NNAMDI AZIKIWE UNIVERSITY AWKA

JOURNAL OF PRIVATE

AND

PROPERTY LAW

Volume 3 (2) April, 2026

NNAMDI AZIKIWE UNIVERSITY AWKA JOURNAL OF PRIVATE AND PROPERTY LAW

Volume 3 (2) April, 2026

A PUBLICATION OF THE DEPARTMENT OF PRIVATE AND PROPERTY LAW, FACULTY OF LAW, NNAMDI AZIKIWE UNIVERSITY, AWKA, NIGERIA.

Nnamdi Azikiwe University Awka Journal of Private and Property Law
Citation: NAUAJPPL 3(2) 2026
Published, April, 2026.

Editions of NAUAJPPL
2024 Vol. 1(1)
2024 vol. 1(2)
2025 vol.2(1)
2025 vol. 2(2)
2026 vol. 3(1)

All Rights Reserved. No part of this publication should be reproduced, stored in a retrieval system, or transmitted in any form, in whole or in part without a prior written approval of the copyright owners.

ISSN: 2901-0870

Published By Ur Excellency Press, No.39 Regina Caeli Road, Awka.
Telephone: 08036684103

EDITORIAL TEAM

EDITOR-IN-CHIEF
Chinazor Queen Umeobika PhD

EDITORS
Onyeka Christiana Aduma PhD
Linda Amarachi Oti-Onyema PhD
Eyiuche Stella Ahanwa PhD

SUPERVISORY EDITOR
Professor Felicia A Anyogu

EDITORIAL BOARD
Professor Kenn C. Nwogu
Professor Sylvia C. Ifemeje
Professor Nneka O Umejiaku
Helen O Obi PhD
Ngozi Uzorka PhD
Promise Green Esq
Vivian Chinelo Arinze Esq
Oluoma C.P Obiaeli-Chidebe Esq

EDITORIAL CONSULTANTS
Professor Ilochi A Okafor SAN
Professor Gregory C. Nwakoby
Professor Offornze Amucheazi SAN
Professor Carol Arinze Umobi
Professor Godwin N Okeke
Professor Ifeoma Enemuo
Professor Ogugua V.C. Ikpeze
Professor Felicia A Anyogu
Professor E.O.C Obidimma
Professor Meshack N. Umenweke
Professor Beatrice N. Okpalaobi
Professor Ikenga K. Oraegbunam
Professor Nwamaka Adaora Igu

Kindly address correspondences to:
The Editor-in-Chief
Nnamdi Azikiwe University Awka Journal of Private and Property Law (NAUAJPPL)
Nnamdi Azikiwe University, PMB 5025, Awka, Nigeria.
Jppl.unizik@gmail.com

GUIDELINES TO CONTRIBUTORS

1. Issues covered by manuscripts submitted for publication must in addition to being well- researched also be original, must not offend any rule of academic integrity or copyright laws.

2. Manuscripts should be split into clearly defined and numbered sections and subsections and should not exceed 6,000 words (inclusive of references), while case and book reviews should not exceed 4,000 words.

3. Manuscripts should be typed using Microsoft Words with Times New Romans in font size 12, and a 1.5 line spacing in the body of the work, while a single line spacing of font size 10 should be used for the footnotes.

4. An abstract of not more than 250 words should also be included in the manuscript. In addition, 4 to 6 keywords to be used for purposes of indexing should be provided by authors.

5. A title page containing the full names of authors, their qualifications, email addresses, telephone numbers, and institutions affiliated to (including that of corresponding authors) should be submitted as part of the manuscript.

6. The acceptable referencing style is the Nigerian Association of Law Teachers Uniform Citation Guideline (NALT's Citation Guidelines), which is available at www.natlng.org . All the sources, including online sources, used must be indicated and acknowledged by complete references.

7. Manuscripts submitted/received shall be subjected to a peer review process, and the Editorial Board will communicate with only authors whose manuscript are recommended for publication by independent expert assessors in the subject area and accepted by the Editorial Board.

Submission of Manuscripts

Manuscripts of Interested contributors should be sent as an attachment by email to : jppl.unizik@gmail.com.

