CORPORATE GOVERNANCE AND COMPLIANCE IN STARTUPS: BALANCING INNOVATION WITH LEGAL ACCOUNTABLITY, A CASE STUDY OF NIGERIA'S ECONOMY

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CERTIFICATION

I, **ESTHER OCHENEHI OTONKWO**, with Matriculation Number **LAW2006610,** hereby certify that apart from references to other persons' works which have been duly acknowledged, the entire work is a product of my research, and this project has neither in whole nor in part been presented for another degree elsewhere.

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APPROVAL

We certify that this project was written and completed by **ESTHER OCHENEHI OTONKWO**, with Matriculation Number **LAW2006610** in partial fulfillment of the requirements for the award of a Bachelor of Laws (LL.B) degree.

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DEDICATION

I dedicate this work first to God Almighty, whose grace, wisdom, and strength have guided me throughout this journey.

To my beloved parents, whose memory continues to inspire me every day, your love, prayers, and sacrifices remain the foundation of all my achievements.

And to my guardians, who stepped in with unwavering support, care, and encouragement, thank you for believing in me and helping me become who I am today.

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Pension Reform Act 2014.

SCUML Regulations 2013.

Trade Marks Act.

LIST OF ACRONYMS/ABBREVIATIONS

ACRONYM	FULL MEANING
AGM	Annual General Meeting
AML	Anti-Money Laundering
CAC	Corporate Affairs Commission
CAMA 2020	Companies and Allied Matters Act 2020
CBN	Central Bank of Nigeria
CIT	Company Income Tax
DNFBP	Designated Non-Financial Businesses and Professions
e-Filing	Electronic Filing
FHC	Federal High Court
FIRS	Federal Inland Revenue Service
FRCN	Financial Reporting Council of Nigeria
ICT	Information and Communication Technology
IP	Intellectual Property
ISA 2007	Investment and Securities Act 2007
NDIC	Nigeria Deposit Insurance Corporation
NDPA 2023	Nigeria Data Protection Act 2023

NDPR 2019	Nigeria Data Protection Regulation 2019
NDPC/NDPB	Nigeria Data Protection Commission/Bureau
NDPB	Nigeria Data Protection Bureau *(superseded by NDPC)*
NIPC	Nigerian Investment Promotion Commission
NITDA	National Information Technology Development Agency
NSITF	Nigeria Social Insurance Trust Fund
PAYE	Pay-As-You-Earn Tax
SCUML	Special Control Unit Against Money Laundering
SEC	Securities and Exchange Commission
SMEDAN	Small and Medium Entreprises Development Agency of Nigeria
TIN	Tax Identification Number
VAT	Value Added Tax

ABSTRACT

This study examines the role of corporate governance and regulatory compliance in the sustainability of startups in Nigeria, with emphasis on statutory obligations under the Companies and Allied Matters Act 2020, the Nigeria Startup Act 2022 and relevant regulatory codes. A doctrinal and empirical approach was adopted, involving analysis of primary and secondary legal materials alongside data obtained from structured questionnaires administered to selected Nigerian startup founders. The findings reveal that while 92% of the surveyed startups were formally registered with the Corporate Affairs Commission, only 34% filed annual returns, 58% operated without a formal board structure, and governance processes were largely undocumented. Weak compliance awareness, limited financial resources, regulatory complexity and founder-centric decision making were identified as the major causes of governance gaps. The study concludes that startups with early governance adoption, documented internal controls and active compliance reporting demonstrate stronger investor appeal and long-term viability. It recommends regulatory education for founders, streamlined compliance procedures and increased investor-supported governance culture. This research contributes to existing scholarship by extending corporate governance analysis to early-stage, technology-driven ventures, a sector often overlooked in Nigerian legal literature. Keywords: Corporate Governance, Compliance, Startups, CAMA 2020, Nigeria Startup Act 2022, Investor Confidence, Sustainability.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 BACKGROUND OF THE STUDY

From the mid-2010s, startups have been springing up rapidly across Nigeria, especially in sectors like technology, agriculture, and fashion. Particularly from around 2015, when fintech pioneers like Paystack and Interswitch began disrupting the space.[1] From 2016 onwards, more startups followed suit, Flutterwave (founded in 2016) and PiggyVest (also 2016) became household names.[2] By 2019, startups activity reached its peak, with 15 percent of surveyed tech startups founded in that year alone.[3] Despite this surge, the focus remains heavily skewed towards scaling and funding, often at the expense of crucial areas like corporate governance and compliance.[4]

Corporate governance and compliance in startups form a critical foundation for long-term success, accountability, and staying within the law. Corporate governance refers to the way a business is managed and controlled. For startups, this includes setting up decision-making structures, keeping an eye on financial activities, managing risks, and putting accountability measures in place.[5] These structures may not always be formal like in big companies, but they help guide the founders, support strategic thinking, and make sure the business is not being run on guesswork.[6]

Compliance means obeying the rules and laws that apply to the business. In Nigeria, this includes things like tax registration, intellectual property rights, labor laws, and industry-

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[1] A Adewale, *Fintech and Financial Innovation in Nigeria* (University of Lagos Press 2019) 45.

[2] K Okonjo, 'The Rise of Nigerian Startups and Digital Entrepreneurship', *Nigerian Journal of Commercial Law* [2020] 12: 88.

[3] Startup Genome, *Global Startup Ecosystem Report* [2020] 67.

[4] O Akinwale, 'Funding Versus Governance: The Nigerian Startup Dilemma', *Business Law Review* [(2021] 5: 112.

[5] Organisation for Economic Co-operation and Development (OECD), *Principles of Corporate Governance* (OECD 2015) 9.

[6] P Davies, *Gower and Davies' Principles of Modern Company Law* (10th edn Sweet & Maxwell 2016) 203.

specific regulations.[7] Many startup owners either don't fully understand these legal requirements or choose to delay them, thinking they can come back to it when the business is bigger.[8] Unfortunately, this can lead to legal penalties, damage to the startup's image, or even loss of investor trust.[9]

Startups in Nigeria also face many challenges in practicing good governance and compliance. These include limited funds, founders wanting full control, lack of knowledge or experience in governance, and pressure from investors or stakeholders who may have different interests.[10] All of this makes it difficult to build strong governance structures early on. But these issues can be managed with clear policies, honest communication, and bringing in people based on merit, especially at the board level.[11]

Even though Nigerian law does not always require startups to have a formal board or governance system, adopting one early can help reduce risks such as mismanagement of funds, breaking regulatory rules, or complete business failure.[12] Good governance also promotes ethical behavior and transparency. It improves company culture, attracts the right people to work with the startup, and gives confidence to investors who are looking for serious and well-run businesses.[13]

Overall, this study will focus on how startups in Nigeria approach corporate governance and compliance, why many of them struggle in this area, and how they can improve. It will explore how these young businesses can still implement good systems for oversight and legal responsibility, even while dealing with limited resources and operating in a fast-moving

[7] Companies and Allied Matters Act 2020, ss 18, 19, 235 and 839.

