

CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE: A CASE STUDY OF THE DEVELOPING COUNTRY

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Abstract

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This paper examines principle-based corporate governance (CG) and the economic performance of the Fijian economy. A comprehensive study for three public cooperations, namely the National Bank of Fiji (NBF), Fiji Sugar Cooperation (FSC), and Fiji National Provident Fund (FNPF), is undertaken. The economic assessment of the Fijian economy exists from the period 2017 to 2021, and immense discussion related to the GDP growth rate and export markets has been conducted. The research paper adopts a case study method, and reference has been made to company reports and existing literature to conclude on the compliance of CG virtues. The findings reveal that FNPF, NBF, and FSC experienced corporate collapse due to deficiencies, deception, and improper CG practice. The failure of NBF was a major blow on the Fijian economy, while large losses from FSC imposed risk on the stakeholders of the sugar industry. FNPF had also managed to overcome the write-off of 2010 with the help of good CG, but the wrong decisions by the relevant authorities had created fear among the retirement savers. The selected cooperations reveal important lessons for other Fijian companies. Although the research does not determine the CG index or compare the practice of CG between public and private firms, the achieved results point out the need to make companies follow the principles of CG and train personnel to instil ethical behaviours, transparency, and accountability.

Keywords: Fiji, Corporate Governance, Performance, Regulations, Ethics, Transparency

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1. INTRODUCTION

Corporate governance (CG) developments have become a crucial issue worldwide after governments recognised that the long-term growth performance of an economy rests on strong complementaries

between sound macroeconomic policies and microeconomic foundations. Even though economies pen down best development policies, enforce effective regulations, and improve technological innovations, a poor practice of CG mechanism can disrupt firms' performance, resource allocation, and economic

growth. Corporate governance is not a predefined success model of global firms; instead, it is a framework that emphasises the processes and structures for business directors and management. The practices of CG aim to build interaction between the board of directors, stakeholders, and shareholders and safeguard the success and effectiveness of an internal control system (IC) of a company (Maher & Anderson, 2000).

Researchers often measure CG using variables that consider insider and outsider systems, such as ownership concentration and ownership structure, board size and independence, corporate control, shareholder rights, and investor relations (Kuo, Lu, & Dinh, 2020; Nashier & Gupta, 2020). However, the widely dispersed ownership and conflict between strong managers and weak shareholders (outsider system) or minority shareholders and blockholders (insider system) require a firm-specific investigation for the implementation of effective CG mechanisms (Blair, 1995).

The establishment of the CG is vital to understand the strength, weaknesses, implications, and formal and informal relations involving a corporation. It is also essential for the support of board members, owners, audit committees, and examination of business processes. Moreover, effective CG further recognises the asset value by identifying fraudulent activities, irregularities, risks, and critical concern areas. It deploys practices to evaluate the development framework, compliance issues, financial performance of the organisation; and suggests more efficient use of resources through encouraging achievement of corporate objectives and devotion to the values and ethics of the organisation (Martinov-Bennie, Soh, & Tweedie, 2015).

Good CG is necessary for business entities to build an environment of trust, transparency, and accountability, which is vital for long-term investment, financial stability, business integrity, and achievement of more inclusive societies (Rodriguez-Fernandez, 2016). Researchers have been using many theories to understand the structure of organisations and impose mechanisms for practice. However, the institutional theory became quite common in many countries, narrowing down to streamlining old procedures and norms (Dacin, 1997). The theory helps understand the regulatory requirements, diffusion of practices, and isomorphous pressures on organisations (Dacin, Goodstein, & Scott, 2002). It also provides valuable viewpoints and analytical framework on the development of CG and the dynamics of change for organisations success (Dillard, Rigsby, & Goodman, 2004).

The organisations in Fiji are also keen on adopting and practising an efficient CG framework for growth. The listed companies under the stock exchange market, together with private and public organisations, strongly support the virtues of CG and plans to explore the institutional theory for innovation, creativity and growth. However, they require guidance, policies, and standards towards achieving the laid objectives. The general accounting literature and prior research on CG for Fiji have accorded little attention to the institutional change perspective. Thus, since good CG maximises shareholder values ethically and sustainably (Prasad & James, 2018), this research will explore the relationship between CG structure and economics

performance and identify institutional forces that have shaped CG attributes, norms and practices. The study will also refresh the principles of CG for policymakers, boards of directors, audit managers, chief financial controllers and accountants and will be an essential contribution to the existing literature.

The paper's structure is as follows. Section 2 sheds light on existing research conducted in Fiji and internationally. Section 3 elaborates on the methodology used to present findings on the relationship between CG and economic performance. Section 4 presents the economic background of Fiji while Section 5 discusses key findings from selected cooperations and elaborates on the themes that originate from the evidence. Section 6 concludes the paper with a few limitations.