TABLE OF CONTENTS

1. EXAMINING CRIMES AGAINST HUMANITY AND INDIVIDUAL AND CORPORATE ACCOUNTABILITY IN THE ARMED CONFLICT AND VIOLENCE IN NIGERIA **1**

2. CYBERCRIME, GENDER, AND LEGAL PROTECTIONS: A COMPARATIVE STUDY OF NIGERIA AND THE UNITED STATES: **22**

3. LIVING BEYOND THE RHETORIC OF FUNDAMENTAL HUMAN RIGHTS TO FULFILLED HUMAN RIGHTS IN NIGERIA: THE ROLE OF JUDICIARY **37**

4. CHILD WITNESSING IN NIGERIA: A LEGAL ANALYSIS **43**

5. THE CORPORATE AFFAIRS COMMISSION: REGULATORY OVERSIGHT AND BUSINESS GROWTH INCENTIVES **56**

6. INTERNATIONAL CRIMES, VIOLATIONS AND GRANT OF AMNESTY **69**

7. CONSTITUTIONAL PROTECTION OF SHAREHOLDERS AND MINORITY INTERESTS UNDER NIGERIAN COMPANY LAW. **83**

8. THE CONFLUENCE OF FINTECH COMPANIES WITH RESPECT TO COMPETITION IN THE FINANCIAL SECTOR IN NIGERIA **93**

9. LEGAL RESPONSES TO GENDER-BASED VIOLENCE: A COMPARATIVE ANALYSIS OF NIGERIA AND THE UNITED KINGDOM **103**

10. ACCOUNTABILITY FOR WAR CRIMES IN NON-INTERNATIONAL ARMED CONFLICTS: EMERGING CHALLENGES **112**

11. NAFDAC REGULATION OF AI-POWERED MEDICAL DEVICES IN NIGERIA: ADEQUACY AND REFORMS **124**

12. CHALLENGES IN ENFORCING BOARD DIVERSITY IN NIGERIAN CORPORATE GOVERNANCE: A LEGAL AND INSTITUTIONAL ANALYSIS **133**

13. MAINSTREAMING UNCLOS PRINCIPLES INTO THE PETROLEUM INDUSTRY ACT 2021: RETHINKING ABANDONMENT AND DECOMMISSIONING GOVERNANCE IN THE NIGERIAN PETROLEUM INDUSTRY **143**

14. PRESUMED GUILTY: THE LEGAL AND ETHICAL CASE AGAINST PUBLICISING MUGSHOTS BEFORE TRIAL IN NIGERIA**:** **156**

15. EXAMINING THE LEGAL FRAMEWORK FOR THE COLLECTION OF STAMP DUTIES UNDER THE NTA 2025 **166**

16. DIRECTOR ACCOUNTABILITY AND REGULATORY ENFORCEMENT IN NIGERIAN MICROFINANCE BANKS: A CORPORATE GOVERNANCE APPRAISAL UNDER CAMA 2020 AND THE CBN CODE **177**

17. STRENGTHENING CLIMATE GOVERNANCE IN GHANA: THE CASE FOR COMPREHENSIVE CLIMATE LEGISLATION **188**

18. WHO IS AN EMPLOYEE IN NIGERIA'S PLATFORM ECONOMY? A FUNCTIONAL REAPPRAISAL OF LABOUR CLASSIFICATION **209**

Nnamdi Azikiwe University Awka Journal of Private and Property Law, volume 3 (2) April, 2026

DIRECTOR ACCOUNTABILITY AND REGULATORY ENFORCEMENT IN NIGERIAN MICROFINANCE BANKS: A CORPORATE GOVERNANCE APPRAISAL UNDER CAMA 2020 AND THE CBN CODE

Adelowo Stephen Asonibare[1]

Abstract

This article examines the effectiveness of director accountability and regulatory enforcement mechanisms in Nigerian microfinance banks within the framework of CAMA 2020 and the Central Bank of Nigeria's Code of Corporate Governance for Microfinance Banks. Despite the existence of detailed statutory and regulatory governance standards, Nigerian microfinance banks continue to experience high levels of distress and failure largely attributable to weak board oversight, insider abuse, and regulatory non-compliance. The paper adopts a doctrinal and comparative approach to analyse the fiduciary duties of directors, the supervisory powers of the CBN, and the practical challenges of enforcement. It argues that the core governance problem in Nigerian microfinance banking lies not in regulatory insufficiency but in weak enforcement and limited personal accountability of directors. Drawing lessons from comparative regulatory practice, the paper proposes reforms aimed at strengthening director liability, enhancing regulatory discipline, and aligning corporate governance enforcement with the developmental objectives of microfinance banking in Nigeria.