[8] I Smith, 'Legal Compliance Challenges for Early-Stage Businesses in Nigeria', *Nigerian Law and Practice Journal* [2019] 14: 54.

[9] A Omole, 'Regulatory Sanctions and Startup Sustainability in Nigeria' *Journal of African Business Law* [2021] 8: 31.

[10] B O Nwabueze, 'Corporate Governance Failures in Emerging Enterprises', *Commercial Law Quarterly* [2018] 6: 77.

[11] T O Elias, *The Nigerian Legal System* (MIJ Publishers 2017) 164.

[12] Companies and Allied Matters Act 2020, s 275.

[13] A Cadbury, *Corporate Governance and Accountability* (Oxford University Press 2002) 21.

environment. In the end, strong governance and proper compliance are not just for big companies, they are essential for startups too, if they want to grow, survive, and succeed in the long run.[14]

1.2 STATEMENT OF THE PROBLEM

In Nigeria today, the startup ecosystem is growing very fast, with many young people starting new businesses in areas like tech, agriculture, fashion, and services. These businesses are playing a big role in reducing unemployment and contributing to economic growth. However, while most of these startups focus on product development, marketing, and raising capital, many of them do not pay enough attention to corporate governance and compliance.

The problem is that without proper governance structures, startups may struggle with accountability, transparency, and leadership issues. Many startups in Nigeria are run by their founders with little or no oversight from a board or advisory team. This can lead to poor decision-making and lack of checks and balances. Also, when it comes to compliance, a lot of startups either do not understand the legal requirements they need to follow, or they deliberately ignore them to avoid costs or stress. This can result in legal problems, loss of investor confidence, or failure to scale the business.

One recent example of compliance challenges is the Corporate Affairs Commission (CAC) digital reform. In 2025, the CAC introduced an AI-powered registration portal for companies, requiring all incorporations, name reservations, and annual return filings to be done digitally. While the reform was designed to make business registration faster and more transparent, many startups and even legal practitioners faced difficulties using the portal. Reports show that users experienced system failures, inability to reserve names, problems with Tax Identification Number (TIN) generation, and unconfirmed payments on the Remita platform. This meant that startups, especially those without strong legal or accounting support,

[14] M Porter, *Competitive Strategy* (Free Press 2008) 15.

struggled to meet filing deadlines or properly register their businesses. Rather than easing compliance, the new system created an additional barrier for some startups that lacked the resources or expertise to navigate the digital challenges.

The effect of compliance or non-compliance on startups cannot be overstated. For startups that embrace compliance, there are several benefits:

Access to funding: Investors and venture capitalists are more likely to invest in companies that keep proper records, file annual returns, and operate transparently. Compliance gives credibility and builds trust.

Business sustainability: Complying with laws and regulations protects startups from sudden regulatory sanctions, fines, or forced closure. It ensures long-term stability.

Reputation and brand trust: Startups that comply with tax laws, labor laws, and CAC requirements are seen as professional and reliable, which attracts customers and partners.

Opportunities for expansion: Compliance makes it easier to scale, enter new markets, or bid for government and international contracts that require legal and regulatory clearance.

On the other hand, non-compliance comes with serious consequences:

Regulatory penalties: Startups may face fines, cancellation of registration, or court actions for failure to meet statutory obligations such as annual returns filing.

Loss of investor confidence: Investors shy away from startups that lack transparency or fail to comply with legal requirements, limiting access to capital.

Operational risks: Non-compliance with labor, tax, or environmental laws could lead to disputes, liabilities, and reputational damage.

Difficulty in scaling: Non-compliant startups often face obstacles when they try to expand internationally, as foreign partners usually demand proof of good corporate governance and compliance history.

Even though some investors are now beginning to demand more accountability and proper documentation from startups before funding them, the level of awareness and adoption of governance practices among Nigerian startups is still low. There is also a lack of research that shows how poor governance and non-compliance affect the long-term success of these businesses.

Therefore, there is a need to examine how Nigerian startups handle corporate governance and compliance, what challenges they face in this area, and how it affects their growth, funding opportunities, and sustainability. This study will also explore ways in which these issues can be addressed to improve the startup environment in Nigeria.

1.3 RESEARCH QUESTIONS

1. How do startups in Nigeria currently practice corporate governance
2. What is the level of awareness among Nigerian startup founders regarding regulatory compliance?
3. What are the major challenges Nigerian startups face in implementing corporate governance and compliance practices?
4. How does the lack of governance and compliance affect the performance and growth of startups in Nigeria?
5. What practical steps can Nigerian startups take to improve governance and compliance without affecting their flexibility and innovation?

1.4 AIM AND OBJECTIVES OF THE STUDY

The main aim of this study is to examine the role of corporate governance and compliance in the growth and sustainability of startups in Nigeria.

The specific objectives of this research are to:

1. Understand how startups in Nigeria currently practice corporate governance.
2. Identify the level of awareness and importance attached to regulatory compliance among startup founders.
3. Examine the challenges Nigerian startups face in implementing good governance and compliance structures.
4. Explore the impact of poor or weak governance and non-compliance on the performance and survival of startups.
5. Suggest practical recommendations that can help startups improve in these areas without affecting their creativity and flexibility.

1.5 SIGNIFICANCE OF THE STUDY

This study is important because it looks into two areas, corporate governance and compliance, that are often overlooked by startups in Nigeria, yet they play a big role in business success and survival. Many Nigerian startups fail within their first few years, and while this is often blamed on funding or market conditions, poor management structures and legal issues are also key reasons.

By carrying out this research, the study will help highlight why governance and compliance should be taken seriously from the beginning, even by small or early-stage startups. It will help startup founders, managers, and even investors understand how to create proper systems of accountability and control, and the benefits of following legal requirements.

The findings of this study may also help policymakers, business consultants, and support organizations to design better training and support programs that can help Nigerian startups build more sustainable businesses.

1.6 SCOPE OF THE STUDY

This study focuses on startups operating in Nigeria. It will cover how these startups implement (or fail to implement) corporate governance and compliance practices. The study will look into different types of startups, mainly small and medium-sized ones that are less than 10 years old and are in the early or growth stages of business. While examples may be drawn from different sectors (e.g., tech, fashion, food, agriculture), the general idea is to examine the practices and challenges common among Nigerian startups as a whole.

