

Assessing the Implementation of Corporate Governance Practices in Zambia: A study of companies listed on the Lusaka Securities Exchange (LUSE)

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Abstract

Corporate governance is a mechanism that ensures transparency, accountability, and efficiency in corporate entities, thereby fostering investor confidence and economic growth. This study examines the implementation of corporate governance practices among companies listed on the Lusaka Securities Exchange (LuSE). Despite regulatory frameworks designed to promote good governance, many listed companies in Zambia face challenges in fully implementing these practices. Issues such as weak board oversight, inadequate transparency, and resistance to governance reforms continue to persist. The study aimed to assess the extent of corporate governance implementation, its impact on investor confidence, and the barriers companies face in adopting best governance practices. A mixed-method research approach was employed, with questionnaires administered and interviews conducted with corporate executives, governance experts, and employees of selected listed companies. The collected data was analysed using descriptive statistics and statistical inference via the Statistical Package for the Social Sciences (SPSS V.23). Purposive sampling was utilised in this research. Yamane's formula was used to determine a sample size of 114, but only 97 questionnaires were completed. The designated study population was 160. Thematic analysis was used to interpret the qualitative data. Key findings indicated that corporate governance practices were being implemented by the listed companies. The study also revealed that corporate governance increased investor confidence through transparency and the disclosure of information by companies. However, it was found that implementation varies across organisations due to factors such as regulatory constraints, lack of expertise, and resource limitations. The results also showed a strong positive perception of the effectiveness of governance structures: 77.3% rated corporate governance practices as highly effective, with a mean score of 3.75 (SD = 0.48). Regarding the transparency of financial reporting, 75.3% of respondents considered disclosures to be very transparent, indicating a high level of information integrity. Importantly, 68% of respondents confirmed that corporate governance significantly increased investor confidence, with only 2.1% remaining uncertain. These findings were supported by financial ratio analysis of award-winning LuSE companies, which demonstrated improved liquidity and profitability indicators, with returns on capital employed averaging 5–14%, confirming the link between governance and financial performance. The research adds to the growing body of knowledge on corporate governance in emerging markets and offers insights for policymakers and corporate leaders seeking to improve governance standards. The study concludes that corporate governance is broadly implemented and positively associated with improved firm performance and increased investor confidence among LuSE-listed companies. It recommends ongoing regulatory oversight, board training programmes, and stakeholder collaboration to strengthen governance practices, ensuring consistency across all listed entities. Enhancing governance frameworks will be crucial in maintaining investor trust and boosting Zambia's competitiveness as an emerging market.

Keywords: Corporate Governance, Lusaka Securities Exchange, Transparency, Accountability, Investor Confidence

1. Introduction

The research sought to assess the implementation of Corporate Governance practices in Zambia by studying selected listed companies on the Lusaka Securities Exchange. Corporate governance is essential in running any business or corporate entity successfully. Corporate governance is the way power is exercised over corporate entities. It encompasses the activities of a board, its relationships with shareholders or members, and those managing the enterprise. Corporate governance is also described as a tool that allows management and the board to address the company's challenges more effectively. It ensures that businesses have proper decision-making processes and controls in place to balance the interests of all stakeholders (Bebchuk, Cohen and Ferrell, A 2009).

Corporate governance brings up a significant aspect of governance called good governance. Good governance provides the infrastructure to improve the quality of the decisions made by those who manage businesses. Good governance aims to minimize corruption, consider the opinions of minorities and listen to the voices of the oppressed people in the decision-making process. It also responds actively to the community's needs now and in the future (Mohan, 2023). While good governance is a widely acknowledged ideal, its implementation remains a significant challenge for many organizations. Weak corporate governance can result in severe financial and socio-economic consequences for organizations and the broader society. Bad governance is a reason for poor performance in most organizations.

1.1 Background to the study

The two main corporate entities in Zambia are private and public companies. Private companies are further divided into private companies limited by shares, private companies limited by guarantee and unlimited companies. On the other hand, public companies are either “quoted” on the securities exchange (i.e., available for trading, but with no additional listing requirements) or are “listed” (i.e. must follow the Lusaka Securities Exchange’s listing requirements and meet ongoing obligations). Zambia’s corporate governance legal framework is primarily provided for under Part VII of the Companies Act, 2017 and the articles of association which are supplemented by sector-specific legislations such as the Banking and Financial Services Act, 2017, the Securities Act, 2016 and the Insurance Act, 2021. Further, public companies listed on the Lusaka Securities Exchange (“LuSE”) are required to comply with governance rules and standards contained in the Listing Rules as well as guidelines and principles of corporate governance contained in the LuSE corporate governance code for companies listed on LuSE (Marie, 2014).