Keywords: Director accountability, microfinance banks, corporate governance, cama 2020, regulatory enforcement

1. Introduction

Microfinance has developed into an important global instrument for promoting economic inclusion and alleviating poverty among underserved populations. Its evolution can be linked to informal cooperative savings and lending practices that originated in parts of Asia and Latin America, as demonstrated by initiatives such as Bangladesh's Grameen Bank and the ACCION model in Latin America. Within the African context, the growth of microfinance institutions was largely driven by the inability of mainstream commercial banks to extend financial services to low-income earners, rural communities, and informal economic participants. In Nigeria, a structured microfinance system was formally established in 2005 with the adoption of the National Microfinance Policy by the Central Bank of Nigeria (CBN).[2]

The operational relevance and institutional stability of microfinance banks in Nigeria were significantly enhanced with the introduction of the Microfinance Policy, Regulatory and Supervisory Framework on 15 December 2005. This regulatory initiative, implemented as part of wider financial sector reforms, brought microfinance operations within the supervisory authority of the Central Bank of Nigeria. The framework seeks to expand long-term and reliable access to

[1]* **Adelowo Stephen Asonibare**, **PhD**, Lecturer, Dept. of Business & Private Law, Faculty of Law, Kwara State University Malete, Email: adelowo.asonibare@kwasu.edu.ng. Phone Number: [+2347034373132]

[2]A Afolabi, 'Microfinance Evolution in Nigeria: A 20-Year Impact Assessment and Global Contextualization' *Iconic Research and Engineering Journals* (IRE) [2025], Vol 8(12), 1735-1740, 1735< https://www.irejournals.com/formatedpaper/1709165.> accessed 14 November 2025.

financial products and services for low-income but economically productive individuals across both rural and urban settings in Nigeria.[3]

The rise of privately operated microfinance banks in Nigeria can be attributed to the limited engagement of formal banking institutions with rural and economically active low-income groups, alongside the ineffective administration of state-led financial assistance programmes. In response to these deficiencies, microfinance banks emerged to serve as alternative channels for financial inclusion. Notwithstanding the implementation of several government-initiated rural development schemes, socio-economic conditions in many rural communities remained largely unimproved. Consequently, scholars and policymakers advocated for a decentralized and inclusive development approach that enables rural inhabitants to play an active role in shaping their economic progress.[4]

Despite the formal institutionalization of microfinance banking in Nigeria and the existence of extensive statutory and regulatory governance frameworks under the Companies and Allied Matters Act 2020 and the Central Bank of Nigeria's Code of Corporate Governance for Microfinance Banks, the sector continues to experience persistent distress and institutional failure. This situation presents a paradox in which detailed legal and regulatory standards coexist with weak operational outcomes and recurrent bank closures.[5]

Empirical regulatory reviews and sectoral assessments have consistently linked the failure of several microfinance banks to governance-related weaknesses rather than to the absence of rules. These weaknesses include ineffective board oversight, poor risk governance, insider-related abuses, inadequate internal control systems, and widespread non-compliance with prudential and ethical standards. In particular, deficiencies in the competence, independence, and accountability of directors have undermined the ability of microfinance banks to balance their dual mandate of financial sustainability and social inclusion.[6]

Notwithstanding the supervisory and enforcement powers vested in the Central Bank of Nigeria (CBN), regulatory intervention has often been reactive and insufficient to deter persistent governance failures. The limited personal accountability of directors, delayed sanctions, and regulatory forbearance have allowed misconduct and poor governance practices to recur across the sector. Consequently, the central problem confronting Nigerian microfinance banking is not the inadequacy of the legal and regulatory framework but the ineffectiveness of director accountability and regulatory enforcement mechanisms in practice.[7]

This study seeks to critically evaluate the effectiveness of director accountability and regulatory enforcement in Nigerian microfinance banks within the framework of the Companies and Allied Matters Act 2020 and the Central Bank of Nigeria's Code of Corporate Governance for Microfinance Banks. It examines the fiduciary duties of directors, the scope of the supervisory

[3] P A Okere, et al, 'Microfinance Banks and Rural Transformation in Nigeria' *International Journal of Innovative Finance and Economics Research*[2021]9(2):138-147,<https://www.seahipublications.org/wp-content/uploads/2025/05/IJIFER-J-13-2021>accessed 15 November 2025.

[4] Ibid.

[5] A O Ademola, et al, 'Effect of Corporate Governance on Performance of Microfinance Banks in Nigeria, *Kardan Journal of Economics and Management Sciences* [2022]5(2),1-26, <http://dx.doi.org/10.31841/KJEMS.2022.120>accessed 8 October 2025.

[6] Ibid.