2. LITERATURE REVIEW

Corporate governance became evident just after the 19th century when the financial crisis and corporate scam escalated in many giant firms and Asian countries (Farooq, Noor, & Ali, 2022). Many organisations started to call for mechanisms, procedures, rules, and regulations to control the high level of scandals, fraud, corruption, negligence, complaints and accountability issues and overcome the stunted business growth and immense wastage (Fernando, 2011). The academicians and the researchers also started digging deep to understand the internal and external governance mechanisms to reduce penalties and risks caused by the management and safeguard shareholders' financial viability and interests (Hermalin, 2005; Shleifer & Vishny, 1997). Corporate governance quickly became known among developed countries for slashing agency costs, information gaps, and creating and adding value to the companies (McGee, 2009). However, massive work remains in developing and transitional economies where poor governance hindered efficient use of resources, better access to capital, domestic and regional markets, and realising sustainable growth (Baatwah, Salleh, & Ahmad, 2015).

The crucial ingredient for firms better performance is quality governance and a higher governance index. Today, CG has become a prerequisite of attracting equity capital (Blair, 1995) and a mechanism to protect the interests of shareholders and stakeholders (Bhatt & Bhatt, 2017). Good CG turns out to be a thriving channel for raising market reputation and obtaining external funds at lower costs. It also helps determine the risks and returns from business activities and outline what firms can do to maintain more stable business health and long term investment goals (Giurca Vasilescu, 2008). Many investors from non-OECD countries are already eager to pay a substantial premium for credibility, transparency, and accountability to ensure a practice of good governance for increased flow of financial capital and productivity growth (Rodriguez-Fernandez, 2016).

The relationship between financial performance and CG has been the underlying principle for various frameworks within business settings. Researchers used theories such as institutional theory, agency theory, stewardship theory, resource dependence theory to exhibit the relationship between CG and

a firm's performance (Tripathi, 2019; Cincalova & Hedija, 2020; Sadeh & Kacker, 2020). They resorted to calculating and interpreting the Spearman's and Pearson's coefficients, multiple regressions, descriptive statistics to understand the signs and relationships caused by the proxy variables (Nyaruri, Mburu, & Omurwa, 2019; Puni & Anlesinya, 2019; Kyere & Ausloos, 2021). Often, researchers measured CG using variables such as ownership concentration and ownership structure, board size and independence, corporate control, shareholder rights, and investor relations (Kuo et al., 2020; Nashier & Gupta, 2020) and measured firms' performance through Tobin's Q ratio, return on assets, return on equity, earnings per share and market value (Hatem, 2014; Iqbal, Nawaz, & Ehsan, 2019).

Numerous research conducted throughout the globe speaks volumes about the importance and the widening role of CG amongst firms and its impact on economic development. Research evidence from Brazil reveals that only 4% of firms follow the principle of governance, and these firms enjoy higher profitability than their counterparts (da Silva & Leal, 2005). Likewise, Korean public companies demonstrate that a lower cost of capital and higher firm value in the market is achievable with a better CG structure (Black, Jang, & Kim, 2006). Even with effective board mechanisms, the Spanish firms and 141 Indian companies reliably show a positive impact on the firm's profitability and protection of shareholders interest (Rodriguez-Fernandez, Fernandez-Alonso, & Rodriguez-Rodriguez, 2014; Mishra & Mohanty, 2014).

Similarly, research on 349 listed companies under Gulf Cooperation Council, 407 companies under the Bombay Stock Exchange, 113 publicly traded companies of Malaysia, and selected firms in Bahrain show a significant positive relationship between a firm's performance and governance quality, although they used different proxy variables and methodologies (Farooq et al., 2022). Studies from Pakistan further confirm that firms' performance and profitability are highly associated with governance variables, index, and board committee characteristics (Nazir & Afza, 2018). In addition, empirical evidence from Jordan's 81 non-financial firms listed on the Amman Stock Exchange for 2014–2018 also shows a significant and positive relationship between firms' performance and CG mechanisms (Alodat, Salleh, Hashim, & Sulong, 2021).

However, it is thought-provoking to find that 252 firms listed on London Stock Exchange for 2014 show inconclusive results for relationships between CG mechanisms and financial performance. The researchers reveal that a company's financial performance depends not only on predefined CG mechanisms; rather, there is a need to consider a new set of instruments and socio-economic factors that indirectly affect business performance (Kyere & Ausloos, 2021). Vietnam has also revealed multiple effects of CG on a firm's performance. Using data from the period from 2008 to 2012, the information from 177 listed companies presented a positive correlation between the role of CEO and firms performance, a negative relationship between board independence and firm's performance, while a statistically insignificant relationship between board size and firm performance (Vo & Nguyen,

2014). Similar results arise from Ghana, showing that even though board gender diversity and independence play a significant role in influencing the return on equity and return on assets, there exists no statistical relationship between firms' performance and board size (Sarpong-Danquah, Gyimah, Afriyie, & Asiamah, 2018).

In some cases, although CG acts as an instrument to control unethical practices within businesses, the outcome depends on how large or how small a company is and how effectively the mechanisms are implemented. Evidence from different organisations and countries reveals inconclusive results. Some researchers show that larger firms have better corporate mechanisms and thereby enjoy higher profitability due to their competitive edge and lower operating and agency costs (Asimakopoulos, Samitas, & Papadogonas, 2009). Others believe that larger firms have access to greater resources and motivation to strengthen governance practices, making them achieve economies of scale and economies of scope, thereby higher profitability (Farooq et al., 2022). In some cases, larger firms are more conscious about market share and stock performance and often aim to comply sincerely with governance principles than smaller firms (Liu, Wei, & Xie, 2014). On the other hand, researchers have also revealed a negative, quadratic, and no relationship between firm size, governance mechanisms, and profitability (Krishnan & Lee, 2009; Voulgaris & Lemonakis, 2014).

