

**CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF SELECTED
COMMERCIAL BANKS IN MOGADISHU SOMALIA**

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**A THESIS SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT
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DECLARATION

I declare that this research work entitled "corporate governance and financial performance of selected commercial banks in Mogadishu Somalia" is my original work and has not been submitted for any award at any academic institution.

STUDENT: SAID HASHI AHMED

Signature:

Date:

APPROVAL

"I confirm that this research work in progress on corporate governance and financial performance of selected commercial banks in Mogadishu Somalia has been under my supervision and now is ready for submission to the college of economics and management of Kampala international university in partial fulfillment of the requirements for the award of master degree in Business Administration.

SUPERVISOR: DR. OMWENO N ENOCK

Signature:.....

Date:.....

DEDICATION

I dedicate this piece of work to the almighty Allah who has enabled me to carry out research successfully and my beloved parents without forgetting my dear siblings.

My sincere thanks go to my supervisor Dr. Omweno N. Enock for his patience, guidance to ensure that this work is perfect.

I would also like to thank people who molded me to become what I am today through lessons and good advice they have given me. Thank you very much if it wasn't for you I don't think I would have achieved this.

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All praise is to Allah Almighty, the most Compassionate sympathetic and the Merciful, Who bestowed and granted me the potential and ability to complete this research work. I would also like to send and pay my homage, honor and sweet sensation of respect to my loving and caring parents whose love, prayers and encouragement kept me steadfast, dedicated and enabled me to attain this target successfully.

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LIST OF ABBREVIATIONS

CVI	Content Validity Index
ANOVA	Analysis of Variances
SPSS	Statistical Package for Social Sciences
CEO	Chief Executive Office
CBS	Commercial Bank of Somalia
UK	United Nation
US	United State

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ABSTRACT

The purpose of this study was to investigate the effect of corporate governance on financial performance of selected commercial banks in Mogadishu Somalia. It was guided by three objectives, that included i) to determine the effect of transparency on the financial performance in commercial banks Mogadishu Somalia; ii) to establish the effect of accountability on the financial performance in commercial banks Mogadishu Somalia; iii) to identify the effect of board composition on the financial performance in commercial banks Mogadishu Somalia. The study comprised of a population of 94 respondents from which a sample size of 76 respondents were selected, and a descriptive research design was used to collect data from 76 respondents using self-administered questionnaires as the main data collection instrument. Include the tools used to analyse which is self-administered questionnaire and documentary review checklist. The findings of this study were; transparency significantly affects financial performance of commercial banks in Mogadishu Somalia as indicated by the F-value=28.889 and Sig-value=.003, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect, the findings revealed that there is a significant effect accountability has on financial performance of commercial banks in Mogadishu Somalia as indicated by the F-value=43.788 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. The findings also proved a positive significant effect board composition has on financial performance of commercial banks in Mogadishu Somalia as indicated by the positive F-value=136.347 and Sig-value=0.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that board composition highly affects the financial performance of commercial banks in Mogadishu Somalia. The researcher concluded that; applying of transparency as a corporate governance system can lead to the improvement in the financial performance of commercial banks since it increases on the quality and efficiency during corporate governance, the financial performance of commercial banks can be improved once accountability is effectively worked on because it helps to increase the customer responsiveness by reducing the demand gap thus giving satisfaction to the end customer by availing the desired financial services when needed, and board composition should base on customer orders, transaction forecasts and bank policy in order to stimulate customer demand which leads to the improvement in the financial performance of commercial banks. The study Recommended that; commercial banks should develop a good transparent system to monitor and track all the business transactions so that there is effectiveness in corporate governance and ensure to cover loopholes in the system to enhance financial performance of commercial banks, commercial banks should develop an effective accountability system for so as to boost financial performance of commercial banks, this will enable employees step up and doing what is best for the bank. The study contributed to knowledge by indicating that it is the fact that the research gap that has been filled by this study, it is the fact that the study covered both the content and geographical gap of corporate governance and financial performance of commercial banks. Another important revelation that can be

attributed to this study is that it is now clear that corporate governance is somehow lacking among commercial banks in Mogadishu Somalia and little is done to improve the financial performance of banks in Mogadishu Somalia.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents background of the study, statement of the problem, purpose of the study objectives, research questions, hypothesis, scope and significance of the study.

1.1 Background of the Study

The background of the study focused on historical, theoretical, conceptual and contextual perspective.

1.1.1 Historical Perspective

The subject of corporate administration world over has been top of the motivation for a long time. Notwithstanding tight administrative structure, corporate administration keeps on debilitating in created and immature nations somewhat, asserts the World Bank report (2015). Issues of good administration in business have moved toward becoming issues of incredible open and scholastic discussion during the previous 15 years, incited by significant outrages, for example, the cheats at Enron and WorldCom in the US, and the breakdown of Vivendi in France and Marconi and Equitable Life in the UK, to give some examples. In the period 2014 to 2010, a few worldwide banks, for example, Marilyn Lynch, Chase Bank, JP Morgan, among others, crumbled because of the executives issues.

Such concerns are not just relevant to the interior undertakings of enormous companies, yet additionally have a reverberation for the more extensive network of partners, for example, the business banks. Correspondingly, the executives of business banks have gone under weight by the various partners offering an incentive for cash benefits in agreement to the set arrangements in Somalia's monetary division. This regularly decides the supportability of banks in the money related segment. Issues identifying with corporate administration, be that as it may, are not new. They have been around since the beginning of the business entity, which rose as a significant type of business association in England and Scotland during the

seventeenth century. Any place share-owning organizations were huge enough for a space to rise between chiefs, directors and most of proprietors, irreconcilable circumstances between the three gatherings could rise. This space turned into a political field in which overseeing officials went up against their 'open', the investor gatherings. The basic inquiries regarding how power was to be isolated between owners, chiefs and administrators were replied in an assortment of ways by various organizations.

Conyon and Florou (2014) recognized two kinds of contentions; one from administrative good danger since, in not having full proprietorship, administrators can't catch the full advantages of their endeavors. Too, they don't bear the full expenses of their activities. This contention has been depicted as managerialist or administrative organization. Moreover, the unpredictability of the coordination task in the advanced firm (partnership), flawed data (vulnerability). Such carefulness, notwithstanding, makes open doors for self-intrigued conduct by the supervisors. This impulse to self-glorify is strengthened by having various arrangements of data accessible to specialists and principals. This data asymmetry can imply that the individuals who by and by discipline the administrators will most likely be unable to screen efficiently the exhibition of the supervisors henceforth influencing the viability, productivity, economy and fittingness of the associations/partnerships.

The East Asian emergency and the ongoing corporate outrages the world over, combined with the apparently terrible showing of corporate Africa as to money related administration have given noticeable quality and driving force to corporate administration on the mainland. One of the most striking contrasts between nations' corporate administration frameworks are the differentiations in the proprietorship and control of firms that exist crosswise over nations. Corporate administration frameworks can be recognized by the level of proprietorship fixation and the personality of controlling investors. While a few frameworks are portrayed by generally scattered proprietorship, others will in general be described by concentrated

possession where the controlling investor might be an individual, family holding, coalition partnership, or monetary organization and different enterprises acting through a holding organization or by means of cross shareholdings. In this manner, two of the most essential clashes that can happen in corporate administration are the contention between a controlling director and 'outside' generally scattered investors, and the contention between 'inside' controlling investors and outside minority investors. This soon or later influences the monetary presentation of banks since straightforwardness, responsibility and transparency in revealing and exposure of data, both operational and budgetary, might be undermined (Kithinji and Waweru, 2017).

1.1.2 Theoretical Perspective

The study was guided by the Principal Agency Theory by Jensen and Meckling (1976), as indicated by Jensen and Meckling (1976), an office relationship emerges at whatever point at least one people, called principals, enlist at least one different people, called operators, to play out some assistance and afterward delegate basic leadership position to the specialists. It has been contended that the organization hypothesis has been the most predominant issue in corporate administration and the head specialist hypothesis is commonly viewed as the beginning stage of this discussion. Office hypothesis guesses that in the cutting edge partnership, where offer proprietorship is broadly held, administrative activities withdraw from those required to boost investor returns, uncover Lacey and Blumberg (2015). The supposition that will be that if the head and specialist have a typical comprehension for this situation, the organization is obliged to give quality money related reports to the Board of Directors. These connections are not really amicable, surely, organization hypothesis is worried about alleged office clashes, or irreconcilable situations among specialists and principals.

