and to what extent can these powers be exercised?

Bruchell, J. and Cook, J. further opine that power refers to the level of influence stakeholders are granted in corporate decision making. It entails how far stakeholders can affect the management operation of the NGO.

According to Arnstein,[66] the two extreme poles of power in corporate decision making are:

1. non-participation in which stakeholders do not have any voice in decisions; and
2. stakeholder power in which stakeholders possess the power to decide.

This simply means that the impact of stakeholders in an organization is greatly determined by the power that the stakeholders have over the organization. When stakeholders lack the authority to make decisions about how an organization operates, it has no bearing on that organization.

On the other hand, scope refers to the breath of power in corporate decision making and usually spans along the line of deciding on isolated local issues to decisions affecting the general business model of the organization.[67] That stakeholders have powers alone does not suffice, but more importantly, the limit of that power must be looked at to understand the level of impact the stakeholder has over the organization. The following questions must be considered: what is the extent of the powers of stakeholders in deciding the internal managerial directions of the organization? How much, and how far, can a stakeholder decide the course of affairs of the organization?

The reality of stakeholders' powers and scope in determining an organization's operations has been the subject of numerous arguments. We opine that, if the organization is managed in the interests of its stakeholders, but the stakeholders do not have the power to dictate how the organization operates, then where the organization acts contrary to the interest of its stakeholders, there will be a problem of enforcement. This is as opposed to the shareholders theory where shareholders can by resolution decide the mode of affairs.

Challenges of NGOs

NGOs are groups that support and act on a variety of issues. The causes vary depending on the NGOs' focus areas. Each NGO is distinct from the others. Although NGOs may share a common core area, their goal and vision, as well as their reasons for existence, and challenges will differ. Although every NGO has a peculiar challenge that they may face, there are certain challenges that are common with all NGOs and we shall be considering a few of them:

1. Lack of funds: NGOs require funding to carry out projects and keep their organizations afloat. Funding is a major challenge in the management of an NGO. From the definitions above an NGO is a group of people who willingly provide their money, time, effort, and

[66] S R Arnstein, "A Ladder of Citizen Participation", (1969)(35)(4) *Journal of the American Institute of Planners*, 216-24.

[67] Kaptein Van Tulder, "Toward Effective Stakeholder Dialogue", (2003)(108)(2) *Business and Society Review*, 203-24.

resources to achieve a shared purpose, as determined. However, these groups may be hindered by a lack of cash or resources, limiting the scope of their program. Without some type of external backing, some of their projects may be left incomplete or abandoned entirely.[68]

A shortage of funds for an NGO could bring it to an end. Thus, funding is a fundamental problem that is faced by NGO since their activities does not involve doing business and making profits.

It is observed that NGOs could rely on government funding the majority of the time. However, NGOs that rely significantly on public finances, on the other hand, risk becoming nothing more than government subsidiaries if they continue to carry out operations that were previously carried out by their own governments or international organizations. A conflict of interest can arise when government policy clashes with NGOs' goals and/or beneficiaries' interests.[69] More often, these funds meant for the execution of development programs are siphoned into private pockets and used instead for personal purposes.

The government should create a friendly environment where funders can be motivated to fund some of the charity organizations within its polity.

2. Corruption: Corruption is a formidable foe that must be overcome in order for any organization to prosper. It has been uncovered that some NGOs are required to pay a few government officials in order to be registered or have their application for the importation of equity approved. Corruption is viewed as a stumbling block to most NGOs' operations in underdeveloped nations. As a solution, the government should establish criminal penalties for corruption in the industry. This is because corruption has deterred many organizations from establishing charitable organizations in nations where corruption is rampant.
3. Government Policies: More often than not, we find the government not enacting laws that should foster generosity in its polity but instead scare away potential donors. As corporate actors demanded when the CAMA 2020 was enacted into law, it was discovered that while the government made enormous attempts to make doing business in Nigeria easier, the law also made enormous attempts to frustrate charitable initiatives.

   It is understandable that the government wants to safeguard innocent funders and members of the public, but this must not come at the expense of a system that allows people to give to others. The government must be wary of throwing away the baby with the bath water.
4. Lack of Progressive Synergy with Stakeholders of the NGO: NGOs are frequently accused of diverging from the purpose of their funding. Their donors should include clauses in their contracts that require these NGOs to provide feedback and report back to them. Most funders, after giving certain funding, nevertheless need to undertake audits of the NGOs to which the monies are given. Some donations are issued in batches to guarantee that NGOs have spent the money they have been given before applying for more.

[68]<https://infoguidenigeria.com/non-governmental-organizations/> accessed 8/09/2021.

[69]<https://www.ukessays.com/essays/business/the-most-important-management-challenges-facing-ngos-business-essay.php> accessed 8/09/2021.

Regulatory authorities should guarantee that proper processes are in place to guarantee that NGOs fulfil a minimal standard of communication with their organization's primary stakeholders, and that this information is included in their reports.

Conclusion

Non-profit organizations, as implied by the name, are organizations whose main objectives are not for making financial gains; but for the preservation and development of definite social objectives. Be that as it may, NGOs have some special features, when compared with profit oriented organizations. Strictly speaking, they have no shareholders whose interests are paramount and consequentially monitor the activities of the directors to ensure accountability and transparency. NGOs generally by nature, have more than one interest to protect owing to their varying class of stakeholders. There is nevertheless a growing need to monitor the affairs of the NGOs to ensure amongst other things; that the objectives of the organization are pursued and that the management is accountable and transparent. This study proposed the adoption of stakeholders' model of corporate governance to achieve a sustainable and effective performance in their organizational pursuit. The stakeholders' model proposes that organizations by pursuing ends that go beyond the single interest of shareholders, thus conducting the affairs of NGOs in a way that cater for the interests of all its stakeholders seem a better way to assure efficiency and accountability. However, this itself, poses some challenges, with the schism in the categories of stakeholders- internal and external stakeholders, assuming internal stakeholders can influence managerial/ organizational decisions, it is doubtful whether the other class of stakeholders can pull such influence.

The absence of a legislative framework in this regard also contributes to the challenges of ensuring that NGOs are run without fraud. As noted earlier in the paper, prior to the new CAMA 2020, there were not regulation in place to monitor how the affairs of NGOs are been conducted. In what could be termed as the expansion of scope of supervisory powers, the Commission can now conduct investigation into the affairs of NGOs to ensure that their activities are not been conducted in a way prejudicial to any interest.