[7] Ibid

and enforcement powers of the Central Bank of Nigeria, and the practical challenges that impede effective compliance with corporate governance standards in the sector. The study is significant as it contributes to corporate governance and banking law scholarship by demonstrating that persistent governance failures in microfinance banks stem less from regulatory insufficiency than from weak enforcement and limited personal accountability of directors. It further provides policy-relevant insights for regulators and other stakeholders by proposing reforms aimed at strengthening director liability, enhancing regulatory discipline, and supporting sustainable governance practices aligned with the developmental objectives of microfinance banking in Nigeria.

2. Conceptual Clarification

A director is a person duly appointed by the company to direct and manage the business of the company.[8] Director accountability refers to the legal and ethical responsibility imposed on members of a company's board to act in good faith and in the best interests of the institution, while remaining answerable for governance failures arising from neglect, misconduct, or abuse of office.[9] In regulated financial institutions, accountability assumes heightened significance due to the public interest implications of banking activities, requiring directors to exercise informed judgment, prudent oversight, and effective risk management.[10] Within the microfinance banking sector, director accountability is further shaped by the developmental objectives of microfinance and the sector's vulnerability to insider abuse, weak controls, and depositor risk, making active and responsible board oversight indispensable to institutional stability.[11]

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled, encompassing the relationships among the board of directors, management, shareholders, and other stakeholders.[2] It provides the framework through which objectives are set, performance is monitored, accountability is enforced, and ethical conduct is promoted. In this context, director accountability functions as a central mechanism to ensure that governance principles are translated into responsible decision-making and organizational sustainability.

Fiduciary duties constitute the doctrinal foundation of director accountability and operate as the primary mechanism through which governance standards are enforced.[12] These duties require directors to act with due care, loyalty, and obedience to legal and regulatory requirements, while avoiding conflicts of interest and prioritising the interests of the institution over personal gain. In the context of microfinance banks, failures to discharge fiduciary obligations—often reflected in insider-related lending, poor risk governance, and passive board supervision—have been closely

[8] CAMA 2020, s 244(1). In O*lufosoye v Fakorede* (1993) 1 NWLR pt.272,274 a director of a company was defined as a person appointed or elected according to law, authorized to manage and direct the affairs of a corporation or company.

[9] P L Davies and S Worthington, *Gower's Principles of Modern Company Law* (10th edn, Sweet & Maxwell, 2016) 379–385.

[10] E Ferran, *Principles of Corporate Finance Law* (2nd edn, Oxford University Press, Oxford 2014) 63–68.

[11] J Solomon, *Corporate Governance and Accountability* (4th edn, John Wiley & Sons, Chichester 2017) 21–27.

[12] A Keay, *Directors' Duties* (2nd edn, Jordan Publishing, 2014) 45–62.

associated with recurring institutional distress.[13] Director accountability therefore functions as the normative bridge between corporate governance principles and regulatory enforcement, ensuring that governance failures attract meaningful consequences capable of promoting discipline, confidence, and sustainability in the microfinance banking sector.[14]

The recognition and enforcement of fiduciary duties for directors acknowledge the potential for abuse of the broad powers vested in company management. These duties are not confined solely to directors but extend to any company officials acting on its behalf, particularly those in managerial roles. This highlights the universal nature of fiduciary responsibilities in ensuring corporate governance.[15]

3. Legal and Regulatory Framework for MFB Governance in Nigeria

The responsibilities assigned to the Board of Directors under the Microfinance Bank (MFB) governance framework largely mirror the statutory duties imposed on directors under the Companies and Allied Matters Act 2020 (CAMA).[16] Under CAMA, the board is vested with the overall responsibility for directing and managing the affairs of the company, and directors accordingly owe fiduciary duties of honesty, good faith, loyalty, and accountability to the company.[17]

Directors are deemed trustees of the company's powers, funds, and property and are required to exercise such powers strictly in the best interests of the company instead of for personal or sectional advantage.[18] The statutory prohibition against conflicts of interest further reinforces this fiduciary obligation by disallowing directors from placing themselves in situations where their personal interests conflict, or may conflict, with the interests of the company.[19] These provisions collectively ground board accountability and joint responsibility for corporate affairs in Nigerian company law.

Directors are required to act in the company's best interests, which does not imply acting solely for its economic advantage at the expense of its members. As established in *Galman v National Association for Dental Health*,[20] the exercise of such powers must remain within the scope of the company's legal authority (intra vires), ensuring that decisions are both lawful and aligned with broader corporate interests.[21]

---

[13] J R Macey and M O'Hara, 'The Corporate Governance of Banks' (2003) 9 Fed Res Bank NY Econ Policy Rev 91, 94–97.

[14] Basel Committee on Banking Supervision, Principles for Enhancing Corporate Governance (Bank for International Settlements, Basel 2015) paras 10–18.