1.1.3 Conceptual Perspective

Corporate governance is the universal term related with the pattern towards more noteworthy corporate obligation and the direct of business inside satisfactory moral gauges as saw by Brown and Caylor (2014). Darker and Caylor (2001) declare

that straightforwardness, responsibility and receptiveness in announcing and exposure of data, both operational and monetary, are globally acknowledged to be crucial to the act of good corporate administration. As per Bhagat (2014), the object of good corporate administration is achieved when establishments show their open responsibility and direct their business inside adequate moral guidelines. This exhibit will appear as successful monetary detailing, both inside and remotely, and the unfit consolation of open discussion in regard of such money related reports.

Corporate Governance (CG) is characterized as the system of rules and practices by which a directorate guarantees responsibility, decency, and straightforwardness in an organization's association with its everything partners (Othman, 2012). Corporate Governance in this manner gives the structure through which the organization set the targets from which it can get checking execution. It incorporates possession structure, investors control and credit observing, rules and methodology for basic leadership (He, and Huang, 2011). The important attributes of viable CG are: receptiveness, investment, responsibility, adequacy, rationality, straightforwardness, assurance and enforceability of the privileges of the considerable number of investors; and chiefs prepared to do autonomously endorsing the organization's system and significant marketable strategies and choices and freely employing administration, observing administration's presentation and respectability, and supplanting the executives when essential. From the previous examination, Lacey and Blumberg (2015) contend that corporate administration is spoken to by the structures and procedures set somewhere near a corporate element to limit the degree of organization issues because of partition among possession and control. It should likewise be shown that various frameworks of corporate administration will typify what are viewed as authentic lines of responsibility by characterizing the idea of the connection between the organization and key corporate voting demographics. As per Lacey and Blumberg (2015), an organization's money related structure can be seen as a receptor of different variables inferring out of the firm and industry level, institutional, lawful, political and social system. Separated of these elements, capital

structure bears the characteristic of the top managerial staff choice in regard of the association's financing arrangement, being profoundly connected with the corporate administration region.

As per Bokpin, et al (2017), board size and structure, CEO duality and CEO remuneration and residency are the key factors of corporate administration. Anderson et al. (2014) featured that it is less expensive for associations with an enormous board to pull in outside money related assets since leasers see these associations as having a thorough observing of the financing choice. Center, Holthausen and Larcker (2015) expected that outside executives have the motivator to screen chiefs carefully, deciding them to receive a lower influence so as to energize a high market estimation of value. Center, Holthausen and Larcker put forward that the viability of the board job reduces if there should arise an occurrence of double administration since one individual is qualified for oversee both the tasks and the internal controlling.

Financial performance is an emotional proportion of how well a firm can utilize resources from its essential method of business and produce incomes. The term is likewise utilized as a general proportion of a company's general money related wellbeing over a given period. Money related execution is an emotional proportion of how well a firm can utilize resources from its essential method of business and create incomes. The term is additionally utilized as a general proportion of a company's general money related wellbeing over a given period. Examiners and speculators utilize budgetary execution to think about comparative firms over a similar industry or to look at businesses or segments in total (Anca-Jarmila, 2017). There are numerous approaches to gauge monetary execution, however all measures ought to be taken in total. Details, for example, income from tasks, working pay, or income from activities can be utilized, just as absolute unit deals. Besides, the examiner or speculator may wish to look further into fiscal summaries and search out edge development rates or any declining obligation (Carton, and Hofer, C. 2006). Six Sigma techniques center

around this perspective. There are numerous partners in an organization, including exchange leasers, bondholders, financial specialists, workers, and the executives. Each gathering has its very own enthusiasm for following the budgetary exhibition of an organization. Budgetary execution of business banks in Mogadishu, Somalia can be estimated by a Balance Sheet which gives a diagram of how well the organization deals with its benefits and liabilities Income Statement which gives an outline of activities to the whole year (Penman, 2001). The salary articulation begins with deals or incomes and closures with total compensation, and Cash Flow Statement which is a blend of both the pay explanation and the asset report. For certain experts, the income proclamation is the most significant fiscal report since it gives compromise between net gain and income. The examination analyzed the impact of corporate administration on monetary execution in chose business banks in Mogadishu Somalia.

1.1.4 Contextual Perspective

Mogadishu, privately known as Xamar or Hamar, is the capital and most crowded city of Somalia. Situated in the seaside Banadir district on the Somali Sea, the city has filled in as a significant port for centuries. The first occupants are known as reer xamar. Starting at 2017, it had a populace of 2,425,000 inhabitants. Anyway the examination populace involved three chose business banks in Mogadishu which included Salaam Somali bank, Dahabshil bank and Premier Bank (CBS Report, 2017).

Business banks are recognized from other money related organizations by their tolerant stores and arrangement of credit. Credits are the essential wellspring of income and a significant piece of benefit for banks. Be that as it may, poor administration of credit has generally been a significant reason for bank disappointment. On account of Somalia, the money related area has experienced a few changes equipped, in addition to other things, towards progress of banks' exhibition. Joseph and Dai (2015) points out that the lackluster showing of banks is intently connected with administrative ineptitude. The Commercial banks' Annual Report (2016) states that the bank's way to deal with corporate administration in type of Transparency, Accountability and Board Composition depends on an entrenched administration structures and depends on both individual duty and aggregate oversight upheld by complete announcing. In like manner, the Dahabshil bank, Salaam Somali bank, and Premier bank banks likewise have administration structures in type of hazard the board panel of the governing body, credit chance advisory group, review council and interior review confirmation whose essential target is to give affirmation to the review advisory group on the nature of controls as expressed by the Commercial banks' Annual Report of 2016 along these lines prompting great monetary execution through advancing Profitability, Liquidity and Cost decrease.

1.2. Problem statement

The administration of the business Banks has made endeavors to improve bank execution through guaranteeing Transparency Accountability and furthermore great Board Composition which has advanced Profitability, Liquidity, Cost decrease inside chosen business banks in Mogadishu, Somalia (Mohamed Shukri, 2014). Notwithstanding, in spite of the regardless of the endeavors of the administration of chose business in Mogadishu to advance hierarchical execution, business banks are as yet performing inadequately as uncovered by the Annual Commercial Report (2014) that business banks have kept on recording development in awful obligations and credit overdue debts which has made banks' presentation defenseless, poor inside correspondence staff, increment in false cases, absence of experienced staff to oversee bookkeeping obligations, abuse of assets, and numerous others which have adversely affected their exhibition. As per Brown and Caylor (2014), corporate administration legitimately impacts the benefits and notoriety of the organization, and having poor strategies can open the organization to claims, fines, reputational harm, and loss of capital speculation. For instance, Somalia's Annual Commercial Banks' Reports (2015, 2010 and 2011) uncovered that the bank enrolled a 12%, 15% and 17% yearly development rates in credit hazard individually. The reports additionally uncovered that the bank's portfolio execution kept on declining with arrear rates averaging at 3.24% and Non-Performing Assets (NPA) paces of 1.4% surpassing the adequate rate by Bank of Somalia (1%) by 40%. Additionally Sheik Nor and Mohamed, (2015) places that business banks in Somalia have kept on recording declining credit reimbursements prove by the diminishing credit recuperation rates and developing back payments rates which have influenced the portfolio execution. The poor portfolio execution has negatively affected the various partners of the bank. As per Annual Banks' Reports (2011) from Dahabshil bank, Salaam Somali bank, and Premier business banks, a few individuals from staff in the credit, chance divisions, among others, were scaled back because of the decrease in the exhibition of the banks. There is a persistent decrease in the profit installments to investors for back to back money related years beginning 2013, 2014 and 2015. Accordingly this investigation looks to analyze the impact of

corporate administration on money related execution in chose business banks in Mogadishu Somalia.

1.3 Purpose of the study

The study examined the effect of corporate governance on financial performance in selected commercial banks in Mogadishu Somalia.

1.4 Research Objectives

- i) To establish the relationship between transparency and financial performance in selected commercial banks in Mogadishu Somalia.
- ii) To examine the relationship between accountability and financial performance in selected commercial banks in Mogadishu Somalia.
- iii) To establish the relationship between board composition and financial performance in selected commercial banks in Mogadishu Somalia.

1.5 Research Questions

- i) What is the relationship between transparency on financial performance in selected commercial banks in Mogadishu Somalia?
- ii) What is the relationship between accountability on financial performance in selected commercial banks in Mogadishu Somalia?
- iii) What is the relationship between board composition on financial performance in selected commercial banks in Mogadishu Somalia?