In Fiji, limited studies have been conducted on CG and analysis of firm size on financial performance. The small Fijian economy was also not spared from corporate failure and financial scandals. Fiji's major financial scandal is the collapse of the National Bank of Fiji, causing a loss of 220 million dollars through its corporate failure (Grynberg, Munro, & White, 2002). But the increasing cases of misuse of funds by public officers, civil servants, businessmen, and individuals are upsetting and questionable. Several cases and highlights are listed on the Fiji Independent Commission Against Corruption (FICAC) web page and media. Many private companies in Fiji are not concerned about CG principles and codes because their sole purpose is profit maximisation. Companies with such objectives are much inactive in assessing and updating CG critical issues. But, there are some companies and government entities that have well-structured CG codes that are mandated to follow through the culture and tone set by the board of directors and its committees (Reddy & Sharma, 2014). The past corporate failures in Fiji are a good lesson for many shareholders and stakeholders. For this reason, accounting bodies and authorities call for good practices, such as transparency and accountability, and interrogate instruments for scams and ask organisational boards and committees to discharge their individual duties and responsibilities ethically (Mala & White, 2009).

Overall, companies can improve organisational value by implementing good CG and at the same time applying corporate social responsibility (CSR) disclosures that take into account the balance between internal and external interests (Worokinasih & Zaini, 2020). Since the long-term objective of a company is to maximise the value of a corporation, potential shareholders or investors often analyse

company profiles to make an investment decision, and executing good CG practice is the pathway to winning investor confidence. Hence, there is a need to understand the adherence of CG values among Fijian companies in recent years and identify the strength and weaknesses of organisations so that both the shareholders and the stakeholders realise the benefits of good governance.

3. RESEARCH METHODOLOGY

The study employed a qualitative research method and comprehensive analysis of archival information, proclamations, government directives, and publications on CG code and practice in Fiji. The approach allows a richer analysis of the phenomena under investigation and captures country-level policies and regulations with implications for the institutionalisation of CG in Fiji.

Numerous scams and scandals took place in Fiji. However, for this study, large corporations such as Fiji Sugar Corporation (FSC), National Bank of Fiji (NBF), and Fiji National Provident Fund (FNPF) are considered. References have been made to reports released by the South Pacific Stock Exchange Market (SPX), Reserve Bank of Fiji (RBF), Asian Development Bank (ADB), Fiji National Provident Fund (FNPF), and Fiji Independent Commission against Corruption (FICAC).

The triangulation method is also adopted to understand Fiji's major sectors, markets, products, and economic performance. The analysis presents information from 2017 to 2021, and references have been made to early research, reports, and periods in which unethical practices were prevalent.

4. ECONOMIC BACKGROUND OF FIJI

Fiji is a small Pacific Island Nation nestled in the heart of the South Pacific Region Ocean with 333 islands mostly made of volcanic mountains and pristine beaches. The country covers an area of more than 18000 square kilometres and endures tropical weather with temperatures remaining the same throughout the year. The islands are home to people with different cultural backgrounds, traditions, and religions, with a slow-paced lifestyle and strong belief in the family and community (Lal, 1992).

Fiji has a population of less than a million. According to the 2017 census survey¹, the total population stands at 884,887 compared to 837,271 (2007 census survey), indicating a 5.7% increase in the population (47,616). The recent projections released by the Worldometers and United Nations population review further show that Fiji's population has increased during the COVID-19 pandemic, from 896,444 in 2020 to around 902,906 in 2021 (Worldometers, 2022, <https://www.worldometers.info/world-population/fiji-population/>). The average annual population growth rate is 0.68% and is expected to be grim due to delayed marriages, low birth rates, high cost of living, and out-migration. The median age of the Fijian population is 27.5 years, reflecting a young and energetic cohort but is dependent on the government for sound policies

and opportunities. Men make up 50.7% of the population, and their proportion is often higher for age groups below 59. In comparison, women make up 49.3% of the people with ages mostly above 60, indicating greater female longevity (Fiji Bureau of Statistics, 2018, www.statsfiji.gov.fj).

On the economic side, the Fijian Government is making every effort to lift the status of the economy. Apart from infrastructure expansions, maintenance, and provision of quick public services, a democratic government through free and fair elections in 2014 and 2018 brought numerous changes in the operation and economic growth of the Fijian economy until 2020 when COVID-19 intensified. Before the pandemic, local and international investments had increased, trade relations became stronger, foreign exchange earnings improved through the tourism sector, employment opportunities expanded, and welfare assistance, free education, medical facilities boosted the well-being of people and communities.

The earnings from export also contributed a considerable sum towards the development of the economy. From 2017 to 2020, Fiji's major export commodities have been water, raw sugar, processed fish, non-fillet fish, gold, refined petroleum, and fuelwood. The sugar industry was the backbone of Fiji in the early decades and contributed considerably to Fiji's socio-economic growth. However, in the recent decade, problems such as expiry of land leases, high agriculture costs, rising labour requirements, declining sugar prices in the international markets, and continuous migration from rural to urban areas for white-collar jobs led to the downfall of sugar exports (Sachan & Krishna, 2021).