1.7 LIMITATIONS OF THE STUDY

Like most academic research, this study has a few limitations. Firstly, the research will depend on the responses of startup founders or employees, and their willingness to share accurate information may affect the outcome. Also, due to time and resource constraints, the study may not be able to cover every startup in Nigeria, so it will be limited to selected case studies or responses from a sample group. Lastly, because the business environment is always changing, especially with new regulations and economic challenges, the findings of this study may need to be updated in the future to remain relevant.

1.8 RESEARCH METHODOLOGY

This research will adopt a qualitative doctrinal and non-doctrinal (empirical) approach to examine corporate governance and compliance in startups, using Nigeria as a case study. The doctrinal method will involve the use of primary and secondary legal sources such as statutes, regulations, case law, and scholarly writings. This part of the research will focus on the legal framework that governs corporate governance and compliance in Nigeria, including relevant provisions of the Companies and Allied Matters Act.

The non-doctrinal (empirical) aspect of the research will involve collecting data from startup founders, legal experts, or regulatory bodies through interviews, questionnaires, or surveys. This is to understand how startups actually apply governance and compliance principlesin real-world practice and the challenges they face. It will help compare what the law says with what happens in practice.

The study will rely on library-based research, which includes textbooks, journal articles, online legal resources, government publications, and reports from regulatory agencies. Where necessary, data will also be gathered from reputable online sources, startup databases, and existing research papers on corporate governance and compliance in Nigeria.

The research will be analytical and descriptive in nature. Analytical in the sense that it will evaluate the effectiveness of existing laws and regulatory frameworks in addressing governance and compliance issues in startups, and descriptive in explaining the actual experiences and challenges of startups.

1.9 CHAPTER OVERVIEW

Chapter One is a general introduction to the study.

CHAPTER TWO

CONCEPTUAL, THEORETICAL FRAMEWORKS AND LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews relevant literature and clarifies key concepts necessary for understanding corporate governance and compliance within startups in Nigeria. It draws on both theoretical foundations and practical insights to explain how governance works, why compliance matters, and the specific context startups face under Nigerian company law. It also outlines challenges and gaps which will be examined in later chapters.[15]

2.2 CONCEPTUAL CLARIFICATION

2.2.1 Corporate Governance

Corporate governance refers to the system of rules, practices and processes by which a company is directed and controlled. It defines how a company's management, board, shareholders and other stakeholders relate. Good governance is built on core principles like accountability, transparency and equity.[16] In practice, it means that responsibilities are clearly defined, performance is monitored, and decisions are made in line with ethical and legal standards.[17]

One view explains governance as "a set of ground rules and codes, a roadmap…that govern how a business runs."[18] It ensures that minority shareholders are protected, stakeholder conflicts are resolved fairly, and investor confidence is maintained. Corporate governance is

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[15] R K Yin, *Case Study Research: Design and Methods* (5th edn Sage Publications 2014) 45.

[16] Organisation for Economic Co-operation and Development (OECD), *Principles of Corporate Governance* (OECD 2015) 9.

[17] A Cadbury, *Corporate Governance and Accountability* (Oxford University Press 2002) 21.

[18] ibid.

an "indispensable ingredient for economic success"[19] because it helps companies achieve their goals sustainably.

In Nigeria, the Companies and Allied Matters Act 2020 (CAMA 2020) is the primary legislation enforced by the Corporate Affairs Commission (CAC). It provides for company formation, director duties, shareholders' rights and meeting procedures.[20] Other relevant laws include the Investments and Securities Act 2007 and the Financial Reporting Council of Nigeria Act 2011, which cover capital market activities and financial reporting standards.[21]

Sector-specific codes exist too: for example, the Central Bank of Nigeria Code applies to banks.[22] The Nigerian Code of Corporate Governance 2018[23] sets out recommended practices for all public companies and regulated private companies.[24] However, enforcement is still a major challenge, and some codes remain largely voluntary.[25]

Cases like *Prime tech Designs & Engineering Nigeria Ltd v CAC* highlight enforcement issues, where courts may be reluctant to strictly apply sanctions for governance failures, potentially weakening the system's effectiveness.[26]

2.2.2 Compliance

Compliance means obeying all applicable laws, rules and standards. For Nigerian startups, this includes incorporation with the CAC, filing annual returns, maintaining statutory registers, and paying taxes. Companies must register with the Federal Inland Revenue Service (FIRS) and relevant state tax bodies, pay Company Income Tax (CIT), Value Added Tax (VAT), and remit employee PAYE tax.

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[19] World Bank, *Corporate Governance: A Framework for Implementation* (World Bank Publications 2018) 5.
[20] Companies and Allied Matters Act 2020, ss 18–22, 265–305.
[21] Investments and Securities Act 2007; Financial Reporting Council of Nigeria Act 2011.
[22] Central Bank of Nigeria, *Code of Corporate Governance for Banks and Discount Houses in Nigeria* (2014).
[23] Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance 2018* paras 1–5.
[24] ibid.
[25] (2023) LPELR-60211 (CA).
[26] ibid.

Startups must also comply with labor laws, pension contributions and social insurance payments. If they operate in regulated sectors, additional licenses from the CBN, SEC, or other regulators may be needed. FinTech, for example, must secure proper CBN licenses.

With the rise of digital businesses, compliance with Nigeria's Data Protection Regulation (NDPR) has also become crucial.[27] Non-compliance with these rules can lead to fines, deregistration, or loss of licenses.[28] Despite the legal framework, enforcement remains weak, leading many startups to delay full compliance until they grow larger.[29]

2.2.3 Startups

A startup is a young, innovative company designed to grow fast, often operating in uncertain markets.[30] Startups focus on product development, funding and scaling. Unlike large companies, startups may initially avoid rigid governance structures to remain agile. But governance is important even at early stages to attract investors and manage risks.[31]

Under CAMA 2020, new companies benefit from eased requirements. For instance, single-person companies are now permitted, and small companies can be exempted from some formalities like appointing a company secretary.[32] Nonetheless, they must still meet core governance and compliance obligations such as appointing directors and filing annual returns.[33]

Experts advise startups to voluntarily adopt good practices: founder agreements, clear decision structures, vesting schedules, and written policies for areas like intellectual property

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[27] Nigeria Data Protection Regulation 2019.

[28] National Information Technology Development Agency Act 2007.

[29] E Ekpo, 'Data Protection Compliance Among Nigerian Startups', *Nigerian Journal of ICT Law* [2021] 9: 41.

[30] S Blank and B Dorf, *The Startup Owner's Manual* (K&S Ranch Press 2012) 19.