1.6 Hypotheses

Ha₁ Accountability has no significant effect on organisational performance in selected commercial banks in Mogadishu Somalia.

Ha₂ Ttransparency has no significant effect on the organisational performance in selected commercial banks in Mogadishu Somalia.

Ha₃ Board composition has no significant effect on the organisational performance in selected commercial banks in Mogadishu Somalia.

1.7 Scope of the study

1.7.1 Geographical Scope

This study was conducted in the selected commercial banks in Mogadishu Somalia which included Salaam Somali bank, Dahabshil bank and Premier bank located in Mogadishu Somaliland.

1.7.2 Content Scope

Corporate governance (independent variable) was broken down in terms of accountability, transparency and board composition. Whereas organisational performance (dependent variable) was measured in terms of profitability, liquidity and cost reduction.

1.7.3 Time Scope

The study has a time scope of nine months which ran from August 2018 to May 2019. The time chosen was sufficient to enable the researcher collect reliable information for the study.

1.8 Significance of the study

This investigation will add learning to the previously existing ebb and flow supply of information with respect to this zone of concentrate for future looks into particularly the investigation of factors and their connections.

The discoveries of the examination is likewise indispensable to arrangement creators as it unmistakably calls attention with the impact of corporate administration on money related execution in banks just as different variables which influence execution. The potential answers for these causes might be utilized by strategy creators since they are a point of reference while composing government approaches. The chose business banks may in this manner advantage since the correct proposals which suit their specific issues will be made.

The discoveries of the investigation will edify the pertinent specialists, in particular the staff, open top/senior administration lastly the State and its organs, on the regions that need improvement, and when this improvement is affected, bank execution may bring subsequently customers profiting up as far as powerful and productive help conveyance.

The examination will likewise make proposals for what ought to be done so as to enhance corporate administration and decrease its negative impacts on bank execution.

1.9 Operational definition of key terms

Corporate governance; refer to the framework by which organizations are coordinated and controlled.

Board composition; refer to issues identified with board freedom, assorted variety of board individuals, and CEO duality..

Accountability; is the commitment of an individual or association to represent his/her/its exercises, acknowledge duty regarding them, and to unveil the outcomes in

a straightforward way. It additionally incorporates the duty regarding cash or other depended property.

Transparency; is the minimum degree of disclosure to which agreements, dealings, practices, and transactions are open to all for verification.

Organizational performance; refers to an analysis of a company's performance as compared to goals and objectives.

Performance; refers to both behaviours and results or employee outputs that focus on quality and quantity of work and the time taken to release such outputs.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter shows what other scholars have written about the corporate governance and the organisational performance. This chapter is presented based on the theoretical review, conceptual framework, empirical review on the related studies on the independent and dependent variables plus an assessment for the research gaps.

2.1 Theoretical Review

This examination was guided by the Principal Agency hypothesis created by Jensen and Meckling (1976), the hypothesis is worried about the connection between the head and the operator. Jensen and Meckling characterized the office relationship as an agreement under which at least one people (the principal(s)) draw in someone else (the operator) to play out some assistance for their benefit which includes assigning some basic leadership position to the specialist. On account of business banks in Uganda the chief would be the bank top managerial staff while the specialist would be the administration of the banks (Chen, 2014).

Lacey and Blumberg (2015) express that in money related administration the essential organization connections are among investors and administrators and among investors and obligation holders. Stewardship hypothesis is an elective view to the organization hypothesis and its key part is that chiefs will act dependably as stewards of the assets they are accountable for. Under this hypothesis, a long way from being a crafty shirker, basically needs to work admirably, to be a decent steward of the corporate resources. The hypothesis holds that there is no intrinsic, general issue of official inspiration. Given the nonattendance of an internal inspirational issue among officials, there is the subject of how far administrators can accomplish the great corporate exhibition which they yearn for. In this manner, stewardship hypothesis holds that exhibition varieties emerge from whether the basic circumstance wherein the official is found encourages successful activity by the official. Structures will be facilitative of this objective to the degree that

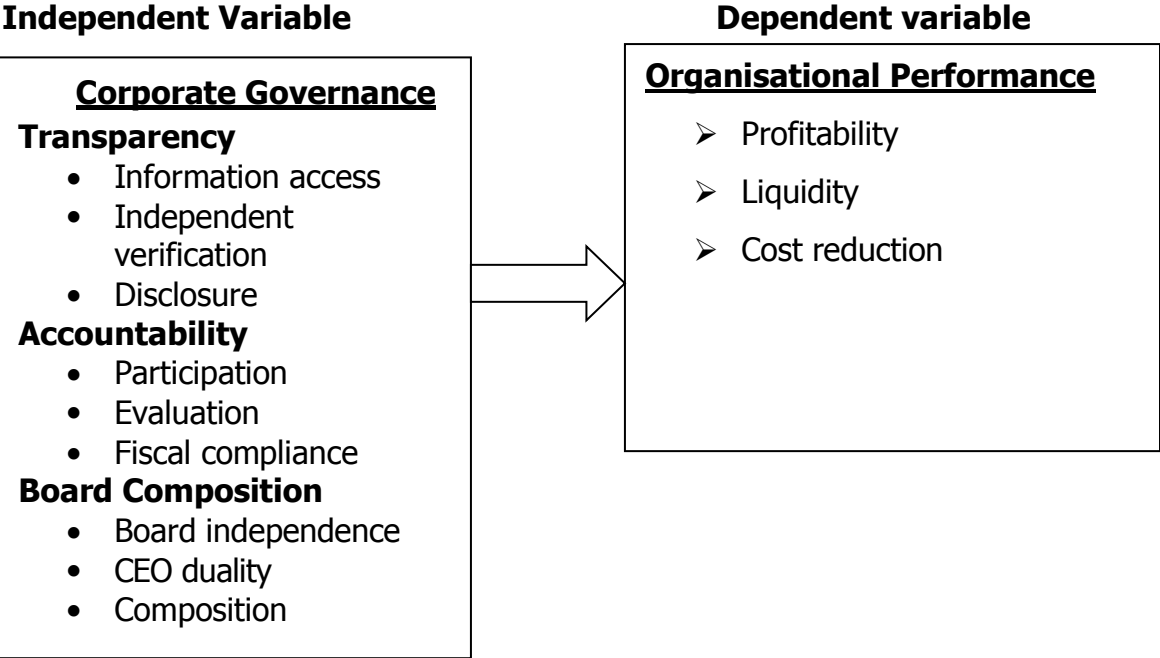
they give clear, steady job desires and approve and enable senior administration (Brown and Caylor, 2014).

The Resource Dependency hypothesis depends on the reason that an association relies upon its condition for its assets and thusly it must build up great relations to guarantee consistent progression of the assets and data. Their fundamental accentuation was on power and they expressed that in the event that reliance of assets originates from depending on a sole-provider, at that point the arrangement is to discover and look after other options. Another arrangement is in the choice of the board individuals. The hypothesis recommends that an association can oversee vulnerability by welcoming a delegate of the wellspring of imperative onto its administering board, in this manner exchanging power for help (Barton, 2016).

Barbu (2015) noticed that there can be no really practical improvement progress without a morally basic thought of partners. It is decisively through partner hypothesis' difficult difficulties, for example, who is the client, the recipient or the contributor, that one increases a stage for more extensive contemplations. The key partners for the banks working in Uganda are the clients, suppliers, government and representatives. The banks' principle duty lies with these partners. From the consultations of the office hypothesis, an organization relationship is an agreement under which at least one people (principals) connects with someone else (the specialist) to play out some help for their sake which includes assigning some basic leadership position to the operator which is valid on account of SBUL. When executing the errands inside the head operator relationship, the specialist must pick activities that have ramifications for both the head and the operator. Since these results can be either negative or positive for every one of the entertainers, the picked activity of the specialist influences the welfare of both the chief being Board of Directors and the operator being the administration (Agrawal and Chadha, 2015).

The supposition that will be that the head and operator have a typical comprehension for this situation, Board of Directors chooses the executives individuals to play out the everyday tasks of the bank. In its examination, it is expected that SBUL can understand supported improved bank execution through beating the foremost operator challenges. Along these lines, via completing successful administration changes upheld by steady checking of the activities of the board by the head, this outcomes into improved bank execution (Conyon and Florou, 2014).