The Lusaka Securities Exchange, established in 1994 with support from the World Bank and IFC, was created to promote capital market development, attract foreign investment, and encourage broad share ownership among Zambians. Over the years, LuSE has become a key institution promoting transparency and accountability among listed companies.

Many Zambian companies still face challenges in fully implementing corporate governance practices. Issues such as inadequate transparency, regulatory gaps, limited expertise, and inconsistent adherence to governance codes continue to hinder effective governance. These concerns contributed to operational inefficiencies, financial misstatements, and reduced investor confidence. For example, some listed companies have faced regulatory sanctions due to poor disclosure and non-compliance.

The study focuses on six LuSE-listed companies: Standard Chartered Bank, ZANACO, Shoprite, Madison Insurance, Zambeef, and Zambia Sugar selected because they have previously received corporate governance awards from LuSE. These organisations provide a relevant context for examining the extent to which governance principles are implemented in practice, how governance affects investor confidence, and what barriers hinder effective adoption.

1.2 Statement of the problem

Despite Zambia's efforts to promote corporate governance through regulatory frameworks, many publicly listed companies struggle with implementation. Issues such as weak board oversight, lack of transparency in financial reporting, non-compliance with governance codes, and minimal shareholder engagement persist. Lack of transparency and disclosure can lead to investors losing confidence in investing in Zambia.

Many companies fail to implement corporate governance standards such as financial disclosures, which results in few firms being listed on the stock exchange. Although Zambia has governance codes and an expanding body of literature on governance-performance links, there is limited empirical research documenting how fully LuSE-listed firms apply governance provisions, the observable barriers to consistent implementation, and how these differences in implementation influence investor confidence in the Zambian market. This research addresses that gap by focusing on how companies listed on the exchange implement corporate governance practices.

1.3 Aim of the research

This study aimed at assessing the extent of the implementation of corporate governance practices by LUSE-listed companies. The research objectives and research questions are as follows;

1.4 Research Objectives

The study seeks to achieve the following objectives.

- To assess the level of implementation of corporate governance principles among LuSE-listed companies.
- To evaluate the influence of corporate governance implementation on investor confidence.
- To identify challenges and barriers faced by companies in implementing corporate governance practices.

1.5 Significance of the study

This study adds to the knowledge of Corporate Governance in Zambia. The research benefits students, researchers, policy makers and leaders. The study is important as it concentrates on implementing corporate governance practices in Zambia. The research is significant in creating a platform for defining and demonstrating the effectiveness of firm internal corporate governance structures, models and frameworks. The occurrence of corporate scandals due to bad governance is justification for the study. Significant attempts are made to furnish stakeholders with information on governance and its effect on investor confidence. This study helps add insights into the workings of corporate governance practices and contributes to

the already existing literature on the subject matter. The findings of this research shall help policymakers gain value-added information on corporate governance as a key to policy formulation that can help them in the running of both public and private institutions. The other stakeholders of this study include: LuSE-listed companies (the study population), Regulators (LuSE, SEC, BOZ), Shareholders and investors, corporate leaders (boards & executives), Professional and academic institutions and the wider public and economy that benefit from stronger corporate governance.

2. Literature Review

2.1 Principles of Corporate Governance

Scholars highlight four key governance pillars: transparency, accountability, integrity, and stewardship, which ensure companies disclose accurate information, uphold ethical standards and operate in the best interests of shareholders. (Graham, Plumptre & Amos, 2003). Good governance reduces fraud, improves decision-making, strengthens internal controls, and enhances organisational performance. In emerging economies like Zambia, effective corporate governance is especially critical because it builds investor trust, supports financial market stability, and aligns local practices with international standards.