Commodities such as water², gold and processed fish outstripped the sugar industry and helped the Fijian economy recover from the upsetting export market and loss of foreign revenue (Figure 1). The discovery of regional and international markets for refined petroleum, non-fillet fish, and fuelwood brought more relief to the export sector as policymakers introduced export-oriented policies to secure a substantial global market share.

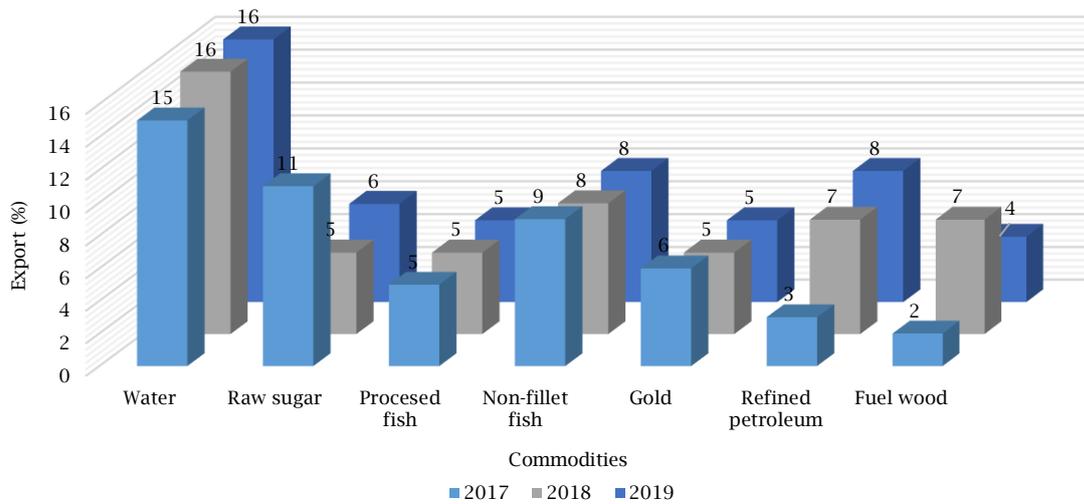
More welcoming was the association with the leading giant economies, which partnered with Fiji to conduct trade activities (Figure 2). Countries like the United States of America (US), the United Kingdom (UK), China, Japan, and the United Arab Emirates (UAE) integrated with Fiji to foster harmonised development through a free flow of goods, technologies, and essential resources. Fiji's most extensive trade and investment partner from 2017 to 2021 was the US (22%), followed by Australia (12.7%) and New Zealand (7.3%) (TrendEconomy, 2021³).

The US has been the major importer of Fiji water in the last four years (2017–2020). On average, the US imports 85% of the water from Fiji, while China (2%), Hongkong (1%), and the UAE (1%) have a small import share. In 2019, Fiji was ranked as the 5th largest exporter of water globally, and the same year, water was declared as the 1st most exported product of Fiji.

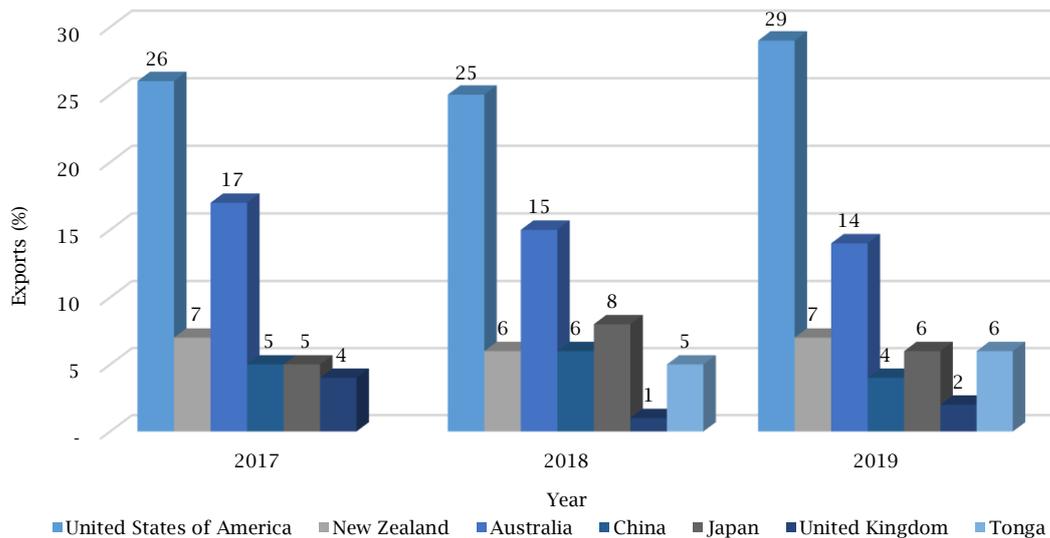
¹ Census in Fiji is conducted in every ten years. Last census was carried out in 2017 and the next is expected to be performed in 2027.

² Water includes artificial or natural mineral water and also aerated water.