[15] J A Dada, *Principles of Nigerian Company Law* (4th edn, Wusen Publishers, 2023), 372.
(1970) Ch. 317

[16] Companies and Allied Matters Act 2020 (CAMA 2020).

[17] CAMA 2020 s 305(1)–(3); Onyeka C Aduma, 'Examining Directors' Legal Duties in Relation to Climate Risk: A Nigerian Corporate Law Perspective'*Nnamdi Azikiwe University Journal of Human Rights Law (UNIZIK-JHRL)* (2025) (2)1,55.

[18] CAMA 2020 s 305(3).

[19] CAMA 2020 s 306.

[20] (1970) Ch. 317.

[21] *Hogg v Cramphom Ltd.* (1967) Ch. 254.

CAMA further establishes the legal foundation for the board's strategic, supervisory, and control functions by imposing a mandatory standard of care, skill, and diligence on directors.[22] Section 308 requires directors to exercise their powers with the degree of care, diligence, and skill that a reasonably prudent director would exercise in comparable circumstances.[23] Although directors may delegate aspects of day-to-day management to a managing director or other executive officers, such delegation does not absolve the board of its oversight responsibility.[24] In addition, the appointment, supervision, and removal of managing directors and senior management fall within the statutory competence of the board, subject to applicable regulatory approvals.[25] Construed together, these provisions establish a coherent statutory framework for board competence, collective responsibility, and director accountability under Nigerian company law.

Recent scholarship on directors' liability in Nigeria underscores that the Companies and Allied Matters Act 2020 has significantly strengthened the legal architecture governing director accountability by codifying fiduciary duties and expanding the scope of personal liability for misconduct. The statutory duties of care, loyalty, and good faith under CAMA 2020 are no longer treated as abstract principles but are increasingly reinforced by judicial willingness to impose personal liability where directors abuse the corporate form or act fraudulently. Nigerian courts, drawing from both common law doctrine and statutory authority, have demonstrated an inclination to pierce the corporate veil in circumstances where incorporation is used as a shield for wrongdoing, particularly in cases involving fraud, tax evasion, or deliberate regulatory non-compliance. This development reflects a broader judicial trend towards balancing entrepreneurial freedom with stakeholder protection, reinforcing the principle that corporate personality does not immunise directors from the consequences of misconduct.[26]

3.2 The CBN Code of Corporate Governance for Microfinance Banks

Beyond the general obligations imposed by CAMA 2020, microfinance banks in Nigeria are subject to sector-specific governance requirements under the Central Bank of Nigeria Code of Corporate Governance for Microfinance Banks.[27] The Code supplements statutory duties by prescribing minimum standards for board composition, including requirements on board size, the presence of independent non-executive directors, and limits on executive dominance.[28] It further addresses key governance concerns such as tenure, board diversity, role separation, and the management of conflicts of interest, with a view to strengthening board independence and reducing the risk of founder dominance and board capture.[29]

---

[22] CAMA 2020 s 308.

[23] CAMA 2020 s 308(1).

[24] Ibid. s 308(4).

[25] Ibid ss 271, 288.

[26] M N Umenweke, 'Directors' Liability for Corporate Misconduct in Nigeria: A Comprehensive Legal Analysis of Fiduciary Duties, Statutory Obligations, and Judicial Precedents in the Modern Corporate Governance Framework' *Law and Social Justice Review (LASJURE)* [2024] *5 (3), 7-13*< https://www.nigerianjournalsonline.org/index.php/LASJURE/article/view/1976/1850>accessed 12 December 2025.

[27] Central Bank of Nigeria, Code of Corporate Governance for Microfinance Banks in Nigeria (CBN, Abuja).

[28] Ibid ss 2.1–2.4.

[29] Ibid ss 3.1–3.6.

The Code also places emphasis on director competence, integrity, and ethical conduct, requiring boards to establish effective governance structures, including appropriate board committees, internal control systems, and risk management frameworks.[30] Through these provisions, the CBN Code seeks to reinforce director accountability by translating general fiduciary obligations into concrete governance expectations tailored to the peculiar risks and developmental objectives of the microfinance banking sector.[31]

3.3 Revised Regulatory and Supervisory Guidelines and the Supervisory Powers of the CBN

In addition to the Code of Corporate Governance, the CBN exercises regulatory oversight over microfinance banks through the Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria, 2020.[32] These Guidelines constitute the current comprehensive regulatory framework governing the licensing, ownership structure, permissible activities, corporate governance, prudential standards, and supervisory requirements applicable to MFBs. They require boards of directors to ensure compliance with capital adequacy thresholds, liquidity requirements, risk management standards, internal controls, and periodic regulatory reporting.[33]