Figure 2. 1: Conceptual framework



Source: Abor and Biekpe (2017)

will be estimated as far as responsibility, straightforwardness and board sythesis. Though authoritative execution will be estimated as far as gainfulness, liquidity and cost decrease. The four primary parts of improving corporate execution incorporate; vital course, monetary desires, straightforwardness and responsibility issues and investor activism. Key heading characterizes the company's long haul bearing. It requires the arrangement of board individuals with appropriate capabilities and aptitudes blend. Naming the board, must bring right-thinking people into the association all together not to antagonistically influence the enterprising bearing of the

firm. The arrangement of right-thinking people in the firm will typically bring about more consideration being paid to development, legitimate oversight and improved execution (Core, Holthausen and Larcker, 2015).

A definitive objective of a business association is higher budgetary execution or amplification of riches for partners (Joseph and Dai, 2015). In any case, achieving the association's objectives relies on the degree to which its hierarchical presentation is come to. Money related execution is for the most part shown by adequacy, productivity, fulfillment of representatives and clients, development, nature of items or administrations, and capacity to keep up a one of a kind human pool. The budgetary exhibition factors of the present investigation included highlights, for example, item quality, consumer loyalty, new item improvement, capacity to pull in representatives, capacity to hold workers, and connection among the executives and workers (Katou and Budhwar, 2017).

As per Kaplan and Norton (2013), budgetary execution implies the change of contributions to yields for accomplishing certain results. As to its substance, execution advises about the connection among insignificant and powerful cost (economy), between compelling expense and acknowledged yield (proficiency) and among yield and accomplished result (viability). Deals execution can be clarified as every one of the exercises or venture completed in the firm in the given timeframe. It tends to be estimated by aggregate sum of income gathered for the merchandise sold. Development income is characterized as aggregate sum of cash gathered by the organization for the merchandise they sold in a particular time and this sum is determined before any costs are subtracted. Adequacy of the association relies upon the three fundamentals execution determinants which incorporate productivity and procedure unwavering quality; human asset and relations; and advancement and adjustment to condition (Joseph and Dai, 2015)

2.3 Review of related literature

The review of related literature will be presented following the study objectives;

2.3.1 Relationship between Transparency and Organisational Performance

The possibility of hierarchical straightforwardness isn't new, yet the utilization of the expression "straightforwardness" expanded after the corporate embarrassments of the mid 21st century, for example, Enron, WorldCom, and Tyco. Be that as it may, the idea of straightforwardness has not gotten as a lot of scholarly consideration as trust and, in this way, it is somewhat harder to define and measure.

In the association open relationship writing, straightforwardness is regularly identified as receptiveness. The trust writing additionally records receptiveness as a segment of confiding seeing someone. Be that as it may, the definitions of transparency are generally straightforward contrasted with the mind boggling build of trust (Desoky and Mousa, 2012). The 2007 version of the Miriam-Webster Dictionary defined straightforwardness as "free from affectation or misleading," "effectively distinguished or seen through," "promptly comprehended," and "described by perceivability or availability of data particularly concerning strategic approaches." Simply put, straightforwardness is something contrary to mystery. Ann Florini (1998), of the Brookings Institute, states, "Mystery implies intentionally concealing your activities; straightforwardness implies purposely uncovering them.

As per Rawlins (2006), when Balkin (1999) identified three sorts of straightforwardness he was really recognizing the elements of straightforwardness that make up this mind boggling build. Balkin (1999) asserted that instructive straightforwardness, participatory straightforwardness, and responsibility straightforwardness "cooperate yet are logically particular" (p. 393). Rawlins (2006) recommended that straightforwardness endeavors of associations need every one of the three characteristics so as to construct, keep up, and reestablish trust with partners. In this way, straightforwardness is defined as having these three significant components: data that is honest, generous, and helpful; interest of partners in distinguishing the data they need; and target, adjusted revealing of an association's exercises and arrangements that considers the association

responsible. Rawlins (2006) tried a few proclamations identified with straightforwardness and, utilizing factor examination, found the announcements assembled around four variables he named generous data, support, responsibility, and mystery (which was an invert thing factor, estimating something contrary to transparency).

As indicated by Torchia and Calbro (2016), straightforwardness requires responsibility. Straightforward associations are responsible for their activities, words, and choices, on the grounds that these are accessible for others to see and assess. It necessitates that people in straightforward associations think about their choices and practices, since they will doubtlessly need to legitimize them under the steady gaze of an open court of feeling. The Global Reporting Initiative (2006) defined responsibility as far as adjusted data. Does the association "unveil both ideal and ominous outcomes and points," and "not endeavor to unduly influence the partner's translation of the outcomes?". As one creator put it: "in the event that you uncover, you conceal neither your light nor your refuse under a bushel; you get the opportunity to sparkle, yet you need to get it together, as well" (Szwajkowski, 2000). The responsibility measurement of straightforwardness appears to be particularly identified with confiding in relations. An overview of 25,000 representatives by Towers Perrin indicated that workers incline toward "correspondence that is a transparent trade of data both the great and bad and materials that are clear and justifiable (Strategist 2001). Jahansoozi (2006) likewise found that when emergencies or authoritative practices prompted a decrease in trust, the trust could be reestablished with straightforwardness endeavors that advanced responsibility, joint effort, collaboration, and duty.

Straightforwardness will be estimated by utilizing the instrument created by Rawlins (2006) that separates the build into the four measurements identified above. The interest measurement included proclamations about contribution, criticism, nitty gritty data, and the simplicity in finding the data. The generous data measurement included explanations about the pertinence, clearness, fulfillment, exactness, unwavering quality

and verifiability of data shared. The responsibility part included articulations about the association sharing data that spreads more than one side of dubious issues, may be harming to the association, conceding botches, and that can be contrasted with industry models.

Straightforward associations must share data that enables partners to settle on educated choices in regards to their association with the association. This is valid for all partners, inner and outer. This doesn't imply that they should share all data, yet that data that is considerable and valuable to the partners. As Heise, (1985) portrayed it, this implies straightforward associations "make accessible openly all lawfully releasable data—regardless of whether positive or negative in nature—in a way which is precise, auspicious, adjusted, and unequivocal". In any case, simply revealing abundant measures of data doesn't meet the straightforwardness test. As Strathern (2000) has noted, a lot of data regularly prompts less understanding, and in this manner more data can prompt less trust (313). There must be an equalization of how much data is shared, and people in general getting that data must define the scale.

The idea of bank straightforwardness is wide in scope; it alludes to the quality and amount of open data on a bank's hazard profile and to the planning of its exposure, including the bank's past and current choices and activities just as its arrangements for what's to come. The straightforwardness of the financial part overall additionally incorporates open data on bank guidelines and on security net activities of the national bank (Brown and Caylor, 2014).

Straightforwardness is essential to corporate administration inside business banks whereby higher straightforwardness has diminished the data asymmetry between business banks the executives and money related partner's (value and bondholders), alleviating the office issue in corporate administration (Barbu, 2015). In Somalia, absence of straightforwardness has prompted conclusion of business banks since frail straightforwardness has made banks' advantage dangers murky. Financial exchange

members including proficient experts, for example, Moody's experience challenges in estimating banks credit value and hazard exposures (Chiang, 2015).

Straightforwardness assembles trust, certainty and genuineness of authority, and furthermore makes representatives feel that they're working for an organization with higher moral principles. As per a 2014 American Psychological Association Survey, 25% of workers don't confide in their manager. Half of them accept their boss isn't forthright with them and open to the general vision of the organization. At the point when straightforwardness is added to the corporate culture, representatives will be increasingly drawn in and focused on the vision of the organization (Torchia, and Calbro, 2016). The explanation is they completely comprehend the crucial feel vested to share thoughts, show their innovativeness, and realize development to accomplish the ideal goal. Individuals are continually going to be first and best decision for working inside the arrangement before robotization since when submitted will increase the value of the procedure. Workers are most drawn in and focused on the procedure when senior administration ceaselessly updates and imparts organization methodology, esteem, and reality with regards to their present circumstance. Organizations that embrace the idea of straightforward authority see a more grounded obligation of trust and duty from their representatives to take a stab at endeavors not attainable the a different way.