³ <https://trendeconomy.com/data/h2/Fiji/TOTAL>

Figure 1. Fiji's major export commodities from 2017 to 2019

Source: TrendEconomy (2021, <https://trendeconomy.com/data/h2/Fiji/TOTAL>).

Figure 2. Fiji's major export destinations from 2017 to 2019

Source: TrendEconomy (2021, <https://trendeconomy.com/data/h2/Fiji/TOTAL>).

Notes: 2020-2021 data is a forecasted value and has not been included in the graph. Instead, simple discussions have been done wherever it is necessary.

For sugar exports, the UK was the leading importer (30%) in 2017, followed by countries, such as Spain (20%), Portugal (17%), Italy (13%), and the US (11%). In 2018, China (25%), Spain (21%), and Bulgaria (20%) took over the sugar export market as the US (9%), and the UK (9%) showed less interest in Fiji's sugar market. However, in 2019, the UK again became the leading importer (28%), followed by Spain (17%), the Netherlands (15%), and Bulgaria (15%). From 2020 to 2021, the market price of raw sugar had increased due to adverse weather. It imposed a major impact on Brazil as the best exporter of sugar from Fiji. Sugar is also Fiji's 4th most exported product in 2019 and 47th exporter in the global market.

On the contrary, Hong Kong opened its arm for processed fish. They have been the biggest importer from 2017 to 2019, securing around 94% of processed fish imports. Australia, New Zealand, Vanuatu, and Canada are also the leading importers of Fish after

Hong Kong, importing 8% to 30% of processed fish (OEC, 2020). For non-fillet fish, China, Japan, Vietnam, and Thailand have secured 20% to 30% of the market exports. Fiji is the 49th exporter of non-fillet fish globally, and through favourable trade agreements, countries such as Vietnam, Thailand, and Chinese Taipei are strengthening bonds with Fiji. Non-fillet frozen fish is the 3rd most exported product of Fiji.

Moreover, like sugar, gold is also one of the oldest export commodities. Australia is the leading importer of gold, obtaining 98% of gold from Fiji. Other markets, such as the UAE, Singapore, Hong Kong, and India, have captured 1%. Gold is the 5th most exported product of Fiji, and in 2019, Fiji was the 110th exporter of gold. Apart from Australia, the UAE and Hong Kong are becoming the growing markets of Fiji's Gold.

Fiji is also doing very well with the emerging export market of refined petroleum and fuelwood. Over the last three years, Tonga has been the major

buyer of refined petroleum from Fiji (on average 50%), followed by other Pacific Island countries, such as Papua New Guinea, Cook Islands, Wallis Futuna, and Tuvalu. However, for fuelwood, the major buyers are not the nearby countries, but Japan and China are leading customers. In 2017 and 2018, Japan held a share of 86%, and in 2019, they increased it to 99%. China had, on average, 15% of the share between 2017 and 2018 and decreased to 1% as Japan took over the market. Fuelwood is the 7th most exported product of Fiji, and globally, Fiji is the 37th largest exporter of fuelwood. Kiribati, the US, New Zealand, and Papua New Guinea are becoming the emerging markets of fuelwood due to low tariff rates (4.87%). Fiji has the resources and potential to expand its export market. Still, they often face risks in securing the international markets because they are a small and vulnerable economy. They also lack good governance, quality institutions, human capital, technologies, and the right policies to enhance export productivity (Chand, Singh, Patel, & Jain, 2020). In addition, the disruption caused by the COVID-19 pandemic on global trade is inescapable.

Moving away from sectoral arguments, the economic growth rate for Fiji is between 2014 and 2018 had also averaged around 4%, except for 2016, when the impact of a category five cyclone (Cyclone Winston) declined growth rate to 2.4%. However, in 2019, the economy again experienced

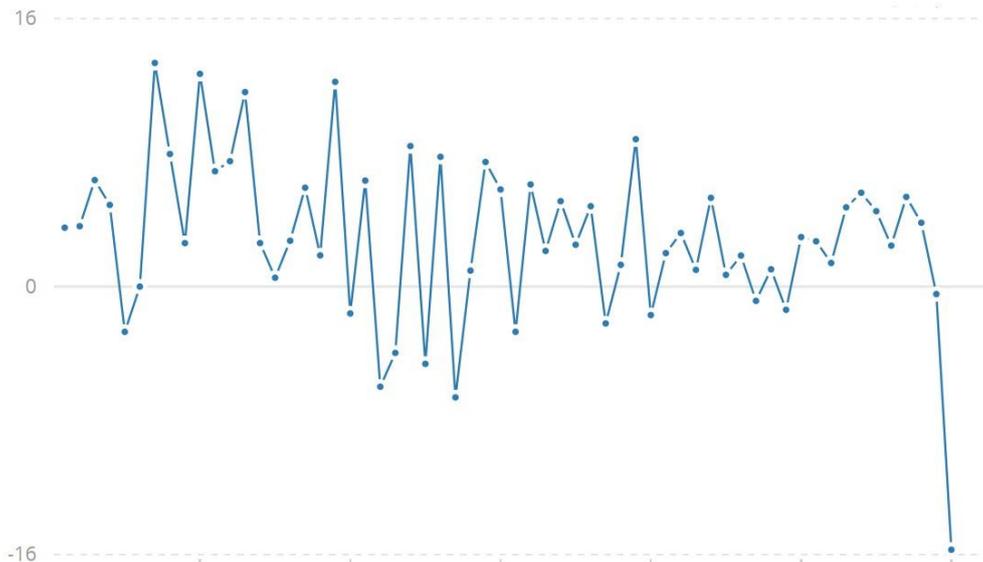
a sluggish growth of 0.5% due to a fall in business confidence, consumption activity, and contractions in investment caused by the 2018 national elections (Gounder, 2020).