Importantly, the Guidelines confer wide supervisory and enforcement powers on the CBN, including the authority to conduct routine and special examinations, issue regulatory directives, impose sanctions, and remove or disqualify directors and key management personnel for misconduct, non-compliance, or unsafe banking practices.[34] By integrating governance requirements with prudential regulation and active supervision, the Revised Guidelines reinforce director accountability and position regulatory enforcement as a central mechanism for promoting financial stability, depositor protection, and sustainability within the Nigerian microfinance banking sector.[35]

4. Director Accountability in Practice: Regulatory Enforcement Challenges

Despite the existence of an extensive statutory and regulatory framework governing microfinance banks in Nigeria, director accountability in practice remains weak and inconsistently enforced. While CAMA 2020 imposes clear fiduciary obligations on directors and the Central Bank of Nigeria (CBN) has articulated detailed governance and prudential standards for microfinance banks, recurring institutional failures suggest a persistent gap between regulatory norms and enforcement outcomes. This enforcement deficit has undermined the effectiveness of board oversight, weakened market discipline, and contributed to repeated episodes of distress and liquidation within the microfinance banking sector.[36]

Empirical and regulatory observations further suggest that enforcement practices have become central to shaping director behaviour, particularly within highly regulated sectors such as financial services. Increased investigations by regulatory agencies and the imposition of

[30] Ibid ss 6.1–6.4.

[31] Ibid.

[32] Central Bank of Nigeria, Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria (CBN, Abuja 2020).

[33] Ibid chs 6–9.

[34] Ibid chs 10–12.

[35] Ibid.

[36] A Keay, *Board Accountability in Corporate Governance* (Routledge, 2015) 112–115.

sanctions, including disqualification and criminal liability, have enhanced the deterrent effect of corporate governance rules under CAMA 2020. The financial services sector has attracted disproportionate regulatory attention due to its systemic importance and vulnerability to governance lapses, reinforcing the argument that director accountability must operate not merely at an institutional level but at the level of individual decision-makers. Comparative evidence indicates that credible enforcement mechanisms—rather than the mere existence of legal duties—play a decisive role in reducing repeat misconduct and restoring investor confidence, aligning Nigeria's director-liability regime more closely with emerging international governance standards.[37]

i. **Weak Enforcement and Supervisory Gaps:** One of the most significant challenges confronting director accountability in Nigerian microfinance banks is the uneven application of regulatory oversight. Although the CBN is statutorily empowered to supervise, sanction, and remove erring directors, supervisory interventions have often been reactive rather than preventive.[38] Regulatory responses frequently occur only after governance failures have escalated into severe financial distress, by which time depositor funds and institutional stability have already been compromised. This pattern weakens the deterrent effect of regulation and encourages a culture of regulatory nonchalance among boards of directors.[39]

ii. **Limited Personal Liability of Directors:** Another major limitation in the practical enforcement of director accountability is the reluctance to impose personal consequences on directors for governance failures. In many distressed microfinance banks, regulatory sanctions have tended to focus on institutional penalties, license revocations, or management restructuring, rather than on the personal culpability of board members responsible for poor oversight.[40] This has resulted in a moral hazard problem, whereby directors are insufficiently discouraged from engaging in reckless lending, insider abuse, or persistent non-compliance with prudential standards. Without credible exposure to disqualification, civil liability, or reputational sanctions, the accountability obligations imposed under CAMA 2020 risk becoming largely symbolic.[41]

iii. **Regulatory Forbearance and Delayed Sanctions:** Regulatory forbearance has also played a role in weakening director accountability within the microfinance banking sector. In practice, struggling microfinance banks are often granted repeated compliance extensions, restructuring opportunities, or supervisory leniency in the hope of recovery.[42] While regulatory forbearance may be justified in certain macroeconomic contexts, its prolonged use in the microfinance sector has allowed weak boards to

[37] Umenweke,(n.25).

[38] Central Bank of Nigeria Act 2007 ss 33–35.

[39] J Armour, *et al*, *Principles of Financial Regulation* (OUP, Oxford 2016) 289–292.

[40] Nigerian Deposit Insurance Corporation, Annual Report and Statement of Accounts (NDIC, Abuja) various years.<https://nigeriareposit.nln.gov.ng/home >Accessed 15 December 2025.

[41] P Davies and S Worthington, *Gower's Principles of Modern Company Law* (10th edn, Sweet & Maxwell 2016) 403–405.

