Book Review Symposium VI: Corporate Governance in Africa, (Routledge 2025) - Remodelling Corporate Governance in Africa's Banking Sector – A Fresh Perspective

By:

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July 15, 2026

The Anglo-Saxon corporate governance model practised by most African countries traditionally seeks to protect only the shareholders as the residual owners of an enterprise. (Ngwu, Osuji and Stephen, 2017). The engagement and protection of the interests of various other stakeholders have become an important corporate governance discourse in academia as well as in practice. Given the complexity of the African business environment, the importance of effective stakeholder management cannot be overemphasised and has been a topical issue in recent times. Dr Victor Ediagbonya's book "Corporate

Governance in Africa" presents a transformative exposition of stakeholder management issues in Africa's banking sector with key references to Nigeria and South Africa. The book starts with the valid argument that the legal transplantation of the corporate governance framework into Africa from developed countries like the UK is shaped by the regulations in those countries, despite disparities in institutional maturity. Ediagbonya systematically unpacks the theoretical background, the operational complexities of operating in Africa's banking sector, and delivers a workable model capable of assuring sustainable stakeholder involvement in the sector.

Book Overview

The book is methodically arranged in three parts, starting with Part A, which discusses the background and theoretical frameworks that helped to set the scene for understanding the stakeholder problems in Africa banking sector. The book not only outlines the relevant concepts and theories related to stakeholder engagement, but also selectively justifies the important concepts and strategies that have been used in its analysis and development of a functional stakeholder model (FSM) for the banking sector in Africa.

In Part B of the book, Ediagbonya's examination of the relationship between corporate governance and banking regulations in Africa, including the determinants of effective governance in African banks, highlights the significance of the regulatory practices. The book particularly highlights the contextual nature of banking regulatory practices, which is critical to understanding the African situation. It justifies why the institutional environment must be taken into consideration in the choice of corporate governance model for the banking industry in Africa. The excellent analysis of corporate governance codes and banking regulations in Nigeria and South Africa has prepared the ground for a clear need to redefine the governance approach in the industry. It is pertinent to note that the book also brings out the importance of alignment with the local culture and ideologies, like the 'ubuntu' in South Africa. The book succinctly discusses the risks and challenges of the banking sector in Africa, including credit, operational, market, and liquidity risks.

The final part (Part C) of the book builds a case for regulatory enhancement opportunities in Africa banking industry and introduces the benefits of a “Functional Stakeholder Model” for the industry. The FSM provides a process-driven approach to stakeholder interaction as it focuses on enhancing stakeholder engagement and protection. The FSM points out the significance of an effective board for corporate governance in Africa and highlights actions that can drive its achievement, such as involving employees and debtholders as directors, increasing the number of non-executive directors and women on the board, establishing a mandatory CSR committee and so on. The book discusses policy implications and practicalities of the functional stakeholder model for the various stakeholders of the banking industry.

The fact is that the banking sector in Africa is less advanced compared to the banking industry of the developed countries, where the shareholder-centric model seems to work, and for several reasons. Ediagbonya’s book buttresses some of these reasons, which include the presence of an efficient stock market mechanism, an effective justice system, the availability of advanced technology, and others. Even the implementation of international standards for corporate governance, such as “the OECD Principles of Corporate Governance” and “the Basel Committee on Bank Supervision principles”, does not take into account the institutional circumstances of each region, as argued by Ediagbonya. It is precarious to leave the bank depositors (for example) at the mercy of shareholders and directors without strong regulations, given the relative underdevelopment of the industry in many African countries. For this reason, one can see justification as Ediagbonya’s book advocates for the banking sector public interest theory (as opposed to private interest theory) on the grounds that it best serves the interests of all stakeholders. The book’s adoption of a hybrid banking regulation approach (i.e. integration of command-and-control and self-regulation strategies) could be considered realistic as it could enhance stakeholder engagement. Thus, the book primarily argues that the FSM will ensure that the bank stakeholders are better protected with the adoption of the proposed model by policymakers in Africa.