Straightforwardness likewise extraordinarily identified with association execution as it Increases Productivity whereby most representatives throughout the years when asked felt their managers were not straight advance with the organization vision and not giving the correct data to be genuinely effective in their occupations. This makes absence of trust and an immense drop off with level of duty to apply their maximum capacity toward the activity (Desoky and Mousa, 2012). Senior Management of business banks in Mogadishu Somalia must be completely straightforward about their association's vision, crucial, values with workers. Straightforward administration begins with the CEO or President. This basic data delineated above must be imparted obviously

to pick up trust and duty from workers to be completely vested and for them to put forth a concentrated effort as a group to accomplish organization objectives. Organizations need to assemble preparing projects considering everybody responsible to have arrangement with the qualities, vision, and crucial the organization. Putting resources into your center individuals will be more affordable and a much better venture than consistent onboarding of new individuals (Ghafran and O'Sullivan, 2013).

Straightforwardness are significantly increasingly significant for banks since by being middle people among financial specialists and borrowers of cash, business banks assume a job in encouraging business exercises in all other monetary divisions. As agents, they share a specific degree of duty regarding the effects of their customers' tasks with the directors and proprietors of these organizations. Banks consequently need to educate the open about their own practices, yet additionally about their customers' exercises for which they give financing. Banks receive rewards from the exercises of their indebted individuals and thus convey obligation regarding the ecological and social results that outcome from these exercises (Desoky and Mousa, 2012). To show that they recognize this obligation, banks should be as straightforward as conceivable concerning the organizations, undertakings and nations they account. Straightforwardness can likewise serve the bank's advantages by guaranteeing that open concerns with respect to the exercises they intend to fund are raised and settled before they become clashes and may compromised the practicality of the

2.3.2 Relationship between Accountability and Organisational Performance

Mulgan (2014) battles that a bookkeeping framework is a method for keeping a composed record of exchanges. Receipts are given for all cash that is gotten by an association and receipts are requested each time cash is spent. As indicated by Core, Holthausen and Larcker (2015) a bookkeeping framework comprises of business papers, records, reports and techniques that are utilized by an association in recording exchanges and detailing their belongings. Awio, et al (2017) sets that responsibility is worried about giving clarifications through a trustworthy story of what occurred, and a figuring and adjusting of contending commitments, including moral ones. Responsibility

goes all the more unreservedly after some time and space, concentrating as much on future potential as on past achievement, interfacing and merging execution reports to plans and gauges. In this way responsibility has had an extraordinary impact over business banks' exhibition in locales like Mogadishu, Somalia as it has given clarifications through a valid story of what occurred, and a computation and adjusting of contending commitments, including moral ones. Broadbent and Laughlin (2013) battle that the arrangement of increasingly nitty gritty data doesn't naturally prompt more noteworthy responsibility.

As indicated by Barton (2016), business banks in Somalia have additionally guaranteed that there is great responsibility inside their frameworks through accentuating receptiveness, straightforwardness and the arrangement of data which has supported on their exhibition. Responsibility runs all the more unreservedly after some time and space, concentrating as much on future potential as on past achievement, associating and merging execution reports to plans and gauges. Goddard (2015), uncovered that more prominent responsibility inside business banks has been regularly dared to give greater perceivability and straightforwardness to hierarchical movement, empowering fitting authoritative conduct and eventually sway on business banks execution. Cheffins (2015) proposed two parts of responsibility in this manner: open responsibility, which includes people in general as principals and is worried about issues of majority rules system; and trust, and administrative responsibility that is worried about everyday activities of the association. Under administrative responsibility the arrangement of point by point data isn't coordinated to being increasingly responsible to people in general yet that fairly, it is an endeavor by the principals to control the specialists (chiefs) and legitimize past choices and activities.

Goddard (2015) said that a bookkeeping framework, paying little mind to the size of the association is intended to gather, procedure and report intermittent money related data about the element. On account of Somalia and all the more particularly Banks, the possibility of responsibility is polished as a method for adequately overseeing asset use

in connection to set budgetary inner controls. Be that as it may, it ought to likewise be noticed that the audited writing draws a great deal of consideration on responsibility and money related execution of associations in the budgetary part leaving inadequate writing on the impact of responsibility on monetary execution in the money related area and all the more particularly Banks (Greitens, 2012). This gives a hole in writing which this investigation proposed to connect in order to give data on the impact of responsibility on money related execution in the budgetary foundations, for example, Banks.

Halachmi, A. (2012) battles that cultivating a culture of responsibility expands proficiency and lifts efficiency. At the point when workers in business banks realize who is liable for what, it takes out perplexity and spares time, enabling people to meet obviously characterized desires. Having explicit and noteworthy input and assessment systems is key in estimating individuals' accomplishment in jobs. Banks should likewise have an approach to assess execution. Binds responsibility to execution additionally means banks proactively focus on both procedure and results by remedying below average endeavors and compensating superb execution. At the point when representatives in banks turn in poor work or neglect to meet desires, consider them responsible, instruct them on desires, and help them improve. It's similarly as imperative to perceive and remunerate representatives who pursue rules, act suitably, and meet or surpass desires.

As indicated by Bovens (2014), Clear desires for everybody in the group combined with a comprehension of responsibility for their exhibition are the key fixings to improving certainty, spirit, and creation inside the group. It takes a gander at representative responsibility as cut out of the same cloth (Frink, and Klimoski, 2008). It takes everybody to accomplish hierarchical responsibility and it likewise has a place with everybody in the association. This responsibility mindset helps execution at the individual, group, and authoritative levels.

2.3.3 Relationship between board composition and organisational performance

As indicated by the Gavin and Geoffrey (2014) the board arrangement takes into account viable basic leadership and supervision of the administration of business banks. Further to this, the board size of business banks has offered space to productive discourses and proper, quick and reasonable choices which have advanced the exhibition of business banks in districts like Mogadishu. There is no ideal number of board individuals because of the various elements that may impact the board size, for example partnership's size, the business condition and exceptional attributes (Elkadah, and Mboya, 2011). The board ought to incorporate outside executives so as to keep up down to earth autonomy and the arrangement of board individuals ought to be through a straightforward method that reflects comprehensively the various assessments of investors (Abor and Biekpe, 2017). Board individuals ought to likewise be able and proficient. Board size is one of the well-perceived components of board creation analyzed in the writing.

Karamanou, et al (2017) broke down the arrangement of the top managerial staff and inferred that the size of the board doesn't upgrade the profits of the organization. As appeared, a large portion of the investigations looking at board size impact on money related execution have affirmed Gompers, Ishii and Metrick's (2014) discoveries that board size and budgetary execution of business banks were adversely associated. This thought recommends that as the size of the gathering expands, correspondence and coordination issues builds (Karamanou and Kyereboah, 2017).

Anderson, Mansi and Reeb (2014) uncovered that albeit huge numbers of the investigations recommend a positive connection between untouchable overwhelmed sheets and the presentation of the organization, a few examinations found no critical connection between the extent of inside/outside chiefs and friends execution. In addition, a few examinations bolster a negative connection between the recently referenced factors. For instance, Gavin and Geoffrey (2014) discoveries, which relied

upon a two-level board structure suggested that the extent of inside chiefs has a backwards association with money related execution. For an effective basic leadership process, stewardship hypothesis guarantees that a huge extent of ward chiefs is required in administrative sheets. Matama (2014) sets that the method of reasoning of this case depends on the possibility that reliant executives can all the more likely comprehend the business forms as well as the ecological variables. Along these lines, they can administer their organizations more effectively than autonomous chiefs.

As per Jiang HJ, et al (2009), Board rehearses that are related with better execution in procedures of care and mortality incorporate having a board quality council, building up key objectives for quality improvement, being associated with setting the quality motivation for the association, including a particular thing on quality in executive gatherings, utilizing a dashboard with national benchmarks for clinical quality, persistent security and patient fulfillment and connecting senior administrators' presentation assessment to quality and patient wellbeing pointers. Doctor contribution in the board likewise seems to improve quality execution (Kane NM, Clark JR, Rivenson HL 2009). Key systems connected to these board practices are flagging an obvious and relentless board administration for quality, viable hierarchical structures for administering quality, and will-execution-consistency of direction (Nas, and Kalaycioglu,2016).