From 2020, policymakers envisaged high hopes for the economy, but when the pandemic roped the tourism sector and led to a rise in unemployment, government debt, inflationary pressures, and uncertainties, the growth projections were revised to 1.7% (2020) and 2.9% (2021). The lethal disease has put the whole nation under financial constraint, preventing the population from investing in new homes and infrastructure and making them use retirement savings for consumption of non-durable goods such as food and clothing.

The prolonged periods of lockdown, safety restrictions, social distancing, and closure of international borders have strained the aviation, manufacturing, and hospitality industry. Trade tensions and rising fuel prices with the loss of skilled people have also pushed many into poverty and made them resort to informal jobs for survival.

Hence, the severe effects of the pandemic led to an economic growth contraction of 15.2% in 2020 (Figure 3) and around 4.4% in 2021. However, if borders continue to open despite the third wave and travel restrictions ease for tourists, families, and businesses, the policymakers expect a rebound of 11.3% for economic growth in 2022 (RBF, 2021).

Figure 3. GDP growth for the Fijian economy (annual %)



Source: World Bank (<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=FJ>).

5. DISCUSSION

5.1. National Bank of Fiji (NBF)

The NBF started operation as a savings bank in 1907 and transitioned into a commercial bank in 1973. The bank mainly had served small-scale savers, and during 1974, the managing director of finance had the power to grant a waiver on banking ordinance or place a limit on customer loans. In 1984, the 25% equity rule by the Minister of Finance allowed NBF to loan out large amounts for natural disaster rehabilitation programs, resulting in abuses, kickbacks, and compensations (Karan, 2010).

During this time, NBF presented reports that showed that they were doing reasonably well, but they were actually insolvent. Even the Office of the Auditor General (OAG) failed to highlight the deficiencies. The manipulated results remained undiscovered for long, leading to severe financial chaos. The corrupt practices such as sanctioning loans without proper documentation, accepting non-competitive tenders, taking advantage of positions to access funds, and poor public sector management led to the significant loss of public monies and the demise of the national bank (Lodhia & Burritt, 2004).

The collapse of the National Bank of Fiji was the biggest financial scandal in the history of Fiji.

The government announced in mid-1995 that the state-owned NBF has bad and doubtful debts that amount up to \$90 million⁴. Later, the figure was revised to FJ\$220 million, equivalent to 8% of Fiji's GDP. In an attempt to save NBF from collapse, the government has spent FJ\$200 million at the cost of taxpayers (Grynberg et al., 2002). Other loans and advances continued at NBF. Fiji National Provident Fund (FNPF) also provided a loan equivalent to \$305 million, but deficiencies continued to mount. Authorities started to hide the matter from the public, evaded pieces of evidence, and denied access to relevant documents. Although the case directly involved public money, the bank closed without disciplinary action for unethical practices and negligence.

5.2. Fiji Sugar Corporation (FSC)

Fiji Sugar Corporation (FSC) was the backbone of Fiji for many decades until the tourism industry took over. It is a government-owned entity with a monopoly on raw sugar production. Today, the sector generates around 4.5% of exports and contributes 1.1% of GDP compared to more than 50% in the 1800s. FSC was a thriving industry for Fiji and a vital employment sector for many people living in rural and semi-rural areas. However, from 2005 onwards, FSC started to incur operating losses from ordinary activities, leading to a \$10.3 million loss by 2008.

In 2009, FSC faced financial difficulties and required funds to improve and survive. Even though the government has provided a loan guarantee, the entity could not secure short-term borrowing from selected financial institutions. These institutions believed that the entity did not have sufficient debt-paying ability. By late 2009, FSC came under the limelight and got bankrupt. They submitted to the government that the entity could no longer pay off its debts. Since the government gave a loan guarantee, they also faced a real challenge in meeting the liability, which stood at \$120 million. An international consultancy firm from New Zealand (Deloitte) engaged with the government to comprehensively review FSC's performances and structure. Although the government could solve many disorders and save the entity from closing, FSC lingers in losses. As of 2020, the total current assets stand at \$223 million, while total liabilities are at \$523 million (FSC, 2020). Apart from CG issues, the entity is also affected by low export price, the high maintenance cost of mills and infrastructure, poor quality of sugar cane, and decrease in harvest caused by natural disasters, lease expiry, and movement of farmers to other crops and earnings. Thus, FSC cannot continue as a going concern without government support and can enter insolvency if left alone. For these reasons, in March 2020, the government announced its loan conversion to FSC (\$173.8 million) into equity and further provided an operating grant of \$50 million. The government also increased its guarantee provided in 2017 from \$120 million to \$322 million with an extended guarantee period until May 2022 (FSC, 2020).