Strengths and Contributions to Academic Discourse

The book adds its voice to the current conversation about the mismatch between the corporate-governance models transplanted from developed countries, regardless of the institutional realities of many Sub-Saharan African countries. One of the outstanding features of the book is its contextualisation of institutional deficiencies by the comprehensive evaluation of corporate governance regulatory regimes in Africa banking sector. Another feature is its focus on banking, a critical sector in most emerging economies. Given that banks often play a vital role in economic stability and development, this focus increases the practical relevance of the work. Yet another key feature of the book is its ability to bridge theory and practice, applying theoretical principles such as stakeholder and institutional theories to arrive at a framework for resolving a practical problem.

The book's use of country-level analysis of Nigeria and South Africa helps to demonstrate how dissimilar African socio-economic and legal environments are in relation to the effectiveness of their corporate governance regulatory practices. Although the book uses Nigeria and South Africa as test cases to substantiate its arguments about poor stakeholder protection in Africa, its arguments could be extensive, as evidence exists in other countries like Ghana, Kenya, and Uganda, where shareholder-centric corporate governance is practised. For example, a study of corporate governance and bank failure in Ghana reveals that the actions of directors and shareholders led to the Ghana 2018 banking crisis, such as interrelated lending, loan approval without the necessary process, lending to risky borrowers, and breaching the single obligor limit, among others (Torku and Laryea, 2021).

A core part of the book's recommendation is the strengthening of enforcement frameworks under the proposed FSM. The recommended actions for strengthening the enforcement framework include granting enforcement powers to third parties (e.g. Attorney-General), professional bankers' associations, lawyers, and the establishment of specialised courts for banking matters. The book's recommendation is novel as it is uniquely designed for the institutional environment. For example, it is viewed that the professional bankers' associations should be at the forefront of corporate governance enforcement by disciplining non-compliant members of the associations.

The FSM, therefore, should be a welcome and timely enhancement to the way corporate governance is implemented in Africa to avert such banking failures, which leave the impacted country in crisis when it occurs.

Limitations and Potential Opportunities for Future Research

In terms of scope, while the book’s sector-specific emphasis on banking provides focus and depth to the analysis, the unintentional consequence is that the generalisability of the conclusions (especially the proposed FSM) to non-banking sectors needs to be further examined. The risk-dynamics and stakeholder structures in banking may differ significantly from those in other sectors.

The book recognises the difficulty of overcoming the institutional constraints in Africa's emerging economies. Although the FSM is a useful addition to strengthen the governance process, it may not realistically overcome the entrenched problems without parallel broader institutional reforms. Thus, improving corporate governance may require overarching systemic socio-political change in addition to regulatory process redesign. Proposing a new governance model may be very difficult to implement in real terms. The book may have inadvertently minimised the practical obstacles to the adoption of the FSM, such as the power dynamics in banks, the resistance from entrenched interests, and the weak enforcement capacity of various governments in Africa.

Thus, it could be interesting to explore the power dynamics at play between bank directors and key stakeholders, given the concentrated nature of shareholding of many African banks. Exposition of the effectiveness of government deposit insurance companies, such as the Nigeria Deposit Insurance Corporation (NDIC), on improving stakeholder protection in the African banking industry is another subject that could provide interesting insight into stakeholder management in the sector.

The book’s focus on two countries (Nigeria and South Africa) and primarily on the banking sector can arguably challenge its empirical breadth. While the argument is sound that the two countries are among the largest in terms of economic indices (GDP, Banking penetration, etc), it could be argued that they may not capture the full diversity of the African economies and legal traditions. For example, a similar study covering only the francophone countries of traditionally French corporate governance origins may yield different outcomes. Other aspects that can be studied in the future include non-banking sectors, small and medium-scale enterprises, and comparisons of stakeholder management between regular banks and Islamic banking firms in Africa.

Summary of Assessment

This scholarly work has been prepared in a clear, well-structured manner. It is very easy to understand, even for those audiences outside the field of corporate law and business. The book “Corporate Governance in Africa” is a timely, relevant, and important contribution to the debates about corporate governance models operated in emerging markets in Africa. The FSM is a thoughtful alternative which fills a significant gap, particularly in the banking sector. Its combination of theoretical grounding, contextual analysis, and practical recommendations makes it a valuable resource. However, the proposed model has the hurdle of surmounting entrenched institutional challenges.

The book stands out as a novel contribution to the academic debate and policy-making dialogue. It is considered a useful reference to the banks in Africa, government regulatory institutions, policymakers, and academia. The volume will be essential reading for reshaping stakeholder engagement in African banks.

References

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