Loads up with solid monetary execution show more grounded inner conduct elements, incorporating the administrator's association with the CEO, the degree of challenge and transparency in basic leadership, the relational atmosphere, and procedures, for instance the convenient sharing of significant and precise data, the board's job in prompting and testing the executives, and board training (Rivenson HL, 2009). Chief board investment altogether improves organization money related execution, yet there is no proof that the CEO employment agreement or execution assessment impacts execution (Molinari, 2007). This backings a managerialist (instead of an organization) viewpoint. There is proof of a solid key concentration in higher-performing sheets, close by the board not being excessively mindful in the light of governmental issues (Elkadah,

and Mboya, 2011). The more noteworthy the match between board structure and friends system, the more grounded the bank's budgetary presentation.(Young, 2012) Prospector organization s had the biggest and all the more occupationally differing sheets (McDonagh, 2006). Sheets of high-performing organization s are all the more completely occupied with key administration forms and the overall administration culture is increasingly intuitive and proactive (Prybil, 2006) In connection to a proactive administration culture and utilization of data, there is some proof of a connection between the utilization of dashboards (explicitly those that are shorter, progressively engaged and all the more as often as possible assessed, and those that address clinical quality, understanding wellbeing and patient fulfillment) and friends execution (Jiang, 2009).

As indicated by Hillman, (2014), Board creation typically concerns issues identified with board autonomy (counting freedom of board panels) and decent variety (firm and industry experience, practical foundations, and so on.) of board individuals. Board freedom alludes to a corporate board that has a larger part of autonomous outside executives (Torchia, and Calbro, 2016). Contrasted with an insider-commanded board, a pariah overwhelmed board is accepted to be increasingly cautious in checking administrative practices and basic leadership of the firm (Brown and Caylor, 2010). A board that comprises of chiefs with a various arrangement of practical mastery (promoting, designing, fund, and so forth.) industry encounters, instructive capabilities, ethnic and sexual orientation blend may be better furnished to manage a wide scope of issues confronting the firm and furnish officials with counsel and conference from different points of view. Board assorted variety as far as sexual orientation and age and board autonomy is of the prime spotlight on this examination proposition (Crow, and Lockhart, 2016).

2.4 Related Studies

Various investigations have been led on the impact of corporate administration on authoritative execution. Matama (2012) attempted an investigation to look at the job of

corporate administration in advancing budgetary execution of those business banks in Somalia and set up that corporate administration decided a difference in the general money related execution of business banks in Somalia. From his discoveries, he indicated that clearly trust significantly affected monetary execution; given that straightforwardness and revelation supports the reliability of business banks.

Zvavahera and Ndoda (2014) in their investigation on corporate administration and moral conduct set up that top administration and the board were degenerate. There was absence of responsibility and straightforwardness in the manner business was being finished. It was accounted for that workers went for more than seven months without pay rates yet top administration and the Board paid themselves abundantly. They further noticed that terrible corporate administration and untrustworthy conduct had genuine negative ramifications on both authoritative and workers' exhibition. Bauer, Frijns, Otten and Tourani-Rad (2016) leading an investigation on the effect of corporate administration on corporate execution uncovered that arrangements towards money related exposure, investor rights and compensation do make a difference for stock value execution. The significance of board responsibility, advertise for control and corporate conduct is restricted.

Ojok (2012) led an examination to look at the impact of corporate administration on money related execution in those non-legislative associations in Mogadishu Somalia and built up that monetary straightforwardness, responsibility and board piece were huge indicators of authoritative execution. From the discoveries, NGO straightforwardness in regards to arrangement of data that is exact, genuine and non-particular upgraded their presentation. Also, partner cooperation, assessment and monetary consistence improved NGO execution. Then again, board autonomy, ability and structure prompted better money related basic leadership and along these lines better NGO execution. From the investigations that have been led, there appears to insufficient writing on the impact of corporate administration on budgetary execution on Somalia's financial area, which required an examination to be completed to cross over any barrier in writing.

Sanda, Mikailu and Tukur, (2005) in their investigation relapsed proportions of working execution on administration file and control factors, for example, book-to-showcase value and log of market estimation of value. The coefficient of their administration file was seen as negative and huge in different changes in this manner proving a noteworthy negative connection between ensuing working execution and corporate administration record.

Bhagat and Black (2008) researched the connection between firm-level corporate administration and firm market an incentive for Korean organizations, they found that a solid positive relationship exist between Korean Corporate Governance Index (KCGI) and firm market esteem. Korean Corporate Governance Index was likewise seen as unequivocally related with different proportions of firm worth (showcase estimation of value/book estimation of value, and market estimation of value/offers) of Korea.

Dark colored and Caylor (2006) made „Gov-Score“, an administration list dependent on 51 firms“ explicit interior and outer administration factors. They found a fundamentally positive connection between's Tobin“s Q and Gov-Score. Utilizing relapse investigation, they found the relapse co-proficient on Gov-Score to be sure and critical. They avow that a board size of somewhere in the range of 6 and 15 individuals draws in a better yield on value and preferred overall revenues over firms with different sizes.

2.5 Research Gaps

On account of Somalia, and all the more particularly business banks in Mogadishu, the possibility of responsibility, straightforwardness, and board creation are rehearsed as a method for viably overseeing asset use in connection to set money related inside controls. In any case, it ought to likewise be noticed that the checked on writing draws a great deal of consideration on responsibility, straightforwardness, and load up structure and money related execution of associations in the monetary area leaving

meager writing on the impact of corporate administration on budgetary execution in the money related segment and all the more particularly business banks. This gives a hole in writing which this investigation planned to connect in order to give data on the impact of responsibility on money related execution in business banks

To advance straightforwardness at the bank, the board distributes various reports about the bank activities in open media and site. Similarly, the bank advances responsibility through inward reviews and outside reviews in order to represent the assets endowed to the board and how the assets are being taken care of to create more assets to advance bank development, However there is as yet a pending Gap that identifies with estimating the consequences of a business banks' approaches and activities in fiscal terms which should be reflected in the banks' arrival on speculation, return on resources and worth included on the grounds that monetary exhibitions can be estimated by utilizing Ratios Analysis like liquidity both present and basic analysis proportions, gainfulness which incorporates the gross overall revenue, net revenue and the arrival on capital utilized, effectiveness proportions like resources turnover, stock turnover, and Gearing proportions which decides the extent of capital which is subsidized by long haul liabilities like debentures, bank credits and home loans. What's more outside elements, for example, deregulation; absence of data among clients of chose business banks; homogeneity of the bank business, associations among banks do cause bank disappointment have been forgotten about in the examination are respects execution of chosen business banks in Mogadishu, Somalia.

CHAPTER THREE METHODOLOGY

3.0 Introduction

This chapter describes how the study was conducted. It focuses on the research design and approaches that were adopted, the study area, target population, sampled population, sample size and selection. The chapter examines data collection instruments, sampling techniques and procedures, pre-testing of instruments, methods and procedures for data collection and analysis.

3.1 Research Design

This study used correlational survey design, which sought to examine the relationships between variables (Sekaran, 2014). this research design was chosen because it can be used to determine prevalence and relationships among variables, and to forecast events from current data and knowledge. In spite of its many uses, prudence is required when using the methodology and analysing data. To assist researchers in reducing mistakes, important issues are singled out for discussion and several options put forward for analysing data.

The study sought to determine the strength of relationship between corporate governance and performance of the sugar manufacturing firm. The study adapted cross sectional sample survey where data was collected over a short period of time and the design in nature that will help in collecting data from a wide section of study respondents. Cross-sectional research design is a type of observational study that analyzes data from a population, or a representative subset, at a specific point in time. Both quantitative and qualitative approaches will be used in data collection. Quantitative approach will involve use of questionnaires. Qualitative approach will involve use of interview guide. The researcher will use this type of research design because it is not costly to perform and does not require a lot of time.

3.2 Study population

According to the annual Human resource reports (2018) of the selected commercial banks (Salaam Somali bank, Dahabshil bank and Premier Bank), the commercial banks Comprised of managers, tellers and loan officers from selected branches distributed within Mogadishu Capital. The reason for selecting these categories of respondents was due to the fact that the researcher expects them to have a good understanding of the affairs on corporate governance and organisational performance of the commercial banks.