5.3. Fiji National Provident Fund (FNPF)

The Fiji National Provident Fund (FNPF) is the only superannuation body in Fiji that mooted and started in the 1940s. It is the largest financial institution committed to securing Fijians' future through compulsory savings for retirement. The institution has a defined contribution by the employers and employees and guides their members with provisions stated in the Office of the Attorney-General (2019). Over the years, compulsory contribution by the employers was 10% while employees contributed 8%. However, due to the severe COVID-19 impact when many people were jobless and businesses were down, the government helped companies and people retain their cash flows by reducing the total contribution to 10% (both employers and employees contribute 5%).

The Fiji National Provident Fund is one of the most prominent investors and property owners of Fiji. The institution has around \$6.4 billion worth of members funds and almost \$8.2 billion in assets, with shares in Vodafone Fiji Limited, HFC Bank, Amalgamated Telecom Holdings Limited. The fund also fully owns resorts such as Momi Bay Resort Pte Limited (Fiji Marriott Resort), Marriott Denarau Properties (Westin Fiji, Sheraton Fiji, and Denarau Golf & Racquet Club), Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, and the Grand Pacific Hotel. There are around 446658 members under this institution, and they all benefit from annual interest income relative to their savings. The institution has established a transparent framework and works to maintain accountability and integrity; however, it has also suffered governance issues in the early years (FNPF, 2022).

In 2010, poor investment decisions by the authorities led to a loss of FJ\$327 million, which was equivalent to 9% of the members' funds. The government auditor and the top four chartered accountant firms provided audit services during these investment decisions. The auditors noticed an over-valuation of assets in 2005. They later reported (2008) that they could not access complete financial information relating to high-risk investments such as the Natadola project. The fund continued to operate with an inflated value of assets until 2010 when huge losses led members to suffer and face insecurities (FNPF, 2008). The losses of \$301 million from Natadola Investment, \$18 million from Momi Investment, and the rest from other hotels and organisations (Malthouse Brewery, Savusavu Marina, Bayview Hospital, Grand Pacific Hotel, and the Fiji Hardwood Corporation) were written off. The wrong decisions had imposed costs on all members and created fear on retirement savings (Devi, Kumar, & Rau, 2012).

5.4. Other companies and industries

Numerous cases exist of unethical practices that led to a loss to individuals, the public, and businesses. In 2021, FICAC updated many cases on their website, which represented deception, unethical behaviour, negligence, and lack of transparency and accountability. Cases had related to businesses, public companies, formal and informal workers and

⁴ 1 FJD, USD, 0.47134 USD, 1 Fiji dollar = 0.47134 US dollars as of 04/14/2021 (<https://www.exchange-rates.org/Rate/FJD/USD>).

civil servants. Personnel such as senior military officer, technical officer of Ministry of Housing, estate officer of iTaukei Trust Board, business licensing officer of Nausori Town Council, driving school instructor, unit leader of Energy Fiji Limited, immigration officer, and companies such as Prime Fiji Limited took financial advantage by deception. The public often approaches the officers and civil servants with hope and trust, but these behaviours result in more costs than favours (FICAC, 2022).

5.5. Compliance of corporate governance

Compliance with the code is on an “if not why not” basis. This means that even though compliance with the code is mandatory, companies can choose not to comply with certain aspects of the code. Compliance with code is compulsory for companies listed on the South Pacific Stock Exchange Market (SPX) and licensed intermediaries operating in Fiji; however, organisations that do not follow will have to provide justifications. In 2008, Capital Market Development Authority (CMDA) developed a principle-based CG code. It became mandatory for the listed companies to comply with CMDA codes, but again, the nature and the extent of information for disclosure depended on the directors’ discretion or the complying entity. The binding codes were necessary to raise funds by offering public shares to enhance company reporting and attract more international investors through proper disclosures. CMDA identified ten core CG principles for compliance that was mandatory to follow:

Table 1. Corporate governance code for capital markets

Principle 1: Establish clear responsibilities for board oversight.
Principle 2: Constitute an effective board.
Principle 3: Appointment of CEO.
Principle 4: Board and company secretary.
Principle 5: Timely and balanced disclosure.
Principle 6: Promote ethical and responsible decision-making.
Principle 7: Register of interests.
Principle 8: Respect the rights of shareholders.
Principle 9: Accountability and audit.
Principle 10: Recognise and manage risks.

Source: Reserve Bank of Fiji (2020).

CMDA promoted good governance practice in Fiji, and the Asian Development Bank (ADB) played a significant role in brewing good virtues, credibility, confidence, and legitimacy in companies. ADB also supported the nation with technical assistance and local training to help companies understand governance issues (Reddy & Sharma, 2014).

Few studies conducted in Fiji retaliate that an appropriate and consistent code of compliance is paramount for business success. However, many companies prefer not to accept the reality. The family-owned businesses in Fiji are relatively common, as the management team is often the major shareholder and in charge of company operations. The low levels of shareholder dispersion and separation of ownership and control may seem reasonable, but it often churns out limited CG disclosures (Glen, Lee, & Singh, 2000).