[42] CBN Revised Regulatory and Supervisory Guidelines (n 31).

remain in place long after warning signs of governance failure have become evident. This delay in enforcement not only erodes depositor confidence but also contradicts the preventive logic underlying prudential regulation.[43]

iv. **Patterns from Failed and Distressed Microfinance Banks:** Reports by regulatory and deposit insurance authorities have consistently identified governance failures as a dominant factor in the collapse of microfinance banks in Nigeria. Common patterns include excessive insider-related lending, ineffective board committees, weak internal controls, poor risk governance, and the dominance of founders or executive directors over board processes.[44] These failures pointless to regulatory insufficiency than to deficiencies in enforcement discipline and supervisory follow-through. The persistence of similar governance failures across multiple distressed institutions suggests systemic weaknesses in translating director accountability standards into enforceable consequences.[45]

Taken together, these enforcement challenges demonstrate that the core governance problem in Nigerian microfinance banking lies not in the absence of legal or regulatory standards, but in the limited effectiveness of enforcement mechanisms directed at directors. Without timely sanctions, credible personal liability, and consistent supervisory intervention, director accountability remains weakened in practice. Strengthening enforcement discipline is therefore essential to restoring confidence, enhancing board performance, and aligning microfinance governance with the sector's financial inclusion and developmental objectives.[46]

5. Comparative Perspective: Regulatory Enforcement and Director Accountability in Ghana

A brief comparative analysis of Ghana's microfinance regulatory framework provides useful insight into how stronger enforcement mechanisms can enhance director accountability in financial institutions comparable to Nigerian microfinance banks. In Ghana, the regulation and supervision of microfinance institutions fall primarily under the authority of the Bank of Ghana (BoG), particularly following the enactment of the Banks and Specialised Deposit-Taking Institutions Act 2016 (Ghana).[47] This statute consolidated regulatory oversight and introduced stricter licensing, governance, and supervisory standards for specialised deposit-taking institutions.

The Ghanaian framework adopts a more interventionist approach to governance compliance and supervisory enforcement, particularly in response to systemic governance failures within the

[43] Basel Committee on Banking Supervision, Principles for Enhancing Corporate Governance (BIS, Basel 2015) paras 18–22.< https://www.fundacionmicrofinanzasbbva.org/revistaprogreso/wp-content/uploads/2015/09/july-2015-corporate-governance-principles-for-banks_basilea1.pdf>Accessed 12 January 2026.

[44] Nigerian Deposit Insurance Corporation, Insights into the Failure of Microfinance Banks in Nigeria (NDIC, Abuja).

[45] R La Porta and others, 'Law and Finance' (1998) 106 Journal of Political Economy 1113.

[46] OECD, OECD Principles of Corporate Governance (OECD Publishing 2015) 29–31.

[47] Banks and Specialised Deposit-Taking Institutions Act 2016 (Ghana).

microfinance and savings-and-loans subsector.[48] These reforms were precipitated by widespread institutional collapses that exposed persistent deficiencies in board oversight, insider abuse, weak internal controls, and regulatory non-compliance—challenges that closely mirror those confronting the Nigerian microfinance banking sector.[49]

A distinctive feature of Ghana's regulatory approach lies in the robust enforcement of personal accountability of directors and key management personnel. Enforcement actions by the Bank of Ghana have included prompt licence revocations, public identification of non-compliant institutions, and the disqualification or restriction of directors whose conduct contributed to governance failures.[50] Such measures have strengthened regulatory deterrence and signalled a clear institutional intolerance for persistent non-compliance and ineffective board oversight.[51]

By contrast, Nigeria's corporate governance framework is characterised by weak enforcement mechanisms and institutional deficiencies, with regulatory systems often failing to effectively hold individual directors accountable.[52] The Ghanaian experience therefore demonstrates that effective director accountability depends not merely on the existence of governance standards, but on consistent, timely, and personal enforcement actions capable of influencing board behaviour and governance outcomes.[53]

6. Reform Proposals for Strengthening Director Accountability in Nigerian Microfinance Banks

Drawing from the foregoing analysis and comparative insights from Ghana, there is a compelling need to recalibrate Nigeria's approach to director accountability and regulatory enforcement in the microfinance banking sector. First, greater emphasis should be placed on director-focused enforcement mechanisms under both the CAMA 2020 and the supervisory framework of the Central Bank of Nigeria. While CAMA clearly establishes fiduciary duties and standards of care applicable to directors, these provisions are rarely invoked against directors of distressed

[48] Bank of Ghana, Corporate Governance Directive for Banks and Specialised Deposit-Taking Institutions (Bank of Ghana 2018) < https://www.bog.gov.gh/notice/corporate-governance-directive-2018/>Accessed 10 February 2026.