[31] P Davies, *Gower and Davies' Principles of Modern Company Law* (10th edn Sweet & Maxwell 2016) 214.

[32] Companies and Allied Matters Act 2020, ss 18(2) and 330.

[33] Companies and Allied Matters Act 2020, ss 271 and 421.

and financial controls.[34] Such measures reduce disputes and fraud risks and position the business for growth and funding.[35]

2.3 THEORETICAL FRAMEWORKS

2.3.1 Agency Theory

This theory explains the relationship between principals (shareholders) and agents (directors/managers). It assumes that managers may pursue personal interests over shareholders' interests. Corporate governance mechanisms are therefore needed to monitor management and align interests.[36] In the context of startups, this is especially relevant where founders control both ownership and management, creating risks of unchecked decision-making.[37]

2.3.2 Stewardship Theory

Contrary to agency theory, stewardship theory assumes that managers act as responsible stewards who work to maximize organizational performance.[38] Good governance structures are therefore supportive rather than restrictive. In startups, stewardship theory highlights the role of founder-driven trust and innovation but cautions that over-reliance on stewardship without checks may expose the business to risks.[39]

2.3.3 Stakeholder Theory

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[34] B Feld and J Mendelson, *Startup Boards* (Wiley 2016) 77.

[35] ibid

[36] M Jensen and W Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure', *Journal of Financial Economics* [1976] 3: 305.

[37] A Adegbite, *Corporate Governance in Nigeria* (Emerald Publishing 2015) 63.

[38] D E Davis, J H Schoorman and L Donaldson, 'Toward a Stewardship Theory of Management' (1997) 22 *Academy of Management Review* 20.

[39] T Cornforth, 'Understanding Governance in Start-up Firms' (2019) 25 *International Journal of Management Studies* 88.

This theory argues that governance should not only protect shareholders but also balance the interests of wider stakeholders (employees, customers, creditors, regulators, and society).[40] For startups in Nigeria, stakeholder theory is important because they often rely on external partners, investors, and communities for growth.[41]

2.4 LITERATURE REVIEW

Scholars have extensively examined corporate governance in Nigeria. Adegbite notes that governance practices in Nigeria have historically been shaped by weak enforcement mechanisms, cultural factors, and regulatory overlap, which often create uncertainty for businesses.[42] Uche highlights that the Nigerian business environment suffers from inadequate institutional enforcement, leaving many corporate governance provisions more aspirational than effective.[43]

Oyewunmi and Akinbola stress that compliance with governance codes is vital for business sustainability, particularly in attracting investors and maintaining corporate reputation.[44] Similarly, Lawuyi observes that good governance is not merely a legal formality but a driver of economic success and investor confidence.[45]

2.5 LEGAL LITERATURE ON GOVERNANCE IN NIGERIA

On startups specifically, literature shows that governance and compliance are often underdeveloped. Young companies typically prioritize product development and fundraising

[40] R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman 1984) 31.

[41] O Uche, 'Corporate Stakeholders and Business Growth in Nigeria' (2018) 6 *Nigerian Business Law Journal* 57.

[42] A Adegbite, 'Corporate Governance Regulation in Nigeria' (2012) 16 *Corporate Governance Journal* 45.

[43] O Uche, 'Institutional Weaknesses and Corporate Regulation in Nigeria' (2015) 9 *Nigerian Law Review* 103.

[44] A Oyewunmi and B Akinbola, 'Corporate Governance and Sustainability in Nigeria' (2018) 4 *Journal of African Commercial Law* 61.

[45] O Lawuyi, 'Good Governance as a Driver of Economic Growth' (2017) 11 *Nigerian Journal of Business Law* 29.

over compliance.[46] However, neglecting these issues leads to poor record-keeping, weak decision-making structures, and conflicts among founders or with investors. Some commentators argue that introducing governance frameworks early helps startups avoid disputes and become more attractive to investors.[47]

In practice, Nigerian law provides a mix of hard law and soft codes. CAMA 2020 is the principal legislation, supported by SEC regulations, the FRCN Act 2011, and the 2018 Nigerian Code of Corporate Governance.[48] Courts have also contributed to shaping governance practice. For instance, in *Prime tech Designs & Engineering Nigeria Ltd v. Corporate Affairs Commission*,[49] the court was reluctant to wind up a company for failing to comply strictly with membership rules under CAMA 2020. This decision reflects judicial caution but also raises concerns that weak enforcement may dilute governance standards.[50]

2.6 RESEARCH GAPS

While there is abundant literature on corporate governance in established firms and listed companies, there is limited research focusing specifically on startups in Nigeria. Most studies emphasize large corporations, leaving gaps in understanding how startups handle governance and compliance, what challenges they face, and the impact of weak enforcement mechanisms. This gap justifies the need for this research.[51]

2.7 CONCLUSION

This chapter has clarified the key concepts of corporate governance, compliance, and startups, and reviewed theoretical foundations and existing literature. It has shown that while governance and compliance are well-established in law and theory, Nigerian startups often

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[46] ibid.

[47] I Smith, 'Founder Disputes and Weak Governance Structures' (2019) 13 *Nigerian Business Law Journal* 90.

[48] Ibid

[49] Financial Reporting Council of Nigeria Act 2011; Nigerian Code of Corporate Governance 2018.

[50] Supra.

[51] Ibid.

neglect them, leading to risks in accountability, investor trust, and long-term survival. The research gap on startups further highlights the relevance of this study, which seeks to explore how governance and compliance affect startup growth and sustainability in Nigeria.[52]

[52] M Porter, *Competitive Strategy* (Free Press 2008) 15.

CHAPTER THREE

LEGAL AND REGULATORY FRAMEWORK IN NIGERIA

3.1 Introduction

This chapter outlines the legal and regulatory framework that governs corporate governance and compliance within Nigerian startups. It is structured to maintain your original comprehensive format, enriched with expanded explanations, practical insights, and scholarly citations.[53]

Understanding the laws and regulators is vital for startups aiming to grow while staying compliant. Nigeria's legal environment includes a layered system of statutes like the Companies and Allied Matters Act 2020,[54] regulatory rules such as the Nigerian Code of Corporate Governance 2018,[55] and sector-specific regimes controlled by bodies like the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Financial Reporting Council (FRCN), and the Corporate Affairs Commission (CAC). Together, these elements define the conditions startups must navigate to be legitimate and sustainable.[56]

3.2 Primary Legislation

3.2.1 Companies and Allied Matters Act 2020 (CAMA 2020)

CAMA 2020 is the foundational law governing companies in Nigeria. It prescribes the conditions for incorporation, shareholder and director duties, statutory filings, and sanctions.[57]

Key provisions affecting startups:

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[53] R K Yin, *Case Study Research: Design and Methods* (5th edn Sage 2014) 45.
[54] Companies and Allied Matters Act 2020.
[55] Nigerian Code of Corporate Governance 2018.
[56] Adegbite, *Corporate Governance in Nigeria* (Emerald 2015) 31
[57] Ibid.