BANKS	TARGET POPULATION	RESPONSE POPULATION
Dahabshil	34	30
Amal	30	24
Premier	30	22
Total	94	76

3.3 Sample Size

Out of the total population of the study, the researcher selected a sample of 76 respondents who were identified from the total population of 94. This number was arrived at by use of the Slovene’s formula as illustrated below.

$$n = \frac{N}{1 + N(e)^2}$$

Equation 3.1: Slovene’s Formula

$$n = \frac{94}{1+94(0.05)^2}$$

$$n = \frac{94}{1+94 (0.0025)}$$

$$n = \frac{94}{1.235}$$

$$\underline{\underline{n = 76 \text{ respondents}}}$$

Table 3.1. Showing Breakdown of Population and Sample of Respondents

Bank	Category of Respondents	Population	Sample	Sampling Technique
Salaam Somali bank	Managers	6	5	Purposive sample
	Tellers	10	8	Simple Random
	Loan officers	14	11	Simple Random
Dahabshil bank	Managers	6	5	Purposive sampling
	Tellers	10	8	Simple Random
	Loan officers	15	12	Simple Random
Premier bank	Managers	7	6	Purposive sampling
	Tellers	10	8	Simple Random
	Loan officers	16	13	Simple Random
Grand Total		94	76	

Source: Human resource report, October, 2018

3.4 Sampling technique

Mugenda and Mugenda (2013) define sampling as a formulation of a procedure of selecting the subjects or cases to be included in the sample. This study used simple random sampling and purposive sampling methods to select the sample. According to Mugenda and Mugenda (2013), simple random sampling involves allocating equal chance to the selected elements in the population. This method involved giving a number to every respondent in the accessible population, placing the numbers in a container and then picking any number at random. This was used during the selection of heads of department, managers, team leaders and relationship managers. Purposive sampling is a sampling technique that allows a researcher to use cases that have required information with respect to the objectives of one's study. Cases of subjects are therefore handpicked because they possess the required information. Purposive sampling was used to select the executive members and managers who possess a lot of information and are knowledgeable about corporate governance and bank performance.

3.5 Sources of Data

Primary data

The study was conducted using the raw data that was collected from the field. The data was collected using the research instruments (questionnaires). These enabled the collection of data appropriate for the study to depict the situation prevailing at a time in the study.

3.6 Research Instruments

The tools that the researcher used for collecting data included a self-administered questionnaire and documentary review checklist.

3.6.1 Structured Questionnaire

Self-administered questionnaires were used for the heads of department/section, managers and team leaders. Structured questions arranged per objective were used for employees because this is the most appropriate instrument for a big sample. The questionnaire used a 4- point Likert scale ranging from 4 (strongly agree) to 1 (strongly disagree), in order to provide consistent responses. The questionnaire was systematically organized to include demographic characteristics of the respondents, corporate governance and organizational performance.

3.6.2 Document Review Checklist

Document analysis was involved reviewing existing publication and literature related to the study problem and cross reference with what the study discovered. Sarantakos (2015) asserts that reviewing documents give an in-depth study of corporate governance towards bank performance. Similarly, in this study, the researcher was granted permission to carry out the research among the selected commercial banks in Mogadishu Somalia, he will avail documentary checklist to the concerned authorities, to enable him access the listed or necessary documents for perusal, studying of written documents and recording of facts where necessary.

3.7 Validity and Reliability of Research Instruments

This section is important in assuring the validity and reliability of the instruments and thus controlling data generated questionnaires.

3.7.1 Validity

Validity of the instrument was ensured through expert judgment and the researcher made sure the coefficient of the validity at least 70%. The researcher consulted his supervisor for expert knowledge on designing of the questionnaire. After the assessment of the questionnaire, the necessary adjustments were made following the objectives. According to Amin (2005), validity was assured in this case by use of content validity index (C.V.I) and the following results were obtained using a questionnaire

$$\text{CVI} = \frac{\text{No of questions declared valid}}{\text{Total no of questions in the questionnaire}}$$

$$\text{CVI} = \frac{57}{61} \quad \text{CVI} = \mathbf{0.93}$$

3.7.2 Reliability

To confirm reliability of the responses found in the study, Cronbach's alpha was used. If the Cronbach's Alpha is above 0.7, the instrument is declared as reliable.

Reliability Statistics

Cronbach's Alpha	N of Items
.886	57

SPSS version 16.0 was used to calculate the Cronbach's Alpha, and since the value was above 0.886 which is above 0.75, hence declaring an instrument reliable.

3.8 Data gathering procedure

Before the administration of the questionnaires

Before the administration of the questionnaires the researcher took an introductory letter from the College of Economics and Management (CEM), the researcher had to first seek authorization from the proposed respondents to conduct research and review

the questions to avoid errors and ensured that only qualified respondents are approached.

During the administration of the questionnaires

The respondents were requested to sign and answer the questionnaires. The researcher emphasized retrieval of the questionnaires within three days from the date of distribution. And lastly, all returned questionnaires was checked if all were answered.

After the administration of the questionnaires

The data gathered was collected, coded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

3.9 Data Analysis

After participants responding to the questionnaires and interviews, raw data were cleaned, sorted and entered using statistical data entry form designed in Statistical Package for Social Sciences (SPSS) software for analysis according to the objectives of the study. Data was collected using a 5-Likert scale of 4- strongly agree (SA), 3- agree (A), 2 disagree (D), and 1- strongly disagree (SD). Primary data was obtained from questionnaire and each questionnaire was given a unique serial number. Using soft number coding, categorizing data, sorting and filling was carried out.

Qualitative data collection was sorted out and interpreted manually from respondents each interview was analyzed and interpreted using content analysis to appropriate the nature of the collected data before emerging themes are identified using "Template analysis" approach. Analysis of qualitative data was done to identify similarities across several accounts as well as direction. Data was categorized into recurrent themes that seem relevant to answer the research questions. Descriptive analysis was made from information obtained from the questionnaires and interviews. Key categorical variables such as gender, education of respondents was presented in a

table form. Triangulation is one of the several rationales for multi-method research and also offers the prospect of enhanced confidence. The researcher used data triangulation, which entailed gathering data through several sampling strategies, so that segments of data at different times, as well as on a variety of people were gathered. These provided invaluable information and give the evaluation heightened status within the area of study. The data on both the independent/dependent variables (Corporate governance and organisational performance) was interpreted using the following mean ranges:

Mean range	respondent	interpretation
3.26—4.00	strongly agree	Very High
2.51---3.25	Agree	High
1.76---2.50	Disagree	Low
1.00—1.75	strongly disagree	very Low

3.10 Ethical considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethical in this study, the following activities were implemented by the researcher:

1. Acknowledge the authors quoted in this study and the author of standardized instrument through citations and referencing.
2. Present the findings in a generalized manner.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presented, analyzed and interpreted data collected from the field. Data analysis and interpretation was based on the research objectives and the questionnaire.

4.1 Demographic characteristics of the Respondents

This section presented the profile information of respondents in relation to age, gender, level of education and years spent working.

Table 4. 1: Demographic characteristics of the Respondents

Category	Frequency	Percent
Age		
20-29 years	33	43
30-39 years	25	33
40-49j	11	15
50 years and above	7	9
Total	76	100
Gender		
Male	48	63
Female	28	37
Total	76	100
Education qualification		
Certificate	10	13
Diploma	15	20
Degree	39	51
Masters degree	12	16
Total	76	100
Number of years experience		
2 years and below	12	16
3-6 years	34	45
7-10 years	6	7
11 years and above	24	32
Total	76	100

Sources: Primary Data 2019

Results in table 4.1 indicated that majority of the respondents represented in this study were between 20-29 years (43%), followed by respondents' age between 30-39 years (33%), 15% were 40-49, and 9% 50 years and above. According to gender, results showed that 63% were male and 37% of the respondents were female. This clearly implied that majority of respondents in the Banks in Mogadishu Somalia are run and dominated by men.

Table 4.1 also showed that majority of the respondents had attained degree (51%), the second groups of the respondents were 20% who had only attained diploma as far as education is concerned, the third group (16%) had attained masters' degree, and 13% had certificate. In terms of years spent in a bank, majority of the respondents (45%) had spent 3-6 years working in the Bank, 32% had spent 11 years and above, followed by those of 2 years and below (16%), 7% had worked for 7-10 years.

4.2 Corporate governance

The independent variable in this study was corporate governance, this variable (IV) was broken into three constructs and these were; transparency (with nineteen items/questions), accountability (with thirteen questions) and board composition (with twelve questions). Each of these questions was based on a four point Likert scale whereby respondents were asked to rate the Corporate governance by indicating the extent to which they agree or disagree with each question.