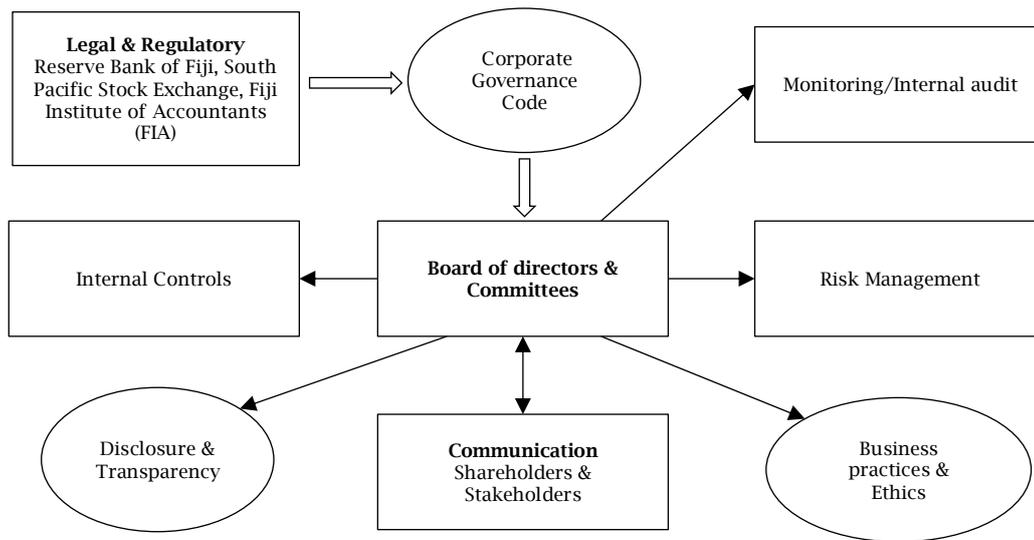
Hence, even with market regulations and understanding of the importance of compliance, investigation on offenders and punishment to penetrators are diminutive in Fiji (Sharma & Nguyen, 2010).

Likewise, listed companies are seen following all reporting protocols and information to stakeholders, but in some instances, despite various reporting requirements and rules, companies are reluctant to disclose unfavourable information. The listing rules for companies in Fiji are that they need to prepare and present financial statements according to the Fiji accounting standards and send a copy of the audited financial statement to all the shareholders and SPX no later than three months (Reddy & Sharma, 2014).

In some cases, companies fear providing financial details to the public, especially when competitors can use the information against the businesses, and these are the times when SPX faces challenges to get business listed in the market (Mala & White, 2009). However, the SPX has confidence in the stock market and believes that CG compliance will attract more investors and improve share price in the long run.

Thus, since the CG approach by CMDA is in line with best international practices, companies and organisations should tailor-make practices that suit their circumstances and improve their compliance for the benefit of wider stakeholders. If the principle-based governance approach is gruelling, large companies can adopt a more sophisticated governance structure than small and medium companies. But the listed companies need to comply and disclose information using principle base guidelines. The Fijian Government has provided incentives to the listed companies in Fiji by reducing the listed companies’ tax rate from 20% to 18.5% in 2013 and 10% from 2014 and onwards (SPSE, 2014). The savings from tax expenditures should help companies invest in good governance adoption and practice. CG reporting regulations in Fiji is summarised below:

Figure 4. Corporate governance regulation framework in Fiji



Source: Authors' compilation.

6. CONCLUSION

COVID-19 pandemic is affecting developing nations as well as developed nations. Businesses in developing countries need to be resilient and implement context-specific policies. Although global pressures exist on developing countries and the risk of major corporate collapses are high, tailor-made policies can improve CG practices and reduce sufferings and losses. Hence, this research examines the association of CG effectiveness with the performance of public cooperation and considers the level of management's actions for CG recommendations.

The research revolves mainly around three cooperations (NBF, FSC, and FNPF) and tries to find out the governance issues that led to huge losses and collapses of public and private property. In 1995, NBF resulted in a FJ\$220 million loss due to manipulation of results, deficiencies, and deception, which forced the bank to be closed. FSC faced a \$120 million loss in 2009 due to its inability to meet the financial obligation and went bankrupt. The cooperation still lingers in deficits, and the government provides support by taking certain loans as shares. FNPF jerked in 2010 with a loss of \$FJ327 million due to wrong decisions made by relevant authorities. The public members feared

losing their hard-earned savings, but improvements in CG practices slowly helped the cooperation overcome this problem. Other cooperations and personnel also resulted in public losses, retaliating that every organisation must enforce customised and good CG practices. The study also provides a deep understanding of Fiji's economic background and factors that can bring CG challenges. Furthermore, the findings support the principle-based CG and provide regulators and policy analysts valuable insights on practices appropriate for Fiji.

The limitation of our study is that reference is made mainly to the qualitative information. A quantitative analysis would reflect the CG index, which would explain the components required for improvements. Moreover, since results only represent selected cooperation, cautions need to be exercised in generalising the adoption and compliance of CG virtues for both private and public companies of Fiji. Thirdly, the study only considers public cooperation. A mix of public and private firms could have allowed better comparison and understanding of CG principles and implementation effects. The researchers encourage future research on understanding the compliance of CG practices in private companies and on the development of the CG index.

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