2.2 Corporate Governance Codes and Guidelines

Zambia has developed a comprehensive governance framework guided by national legislation and sector regulations. The key codes include:

- The Corporate Governance Code for Listed and Non-Listed Companies (2018), issued by the Securities and Exchange Commission (SEC), which sets standards for board independence, shareholder rights, disclosure obligations, and ethical conduct.
- LuSE Listing Rules, which require all listed companies to uphold transparency, publish financial reports, disclose related-party transactions, and maintain proper board structures.
- Sector-specific codes and directives issued by the Bank of Zambia, the Pensions and Insurance Authority, and ZICA reinforce governance in banking, insurance, and financial reporting.

2.3 Benefits of Good Corporate Governance

- Improved Transparency and Accountability: Clear reporting obligations and oversight mechanisms ensure companies operate openly and manage their resources responsibly.
- Enhanced Investor Confidence: Investors are more willing to commit capital to companies with credible governance systems, as these reduce risks of fraud, mismanagement, and financial instability.
- Risk Reduction and Better Control Systems: Effective governance enables organisations to identify, monitor, and mitigate risks, improving operational and financial stability.
- Better Strategic and Operational Decision-Making: Independent and diverse boards contribute to more balanced, objective, and long-term decision-making.
- Compliance with International Standards: Good governance aligns companies with global best practices, attracting foreign investment and strengthening competitiveness in capital markets.

2.4 Theoretical and Conceptual Framework

The research is grounded in Agency Theory, which explains conflicts between shareholders (principals) and management (agents), supported by Stakeholder Theory (considering all parties affected by corporate decisions) and Institutional Theory, emphasizing regulatory and cultural influences. Together, these frameworks justify the study’s focus on governance compliance and its impact on stakeholder trust and corporate outcomes.

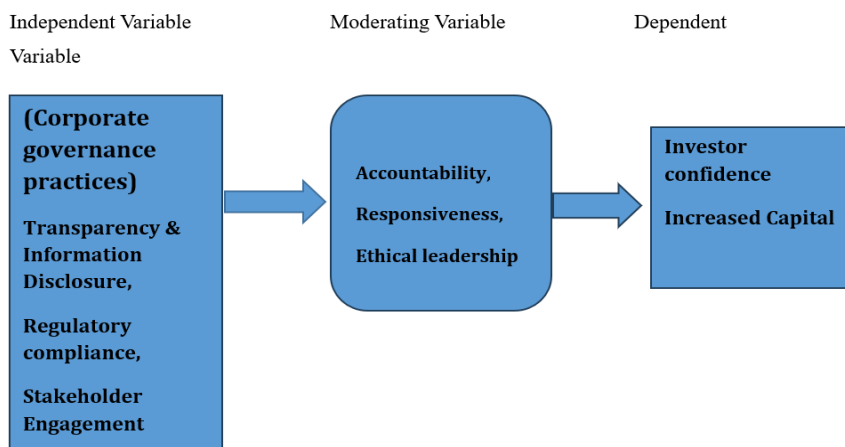


Figure 1: Conceptual framework

The conceptual framework of this study illustrates the relationship between corporate governance practices, good governance principles, and Investor confidence among companies listed on the Lusaka Securities Exchange (LuSE). The framework identifies corporate governance practices such as transparency and information disclosure, regulatory compliance and stakeholder engagement as the independent variable. The relationship between these two variables is influenced by a moderating variable, identified as good governance principles, which include accountability, ethical leadership, and responsiveness.

3 Methodology

3.1 Research Design

A mixed-method research design was used to provide both statistical and contextual insights. Six LuSE-listed companies with recognized governance performance were selected as the sample. From a population of 160 employees and executives, 97 valid responses were analyzed. Purposive sampling was applied. Data collection involved questionnaires and semi-structured interviews. Quantitative data were analysed using SPSS v23, while qualitative data were analysed thematically. Key indicators assessed included accountability, transparency, disclosure, and integrity.

3.2 Random Sampling and Sample Size

The study employed purposive sampling to select the general population for the research. Purposive sampling was used to choose participants for interviews and to respond to the questionnaire. Using Yamane's formula (1967) for sample determination, a target of 114 participants was identified from the study population of 160 governance-related personnel. A total of 97 valid responses were received, representing an effective response rate of 85%.

3.3 Data collection procedure

Data collection was done systematically to allow for the quick flow of information. It enhanced the quality and reliability of the study. The study used interviews, questionnaires and statistical methods to collect data. The researcher personally collected data to ensure quality data was obtained.