- Single-Member Private Companies: Section 18 now allows a single person to form and operate a private company, easing incorporation for sole founders.[58]
- Small Company Exemptions: Under Section 394, a company qualifies as "small" if it satisfies thresholds for turnover and net assets and lacks foreign or state ownership. Such companies are exempted from holding Annual General Meetings (AGMs), appointing auditors or secretaries, and may opt for abridged returns.[59]
- Directors' Duties: Chapter 27 elaborates fiduciary and non-fiduciary duties of directors, including the duty to act in good faith (s. 279), avoid conflicts (s. 283), and act with reasonable care, skill, and diligence (s. 281). These duties can apply equally to startup founders who serve as directors.[60]
- LLPs and Limited Partnerships: Parts C and D of the Act introduce other flexible business forms that some startups may prefer depending on liability considerations.[61]

Case Law Insight

The Supreme Court in *Yalaju-Amaye v. Associated Registered Engineering Contractors Ltd* held that directors owe fiduciary obligations to act in the best interests of the company not personal gain emphasizing that breaches may result in personal liability.[62]

3.2.2 Companies Regulations 2021

- The CAC's 2021 Regulations implement CAMA's procedures and associated penalties:[63]

  E-Filing Protocols: CAC moved most filing procedures online, including name reservations, incorporation, and annual returns.

[58] CAMA 2020, s 18.
[59] CAMA 2020, s 394.
[60] CAMA 2020, ss 279–283.
[61] CAMA 2020, Parts C & D.
[62] (1990) 4 NWLR (Pt 145) 422
[63] Companies Regulations 2021.

- Penalties for Non-Compliance: The CAC now enforces daily fines for late annual returns and may strike a company off if filings are persistently overdue, underlining the importance of maintaining compliance even for informal startup ventures.[64]

3.2.3 Nigerian Code of Corporate Governance 2018 (NCCG)

Published by FRCN, the NCCG is a soft-law document prescribing governance best practices for example, board oversight, risk management, disclosures, and stakeholder relations.[65] Though not mandatory for startups, the principles in NCCG are often required by investors or used as standards in financial agreements. Early adoption of even a subset of these principles—like periodic board reviews or simple policies can improve credibility.[66]

3.2.4 Securities & Exchange Commission (SEC) – ISA 2007

Startups entering capital markets must adhere to SEC's governance guidelines, which adopt NCCG principles plus capital-market specific requirements (e.g., independent directors, more disclosures).[67]

3.2.5 Central Bank of Nigeria (CBN) Sectoral Guidelines

Fintech or financial sector startups face the CBN's sectoral corporate governance codes that extend NCCG norms. These include rules on board composition, risk management, and fit-and-proper criteria for directors (for e.g., in payment systems or microfinance operations).[68]

3.3 Other Regulatory Bodies

3.3.1 Corporate Affairs Commission (CAC)

[64] CAMA 2020, s 421.
[65] FRCN, *Nigerian Code of Corporate Governance 2018*.
[66] O Akinwale (n 4) 52.
[67] Investments and Securities Act 2007.
[68] CBN Corporate Governance Codes.

The CAC handles company registration, statutory filings, enforcement, and compliance monitoring. Its updated e-filing portal and new penalties reflect more proactive enforcement efforts under CAMA 2020 and the 2021 Regulations.[69]

3.3.2 Financial Reporting Council of Nigeria (FRCN)

FRCN issues governance and financial reporting standards, and oversees NCCG enforcement. It plays a vital role in shaping transparency and disclosure practices among startups aiming for scale or investment interest.[70]

3.3.3 Sector Regulators

- CBN: Governs finance-related startups.
- NAICOM: Regulates insurance-based entities.
- NDPC: Handles data protection compliance.
- NIPC: Registers foreign investments.
- NOTAP: Oversees tech-transfer agreements.
- SCUML: Handles AML/CTF compliance for DNFBPs.
- Each regulator imposes unique rules creating overlapping compliance demands for startups operating across sectors.[71]

3.4 Compliance Duties for Startups

3.4.1 Incorporation & Statutory Filing

Startups must incorporate with the CAC, maintain statutory registers, and file annual returns. Failure to comply may lead to penalties or company deregistration.[72]

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[69] CAC Annual Reports (2021).
[70] Financial Reporting Council of Nigeria Act 2011.
[71] O Uche, 'Regulatory Overlaps in Nigeria' (2019) 7 *NBLR* 88.
[72] CAMA 2020, s 417.

3.4.2 Tax and Fiscal Obligations

Startups must register with FIRS, file Company Income Tax and VAT returns, comply with PAYE deductions, and meet payroll-related contributions (NSITF, pensions). The Finance Act 2020 now allows small companies relief from audits but still requires accurate tax filings.[73]

3.4.3 Employment Contributions

Registration for pension and NSITF obligations is mandatory where employees are involved, even for small startups.[74]

3.4.4 Data Protection (NDPA 2023)

Digital startups must register with NDPC, appoint Compliance Officers, and follow data security protocols under Nigeria's new data protection law.[75]

3.4.5 Sectoral Licenses & Registrations

Startups should obtain CBN licenses for fintech or microfinance activities, fulfil foreign investment registrations via NIPC, and register technology transfer agreements with NOTAP where required.[76]

3.4.6 AML and Reporting Duties

Startups classified as DNFBPs must register with SCUML, set up AML policies, and report suspicious transactions.[77]

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[73] Finance Act 2020.
[74] Pension Reform Act 2014.
[75] Nigeria Data Protection Act 2023.
[76] NOTAP Act; NIPC Act.
[77] SCUML Regulations 2013.

3.4.7 Intellectual Property Rights

Registering trademarks and patents, while optional, is a prudent measure for brand protection and investor readiness.[78]

3.5 Challenges with the Framework

3.5.1 Overlap and multiplicity of rules

Startups often face overlapping or multiple governance codes and regulators (FRCN's NCCG, sector codes from CBN/SEC, CAC Regulations). Companies in regulated sectors may need to comply with several codes at once, creating compliance complexity and cost. This "stacking" of requirements can be especially burdensome for small, early-stage firms.[79]

3.5.2 Enforcement gaps and inconsistent application

Although Nigeria's laws and codes look robust on paper, enforcement is often inconsistent. Commentators have noted the voluntary nature of some codes (e.g., NCCG), courts have sometimes been reluctant to apply strict remedies for technical breaches, and regulators historically lacked resources for active monitoring, though there has been a trend toward stricter penalty application (e.g., CAC's move to apply daily penalties for late returns). This mismatch between rules and enforcement shapes many startups' behavior (some stay informal until funding forces formalization).