[49] J S Sarpong-Kumankoma, 'Regulatory Enforcement and the Stability of Ghana's Financial Sector' (2020) 14 *African Journal of Economic and Management Studies*, 233.

[50] Bank of Ghana, Notice to the Public on the Revocation of Licences of Insolvent Specialised Deposit-Taking Institutions (Bank of Ghana, 2019)< ttps://www.bog.gov.gh/wp-content/uploads/2024/05/FREQUENTLY-ASKED-QUESTIONS-1.pdf> Accessed 14 February 2026.

[51] E O Asiedu and F K Amponsah, 'Director Accountability and Regulatory Sanctions in Ghana's Banking Sector' *Journal of Money Laundering Control* [2019] *Vol 22 (1) 1-172*< https://www.emerald.com/jmlc/issue/22/1>Accessed 15 February 2026.

[52] Emmanuel Adegbite, 'Good Corporate Governance in Nigeria: Antecedents, Propositions and Peculiarities' *International Business Review*[2015] 24(2)319–330.Vol.24(2)319-330. <https://ssrn.com/abstract=3512795 or http://dx.doi.org/10.2139/ssrn.3512795> Accessed 13 February 2026.

[53] World Bank, Financial Consumer Protection and Deposit-Taking Institutions in Sub-Saharan Africa (World Bank Group 2018) <https://responsiblefinance.worldbank.org/en/responsible-finance/publications>Accessed 14 January 2026.

microfinance banks in practice. Strengthening the use of statutory disqualification powers and personal sanctions would help deter misconduct and reinforce responsible board behaviour.[54]

Secondly, board performance evaluation and disclosure mechanisms should be institutionalised and more rigorously enforced. Although the CBN Code of Corporate Governance for Microfinance Banks prescribes minimum governance standards, compliance has remained uneven due largely to weak supervisory follow-through. Mandatory periodic board evaluations, enhanced disclosure of governance breaches, and transparent reporting on board and committee performance would improve accountability, strengthen regulatory oversight, and enhance market discipline.[55]

Finally, closer coordination between company law and banking regulation is essential to achieving coherent and effective enforcement. Regulatory intervention should extend beyond institutional remedies such as licence revocation to include company law-based actions against directors for breach of fiduciary obligations under CAMA 2020.[56] An integrated enforcement strategy of this nature would strengthen personal accountability, restore depositor and investor confidence, and better align microfinance governance with the sector's financial inclusion and developmental objectives.

7. Conclusion

This article has examined director accountability and regulatory enforcement in Nigerian microfinance banks through the combined lenses of the *Companies and Allied Matters Act 2020* (CAMA) and the Central Bank of Nigeria's corporate governance and supervisory framework. The analysis demonstrates that persistent governance failures in the sector are not primarily attributable to gaps in the legal or regulatory architecture, but to weaknesses in enforcement practice and the limited personal accountability of directors. Although CAMA 2020 establishes clear fiduciary obligations grounded in honesty, loyalty, and the duty of care, and the CBN has supplemented these obligations with sector-specific governance and prudential standards, these norms have not translated into consistent behavioural discipline at board level.

The paper further shows that regulatory enforcement in the Nigerian microfinance banking sector has been characterised by delayed interventions, institutional rather than personal sanctions, and prolonged supervisory forbearance. These enforcement patterns have diluted the deterrent effect of corporate governance regulation and contributed to recurring cycles of distress and failure. In contrast, the comparative experience of Ghana illustrates that timely, director-focused enforcement measures—particularly disqualification, public sanctioning, and restrictions on repeat participation—can strengthen board discipline and enhance governance outcomes in microfinance institutions operating in comparable economic environments.

Ultimately, effective director accountability in Nigerian microfinance banks requires a deliberate shift from rule-centric governance to enforcement-driven regulation. Strengthening the practical use of director disqualification powers, institutionalising board performance evaluation, and improving coordination between company law remedies and banking supervision would significantly enhance governance discipline. Such reforms are essential not only for depositor

[54] CAMA 2020 ss 305–308; Central Bank of Nigeria, Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria (CBN 2020)

[55] Central Bank of Nigeria, Code of Corporate Governance for Microfinance Banks (CBN).

[56] CAMA 2020 ss 305–306

protection and financial stability, but also for aligning microfinance governance with its broader developmental and financial inclusion objectives. Until director accountability is enforced with consistency and personal consequence, governance failures in the Nigerian microfinance banking sector are likely to persist despite the existence of robust statutory and regulatory standards.