3.4 Data Analysis instrument and procedure

Quantitative Data- The study used descriptive statistics to analyse the data. Statistical Package for Social Science (SPSS) was used to analyse data to enable the development of themes and logical presentation of research results.

Qualitative- Thematic analysis to identify key themes and trends and interviews with open-ended questions to reveal deeper insights that a survey might not capture.

4 Results and Discussion

Using the questionnaire, the results collected were as follows:

4.1 Implementation of Governance Practices

Qualitative Data from the Interview questions and questionnaire on the extent of implementation of corporate governance practices. The results in Table 1 show that the overall implementation of corporate governance practices among LuSE-listed companies is generally robust, though it varies across firms. Standard Chartered Bank Zambia Plc and Zanaco Plc have the highest compliance levels, around 90% implementation, indicating strong accountability systems, transparent financial reporting, thorough disclosures, and active ethical governance frameworks. These organisations consistently align with both LuSE and Bank of Zambia corporate governance codes, demonstrating mature governance structures and solid investor relations practices. Shoprite Zambia Plc, Zambia Sugar Plc, and Zambeef Products Plc also display high levels of implementation (around 80-85%), particularly in accountability and transparency.

Table 1: Extent of Implementation of Corporate Governance Practices

Company	Accountability	Transparency	Disclosure	Integrity / Ethical Leadership	Overall Implementation Level
Shoprite Zambia Plc	High – active audit and risk committees; regular board reviews	High – timely financial reports and supplier transparency	Moderate – limited details on board remuneration	Moderate – ethics policy exists but enforcement weak	High (~80%)
Standard Chartered Bank Zambia Plc	Very High – strong internal control and compliance with LuSE & BoZ codes	Very High – IFRS compliant reporting; open investor communication	High – publishes detailed annual reports and CSR activities	High – code of conduct and whistleblower system active	Very High (~90%)
Zambia Sugar Plc	High – well-structured board and annual evaluations	High – financial statements publicly available	Moderate – disclosure mostly financial, limited ESG details	High – strong ethical culture under Illovo group governance	High (~85%)

Company	Accountability	Transparency	Disclosure	Integrity / Ethical Leadership	Overall Implementation Level
Madison Insurance Plc	Moderate – board oversight improving but delayed audits (2019–2021)	Moderate – partial transparency; regulatory censures noted	Low – disclosure gaps in past reporting	Moderate – policy in place but not consistently enforced	Moderate (~65%)
Zanaco Plc	Very High – strong governance framework and independent committees	Very High – proactive investor communication and LuSE award winner	High – full disclosure of board composition and results	High – leadership integrity and ethics training implemented	Very High (~90%)
Zambeef Products Plc	High – functioning audit committee and board independence	High – detailed financial and sustainability reporting	High – disclosure of related-party transactions and CSR	Moderate – ethics program developing	High (~85%)