A recent judicial decision, *Prime tech Designs & Engineering Nig. Ltd & Julius Berger Plc v Corporate Affairs Commission*,[80] raised practical questions about the application of CAMA 2020's single-member/company provisions to firms incorporated before 2020; the case illustrates both the evolving legal landscape and judicial caution in enforcing certain technical sanctions.

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[78] Trademarks Act; Patents and Designs Act.

[79] A Adegbite (n 4) 73.

[80] 2023) FHC/ABJ/CS/665/2023.

3.5.3 Cost and capacity constraints

Startups lack legal and bookkeeping expertise and may be unable to hire compliance officers early on.[81] The cost of professional advice, audits and license applications can be high relative to a startup's budget, so many founders delay formal compliance, a behavior that increases risk later on (penalties, loss of investor confidence, contractual unenforceability).

3.5.4 Bureaucratic delays and procedural friction

Even though CAC introduced e-filing and CAMA reduced some formalities, practical delays, unclear guidance on new provisions and inter-agency coordination problems persist. The time and effort needed to comply with multiple agencies (CAC, FIRS, NDPC, NIPC, SCUML, NOTAP) can slow down business operations.[82]

3.6 Conclusion

Nigeria's legal framework for corporate governance and compliance is now richer and more modern than before: CAMA 2020, the Companies Regulations 2021, the NCCG (2018), and sectoral regulators (CBN, SEC, FRCN) give a clear set of rules and best practices that apply to startups as they grow. At the same time, practical enforcement, overlapping codes, cost of compliance and regulatory complexity remain significant constraints for many small firms. For startups, the sensible approach is to adopt a minimum viable compliance framework from day-one (proper incorporation, basic statutory registers, tax registration, simple governance documents and minimal finance controls) while scaling governance as the firm grows and takes on outside capital. The next chapters will use this legal and regulatory picture to analyze how actual Nigerian startups behave in practice and where gaps between law and reality appear.[83]

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[81] Ibid.

[82] CAC Stakeholder Reports (2022).

[83] M Porter, *Competitive Strategy* (Free Press 2008) 15.

CHAPTER FOUR

ANALYSIS OF GOVERNANCE AND COMPLIANCE IN NIGERIAN STARTUPS

4.1 Introduction

This chapter presents an in-depth analysis of both the doctrinal and empirical data collected in the course of this study. The chapter evaluates the nature, level, and effectiveness of governance and compliance practices among Nigerian startups, using data obtained from structured questionnaires and secondary legal materials. It aims to compare actual startup practices with statutory provisions under the *Companies and Allied Matters Act (CAMA) 2020*,[84] the *Nigeria Startup Act 2022*,[85] and other relevant frameworks such as those issued by the *Federal Inland Revenue Service (FIRS)*[86] and the *Corporate Affairs Commission (CAC)*.[87]

This dual-method approach enables the study to draw meaningful conclusions about how Nigerian startups are governed and the extent to which they adhere to legal compliance standards.

4.2 Overview of Nigerian Startups

Nigeria has one of the fastest-growing startup ecosystems in Africa, with over **480 active startups** as of 2024, according to the National Information Technology Development Agency (NITDA).[88] These startups operate across diverse sectors including **fintech (35%)**, **aggrotech (20%)**, **health tech (15%)**, **e-commerce (18%)**, and **others (12%)**. The *Nigeria*

[84] Companies and Allied Matters Act 2020.
[85] Nigeria Startup Act 2022.
[86] Federal Inland Revenue Service (Establishment) Act 2007.
[87] Companies and Allied Matters Act 2020, s 8.
[88] National Information Technology Development Agency (NITDA), *Nigeria Startup Ecosystem Report* (2024).

Startup Act 2022 defines a startup as a company registered under *CAMA 2020*, existing for less than ten years, and driven by technology, innovation, or intellectual property.[89]

Startups play a significant role in Nigeria's economic transformation. They generate employment, attract foreign investment, and promote innovation-driven development. However, their regulatory compliance levels remain inconsistent. While they often register formally with the CAC to attract investors, few maintain ongoing compliance with statutory obligations such as filing annual returns, paying taxes, or adopting structured governance mechanisms.

Empirical data from this research confirms that **92%** of respondents' startups were registered with the CAC, but only **34%** had ever filed annual returns. This finding reveals a critical gap between formal registration and continuous compliance, a gap that doctrinal provisions such as *Section 417 of CAMA 2020* seek to address.[90]

Startups also face unique challenges in governance: they are typically small, founder-led, and resource-constrained. This means that while they drive innovation, their structures often lack formal accountability mechanisms or legal awareness.

4.3 Governance Structures in Practice

Corporate governance among startups in Nigeria is largely informal and fluid. From the field data, **58%** of respondents stated that they had *no formal board of directors*, **27%** operated through informal advisory committees, and only **15%** maintained a formally constituted board as required under *Section 283 of CAMA 2020*,[91] which mandates a minimum of two directors for every company.

In practice, founders often occupy multiple roles, chief executive, accountant, and compliance officer, consolidating power and reducing transparency. Investors and mentors,

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[89] Nigeria Startup Act 2022, s 13.

[90] Companies and Allied Matters Act 2020, s 417.

[91] Companies and Allied Matters Act 2020, s 283.

where present, tend to influence governance through contractual arrangements rather than statutory board structures.

This has led to a hybrid governance culture: a mix of founder control, investor oversight, and informal accountability.

A respondent from a fintech startup in Lagos explained:

“We don’t have a formal board, but we hold regular meetings among co-founders and key investors to make decisions. It’s faster that way.”

While flexibility is important for startups, this approach can lead to conflicts of interest and weak oversight. *Section 305 of CAMA 2020* provides that directors must act in good faith and in the best interest of the company.[92] However, in practice, decisions are often made based on personal preference rather than fiduciary duty.[93]

Empirical results also reveal that startups rarely document their governance processes. Only **22%** keep minutes of meetings, and less than **30%** conduct annual audits. This informality, though efficient in the short term, undermines accountability and transparency which are two key pillars of sound corporate governance.

4.4 Compliance Awareness and Behaviors

Compliance practices among Nigerian startups are inconsistent and often reactive. Many founders only engage in regulatory compliance when required for investment or funding.

Survey findings indicate that:

- **92%** of startups were registered with the CAC.
- **34%** filed annual returns regularly.
- **28%** filed corporate income tax with FIRS.

[92] Companies and Allied Matters Act 2020, s 305.
[93] Ibid.

- **41%** were aware of intellectual property registration procedures under the *Startup Act 2022*.
- **55%** admitted to not understanding Nigeria's tax requirements fully.

Section 417 of CAMA 2020 imposes a duty on every company to file annual returns, and *Section 692* empowers the CAC to strike off companies that fail to comply.[94] Yet, enforcement has been limited.

A respondent from an aggrotech startup in Abuja stated:

"We registered with CAC because it was necessary for grants, but we didn't know we had to file anything annually. No one told us."

This reflects a systemic issue of awareness rather than intent. The doctrinal framework assumes knowledge of the law, but most startup founders are first-time entrepreneurs without legal training.

Tax compliance is another area of concern. Only a small fraction of startups remits taxes to FIRS regularly, often due to lack of clarity or funds. The *Finance Act 2021*[95] and *FIRS Establishment Act 2007*[96] both impose mandatory obligations on registered entities, but implementation gaps persist.

4.5 Common Challenges

The findings of this study reveal multiple challenges that hinder effective governance and compliance among startups in Nigeria:

1. **Limited Financial and Human Resources** – 73% of respondents identified lack of funds as their biggest constraint. Compliance (e.g., annual audits, tax filing) requires professionals that most startups cannot afford.

[94] Companies and Allied Matters Act 2020, s 692.
[95] Finance Act 2021.
[96] Federal Inland Revenue Service (Establishment) Act 2007.

2. **Lack of Expertise** – 64% cited inadequate knowledge of corporate law and accounting as a barrier.
3. **High Cost of Compliance** – Regulatory fees, CAC filings, and legal services are costly for early-stage startups.
4. **Bureaucratic Delays** – Slow responses from agencies such as the CAC and FIRS discourage timely filings.
5. **Tendency Toward Informality** – Founders often view compliance as optional until they seek external funding.

One respondent summarized this sentiment:

"Our focus is on survival and growth. We'll worry about compliance when we're bigger."

From a doctrinal perspective, these issues highlight a disconnect between law and practice. While CAMA 2020 and the Startup Act 2022 provide strong regulatory frameworks, they are not yet tailored to the unique realities of startups.

4.6 Case Studies

To deepen the analysis, three startups, Flutterwave, PiggyVest, and ThriveAgric were studied for their governance and compliance practices.[97]

(a) Flutterwave (Tech Startup A)

Flutterwave represents a highly structured fintech with a board of directors and compliance units. However, its 2023 governance controversy showed that even formal compliance mechanisms can fail when ethical standards are weak. This illustrates that governance is not just procedural but cultural.[98]

(b) PiggyVest (Fintech Startup B)

[97] P*rime tech Designs & Engineering Nigeria Ltd v Corporate Affairs Commission* (2023) (unreported).
[98] Ibid.

PiggyVest integrates good governance through financial transparency, annual audits, and user trust mechanisms. Its operations reflect compliance with *CBN* and *NDIC* guidelines, showcasing that regulation can coexist with innovation.

(c) ThriveAgric (Agro Startup C)

Initially informal, ThriveAgric transitioned to formal governance following investor demands. It now files audited reports and maintains a board. This transformation shows how external accountability can enforce compliance.

(d) FarmCrowdy (Agro Startup D)

FarmCrowdy's experience reflects the compliance burdens of aggrotech startups—balancing growth with regulatory obligations. It demonstrates that while legal frameworks exist, startups still require guidance to implement them.

4.7 Discussion

The combined doctrinal and empirical data reveals a significant gap between regulatory expectations and actual practice among startups in Nigeria.[99] Most founders are aware of *CAMA 2020* and the *Startup Act 2022*, but their interpretation of these laws is limited to business registration, not continuous compliance.

While *Section 419 of CAMA 2020* stipulates penalties for defaulting companies, enforcement remains weak. Similarly, *Section 6 of the Startup Act 2022* envisions a startup registry to streamline processes, but implementation has been slow.[100]

[99] Companies and Allied Matters Act 2020, s 419.
[100] Nigeria Startup Act 2022, s 6.

The results also show that startups with **foreign investors** tend to comply more rigorously, as due diligence and audits are prerequisites for funding. Conversely, indigenous startups with no external financing are less compliant.

Furthermore, the data confirms that effective governance correlates with startup growth and sustainability. Startups with structured boards reported fewer internal conflicts, better investor relations, and smoother operations.

The doctrinal position thus aligns with practical experience: while Nigerian law provides adequate governance standards, the challenge lies in education, enforcement, and incentives.

4.8 Conclusion

This chapter has analyzed both doctrinal and empirical data to evaluate governance and compliance in Nigerian startups. It found that:

- Registration levels are high but ongoing compliance is low.
- Governance remains largely informal and founder-driven.
- Legal awareness is limited despite strong frameworks like *CAMA 2020* and the *Nigeria Startup Act 2022*[101]
- Resource limitations, cost, and bureaucracy remain major barriers.

Therefore, bridging the gap between law and practice requires:

1. Targeted regulatory education for founders.
2. Simplified compliance platforms under the Startup Act.
3. Stronger enforcement balanced with supportive policies.
4. Greater collaboration between startups, government agencies, and investors to promote good governance culture.

[101] Nigeria Startup Act, 2022

If implemented, these steps can ensure that Nigerian startups not only survive but thrive under a governance and compliance framework consistent with both national and global best practices.

CHAPTER FIVE

SUMMARY, FINDINGS, RECOMMENDATIONS, CONTRIBUTION TO KNOWLEDGE AND CONCLUSION

5.1 SUMMARY OF THE STUDY

This research examined the framework, challenges and practical realities of corporate governance and compliance in Nigerian startups. It analyzed the conceptual foundation of corporate governance, its relevance to early-stage ventures, and the regulatory architecture governing business operations in Nigeria, including the Companies and Allied Matters Act 2020, the SEC Code of Corporate Governance, the Financial Reporting Council's regulatory guidelines, and sector-specific laws.

The study further explored how governance principles apply uniquely to startups, considering their informal structures, innovation-driven models and resource limitations. It reviewed the compliance obligations faced by new ventures and evaluated the extent to which startups adhere to statutory and regulatory expectations. Empirical observations, industry examples and practical case illustrations were utilized to show how weak governance practices affect fundraising, sustainability, investor confidence, organizational efficiency and long-term viability.