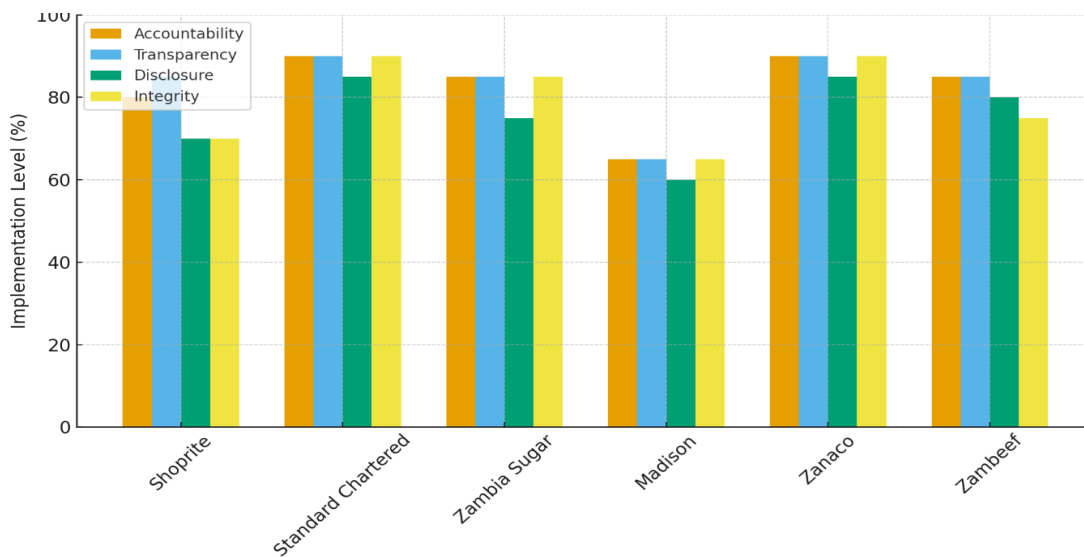


Figure 2: Extent of Implementation of Corporate Governance Practices

4.2 Impact of corporate governance practices on investor confidence

The research confirmed a positive relationship between the implementation of corporate governance and investor confidence. Approximately 68% of respondents agreed that effective governance significantly boosts investor trust through transparency, consistent financial disclosures, and accountability in management decisions. Companies with stronger governance frameworks, particularly Zanaco and Standard Chartered Bank, also experienced higher investor engagement and financial stability. This aligns with both Agency and Stakeholder Theories, which suggest that transparent governance and responsible leadership reduce agency conflicts and foster stakeholder trust.

Table 2: To what extent does corporate governance contribute towards increasing investor confidence?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	2	2.1	2.1
	Medium	29	29.9	32.0
	Large	66	68.0	100.0
	Total	97	100.0	100.0

4.3 Challenges and barriers faced by companies in implementing corporate governance practices

Qualitative data were obtained through interviews. Managers from the selected companies were interviewed and data collected as indicated below:

Table 3: Challenges of Implementing Corporate Governance Practices.

Challenges and Barriers of Implementing Corporate Governance Practices	
1	Failure to adhere to governance standards due to weak policies in organisations.
2	Lack of strong leadership to change the ethical culture in the organisation.
3	Pressure to deliver short-term financial results leads to governance compromises.
4	Management resists new governance practices due to unfamiliarity or fear of accountability.
5	Lack of board diversity
6	Poor Internal controls

7	Lack of qualified staff or employees
8	Limited capacity of small and medium enterprises (SMEs) listed on the LuSE to implement robust corporate governance practices.
9	Lack of awareness and education on corporate governance principles among companies and stakeholders.
10	Resource limitations hinder the enforcement of governance regulations

5 Conclusion and Recommendations

5.1 Conclusion

Corporate governance implementation among LuSE-listed firms is substantial but uneven. Strong governance correlates positively with investor confidence, transparency, and firm performance. The study concludes that consistent implementation of governance frameworks is crucial for Zambia's economic credibility and capital market growth. The study concludes that corporate governance is generally well implemented among companies listed on the Lusaka Securities Exchange (LuSE), though the level of implementation differs across firms and sectors. Financial institutions such as Standard Chartered Bank and Zanaco show the strongest compliance due to stricter regulations, while non-financial companies are steadily improving through reforms, training, and increased awareness.

The research found a positive relationship between corporate governance and investor confidence. About 68% of respondents agreed that transparent reporting, ethical leadership, and consistent disclosures significantly increase investor trust. Companies with strong governance frameworks also demonstrated better financial performance, confirming that corporate governance enhances investor confidence by reducing risk and improving transparency and accountability.

Despite these gains, the study identified key challenges inhibiting full implementation, especially among small and medium-sized listed firms. These include weak internal controls, limited expertise, resistance to governance reforms, inadequate resources, and poor board diversity. These barriers affect consistency in applying governance standards.

Overall, the study concludes that strengthening corporate governance is essential for building investor trust, enhancing company performance, and supporting the long-term development of Zambia's capital market. Improved governance will attract both local and international investment and contribute to broader economic growth.

5.2 Recommendations

- Capacity Building: Regular training for board members and executives on governance standards.
- Regulatory Enforcement: Strengthen oversight by LuSE, SEC, and BoZ to ensure consistent compliance.
- Disclosure Enhancement: Mandate quarterly governance and sustainability reporting.
- Technology Integration: Promote digital systems for real-time reporting and accountability.
- Stakeholder Collaboration: Encourage partnerships between regulators, academia, and the private sector to advance governance literacy.

Declaration of Competing Interests

The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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