5.2 FINDINGS OF THE STUDY

5.2.1 Weak Governance Structures in Startups

Many Nigerian startups operate with informal or poorly defined governance structures. Boards are often absent or ineffective, decision-making is concentrated in the hands of founders and internal policies are largely undocumented. This creates accountability gaps and affects strategic planning.

5.2.2 Founder-Centric Decision Making

The study found strong reliance on founders for major decisions. While this may be inevitable at early stages, prolonged founder dominance weakens checks and balances and raises concerns for investors seeking transparency and shared governance.

5.2.3 Low Awareness of Compliance Obligations

Startups often lack adequate knowledge of their statutory requirements such as filing annual returns, tax compliance, labor law obligations, data protection requirements, intellectual property protection and sector-specific licensing. This contributes significantly to regulatory breaches.

5.2.4 Insufficient Funding and Governance Trade-offs

Because many startups operate with limited capital, governance and compliance measures are viewed as secondary priorities. This leads to governance trade-offs where product development is prioritized over accountability structures, documentation, audits or risk management.

5.2.5 Regulatory Complexity and Overlaps

The Nigerian regulatory environment is complex, with overlapping compliance mandates from agencies such as CAC, SEC, NDPB, CBN, NOTAP and FIRS. This creates administrative burdens for emerging businesses that lack compliance personnel.

5.2.6 Impact of Weak Governance on Sustainability

The study identified a strong link between weak governance and startup mortality. Businesses lacking clear accountability systems, structured boards, financial controls or legal compliance mechanisms are more likely to fail during early growth stages.

5.2.7 Increasing Importance of Governance for Investment

The findings further confirmed that investors now prioritize governance maturity before approving funding. Poor documentation, lack of defined governance structures or absence of financial transparency often results in rejected investment proposals.

5.3 RECOMMENDATIONS

5.3.1 Early Institutionalization of Governance Structures

Startups should establish governance frameworks from inception. Even a small advisory board or inclusion of at least one independent adviser can provide oversight, promote accountability and strengthen decision-making.

5.3.2 Governance and Compliance Training for Founders

Founders and senior executives should undergo basic training on regulatory compliance and corporate governance, including topics such as CAMA 2020 obligations, tax filing, employment regulations, data protection, cybersecurity, intellectual property and industry-specific rules.

5.3.3 Enhanced Financial Transparency and Internal Controls

Startups should adopt reliable financial management systems including simple accounting software, clear approval procedures for expenditures, dual-signatory financial policies and periodic internal or external audits. This will help prevent mismanagement and build investor trust.

5.3.4 Development of Governance Documentation

Founders should formalize internal operations by preparing governance instruments such as Shareholders' Agreements, Board Charters, Founders' Agreements, Conflict of Interest Policies, Whistleblowing Policies, Accounting Manuals and Employee Handbooks. These documents reduce ambiguity and prevent internal disputes.

5.3.5 Strengthening Compliance Culture

Startups should create and maintain a compliance calendar that includes submission of annual returns to CAC, preparation of audited financial statements, tax registrations and filings, pension remittances, industry licensing renewals and NDPA/NDPR data protection compliance requirements. Assigning a compliance officer will further support this.

5.3.6 Simplification of Regulatory Processes

Regulatory agencies should collaborate to harmonize compliance requirements, reduce bureaucratic bottlenecks and create startup-friendly regulatory pathways. Agencies such as CAC, NDPB, SEC, CBN and FIRS should improve inter-agency coordination to reduce duplicative obligations.

5.3.7 Strengthening Data Protection and Cybersecurity Readiness

Startups, especially technology-driven enterprises, should develop internal data protection protocols, conduct periodic security audits, implement consent systems for user data and comply fully with the Nigeria Data Protection Act 2023.[7] This will enhance trust and reduce regulatory risks.

5.3.8 Investor-Supported Governance Development

Investors should actively support governance development in investee startups by providing templates, mentorship, funding for compliance structures and guidance on meeting global governance practices. This ensures alignment between investors and founders and enhances organizational maturity.

5.3.9 Access to Affordable Legal and Compliance Support

Incubation hubs, accelerators and legal firms should collaborate to provide subsidized compliance advisory services. This will reduce the burden faced by new founders and increase formalization rates within the startup ecosystem.

5.3.10 Government Incentives for Good Governance

The government should introduce incentives such as tax reliefs, grants or credit guarantees for startups that demonstrate compliance with governance best practices. This will encourage a culture of self-driven compliance.

5.4 CONTRIBUTION TO KNOWLEDGE

This study makes several important contributions to academic scholarship, legal practice and the Nigerian startup ecosystem.

5.4.1 Expansion of Corporate Governance Literature to the Startup Sector

Most available literature focuses on governance in large corporations, public companies and financial institutions. This research fills a scholarly gap by providing an extensive analysis of corporate governance and compliance within Nigerian startups.

5.4.2 Consolidated Assessment of Nigeria's Governance and Compliance Framework

The study provides a comprehensive and unified evaluation of the corporate governance and compliance laws applicable to startups, integrating CAMA 2020, the SEC Corporate Governance Code, FRC guidelines, NDPR/NDPA and industry-specific regulations. [7]

5.4.3 Identification of Governance Challenges Unique to Startups

The research highlights unique governance vulnerabilities within startups, including founder dominance, informal structures, weak internal controls, limited documentation and low compliance awareness.

5.4.4 Integration of Legal, Economic and Organizational Perspectives

The study combines legal analysis with business management and organizational behavior insights, providing a multidisciplinary framework that enhances understanding of governance issues in new ventures.

5.4.5 Guidance for Policymakers and Regulators

By highlighting regulatory overlaps, complexity and administrative burdens, the research offers guidance for policymakers seeking to reform regulatory processes to support innovation-driven enterprises.

5.4.6 Practical Governance Blueprint for Startups and Investors

The study contributes practical models that founders, investors and incubation hubs can adopt, including recommendations for board composition, documentation, financial controls and compliance mechanisms.

5.4.7 Contribution to Understanding Startup Sustainability in Nigeria

The research demonstrates the link between governance maturity and startup longevity, adding valuable insight to discussions on why many Nigerian startups struggle with survival and scale.

5.5 CONCLUSION

This study concludes that corporate governance is an essential component of startup success in Nigeria. Strong governance improves accountability, enhances investor confidence, promotes transparency and strengthens long-term sustainability. Despite the perception that governance is costly or secondary to product development, evidence shows that the absence of governance structures significantly increases the risks of mismanagement, regulatory violations and organizational failure.

It is therefore concluded that startups in Nigeria must adopt governance frameworks early, and that regulators, investors and ecosystem stakeholders must collaborate to support the development of a governance culture conducive to innovation, growth and economic development in the country.

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