Table 4. 2: Transparency

Items on transparency	Mean	Interpretation	Rank
All bank reports submitted to statutory bodies are verified	3.51	Very satisfactory	1
All relevant documents/reports/statements of the bank are available for access	3.47	Very satisfactory	2
An assessment of the bank's financial statements is carried out on a terminal basis	3.42	Very satisfactory	3
At the bank, all public information is published	3.31	Very satisfactory	4
At the bank, management ensures that certification of agency records is carried	3.30	Very satisfactory	5

Dissemination of bank information is done in a timely manner	3.25	Satisfactory	6
Due to the bank's level of openness it is trusted by the public	3.24	Satisfactory	7
During the verification process, the issues raised are addressed amicably	3.16	Satisfactory	8
Proof of bank expenditures and revenue is ascertained by statutory bodies	3.08	Satisfactory	9
The audited accounts of the bank are available for public access	3.05	Satisfactory	10
The bank facilitates understandability and interpretation of the published information	2.95	Satisfactory	11
The bank financial statement are authenticated by statutory bodies	2.82	Satisfactory	12
The bank provides regular progress reports about its performance to statutory bodies	2.62	Satisfactory	13
The bank regularly under goes an audit process to verify its performance	2.33	Unsatisfactory	14
The bank responds to audit queries raised by statutory bodies	2.32	Unsatisfactory	15
The information provided by the bank is error free	2.14	Unsatisfactory	16
The information provided to the public is complete	2.01	Unsatisfactory	17
The information that is disclosed by the bank is a reflection of its performance	1.99	Unsatisfactory	18
There is no falsification of information at the bank	1.97	Unsatisfactory	19
Average mean	2.84	Satisfactory	

Sources: Primary Data 2019

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very Satisfactory
2.51 - 3.25	Agree	Satisfactory
1.76 - 2.50	Disagree	Unsatisfactory
1.00 - 1.75	strongly disagree	Very Unsatisfactory

With respect to transparency; results indicated that transparency was rated satisfactory and this was indicated by the average mean (mean=2.84), implying that the commercial banks are somehow transparent while carrying out their activities. Results still indicated that the following items were rated very satisfactory (mean=3.51, mean=4.47, mean=3.42, mean=3.31 and mean=3.30), hence implying that commercial banks in Mogadishu Somalia are always very transparent when it comes to verifying bank reports submitted to statutory bodies. The following items were rated satisfactory and these included (mean=3.25, mean=3.24, mean=3.16, mean=3.08, mean=3.05, mean=2.95, mean=2.82 and mean=2.62), this imply that dissemination of bank information is done in a timely manner since the bank's level of openness it is trusted by the public. However the following items were rated unsatisfactory and unsatisfactory respectively; the bank regularly under goes an audit process to verify its performance (mean=2.33), the bank responds to audit queries raised by statutory bodies (mean=2.32), the information provided by the bank is error free (mean=2.14) and the information provided to the public is complete (mean=2.01), the information that is disclosed by the bank is not always a reflection of its performance (mean=1.99) and there is no falsification of information at the bank (mean=1.97), hence implying there is always falsification of information at the bank and such information is not always a reflection of its performance.

Table 4. 3: Accountability

Items on accountability	Mean	Interpretation	Rank
Management provides adequate information when making accountability	3.64	Very satisfactory	1
Management adheres to accountability procedures set by law	3.52	Very satisfactory	2
There is stakeholder participation during accountability	3.49	Very satisfactory	3
The degree of participation during the accountability process leads to compliance	3.36	Very satisfactory	4
The accountability process is used as a means of assessing resource allocation	3.20	Satisfactory	5
The management of the bank is committed to the accountability process	3.11	Satisfactory	6
At the bank, there is resource monitoring	2.88	Satisfactory	7
Significant departures from accountability set targets are reported	2.72	Satisfactory	8
At the bank a lot of emphasis is put on timely provision of accountability	2.65	Satisfactory	9
The availability of monitoring frameworks enhances accountability	2.55	Satisfactory	10
Management provides for tracking variances and backlash	2.37	Unsatisfactory	11
There is a clear methodology of tracking accountability	2.28	Unsatisfactory	12
There is identification of the risky areas likely to affect the accountability process	1.75	Unsatisfactory	13
Average mean	2.89	Satisfactory	

Sources: Primary Data 2019

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very Satisfactory
2.51 - 3.25	Agree	Satisfactory
1.76 - 2.50	Disagree	Unsatisfactory
1.00 - 1.75	strongly disagree	Very Unsatisfactory

With respect to accountability; results in table 4.3 indicated that thirteen items were used to measure this construct and it was also rated satisfactory and this was indicated by the average mean of 2.89. The respondents still strongly agreed that; management provides adequate information when making accountability (mean=3.64), management adheres to accountability procedures set by law (mean=3.52), there is stakeholder

participation during accountability (mean=3.49), the degree of participation during the accountability process leads to compliance (mean=3.36). The respondents still agreed that; the accountability process is used as a means of assessing resource allocation (mean=3.20), the management of the bank is committed to the accountability process (mean=3.11), at the bank, there is resource monitoring (mean=2.88), significant departures from accountability set targets are reported (mean=2.72), at the bank a lot of emphasis is put on timely provision of accountability (mean=2.65), the availability of monitoring frameworks enhances accountability (mean=2.55), however the respondents disagreed that; Management provides for tracking variances and backlash (mean=2.37), there is a clear methodology of tracking accountability (mean=2.28), there is identification of the risky areas likely to affect the accountability process (mean=1.75).

Table 4. 4: Board composition

Items on board composition	Mean	Interpretation	Rank
I demonstrate self-confidence by getting involved in decision making	3.38	Very satisfactory	1
Board members possess the required knowledge and skills required to perform their Roles	3.32	Very satisfactory	2
Board members provides mutual support and monitor the operations of the bank	3.29	Very satisfactory	3
Board members have the capability of assessing monetary and financial documents	3.25	Satisfactory	4
Board members have the capacity to develop policies and procedures	3.18	Satisfactory	5
The management committee of the bank is competent to handle the operations of the Bank	2.95	Satisfactory	6
The management committee is independent during decision making	2.78	Satisfactory	7
Board composition is diversified in regard to skills and competences	2.62	Satisfactory	8
The boards are composed of competent members	2.52	Satisfactory	9
During board formation, representation of all stakeholders is considered	2.45	Unsatisfactory	10

The integrity of board members is considered during board composition	2.27	Unsatisfactory	11
When appointing board member, there is gender balance	1.16	Very unsatisfactory	12
Average mean	2.76	Satisfactory	

Sources: Primary Data 2019

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very Satisfactory
2.51 - 3.25	Agree	Satisfactory
1.76 - 2.50	Disagree	Unsatisfactory
1.00 - 1.75	strongly disagree	Very Unsatisfactory

With respect to board composition; results in table 4.4 connoted that board composition was also measured using twelve items (questions) and it was rated satisfactory (mean=2.76), implying that most of board members always demonstrate self-confidence by getting involved in decision making. Still results indicated that the following items were rated very satisfactory; board members possess the required knowledge and skills required to perform their roles (mean=3.32), board members provides mutual support and monitor the operations of the bank (mean=3.29), the following items were rated satisfactory; board members have the capability of assessing monetary and financial documents (mean=3.25), board members have the capacity to develop policies and procedures (mean=3.18), the management committee of the bank is competent to handle the operations of the Bank (mean=2.95), the management committee is independent during decision making (mean=2.78), board composition is diversified in regard to skills and competences (mean=2.62), the boards are composed of competent members (mean=2.52), however the during board formation, representation of all stakeholders is not always considered (mean=2.45), the integrity of board members is considered during board composition (mean=2.27), when appointing board member, there is no gender balance and this was indicated by the mean of 1.16.

4.3 Financial performance of commercial banks

Financial performance of commercial banks is the dependent variable in this study and was measured by thirteen questions/items in the questionnaire. Each of these questions/items based on a four point Likert scale and respondents were asked to rate the financial performance of commercial banks by indicating the extent to which they agree or disagree with each question, their responses were analyzed using SPSS and summarized using means and standard deviations as indicated in tables 4.5;

Table 4. 5: Financial performance

Items on financial performance	Mean	Interpretation	Rank
The bank is highly productive and values its customers	3.28	Very satisfactory	1
The bank is highly productive	3.26	Very satisfactory	2
The bank is one of the fastest growing financial institution in the country	3.21	Very satisfactory	3
The bank's sales volumes have been growing for the last 3 years	3.10	Satisfactory	4
The bank's sales turnover has grown	2.78	Satisfactory	5
The bank's return on investment has been growing over the years	2.65	Satisfactory	6
The bank has grown in the number of branches	2.58	Satisfactory	7
The asset base of the bank has grown	2.42	Unsatisfactory	8
The bank competes favorably in the financial sector	2.32	Unsatisfactory	9
The bank's customer base has grown over the years	2.25	Unsatisfactory	10
The profits of the bank have been steadily increasing	2.17	Unsatisfactory	11
The profit margins of the bank have growth	1.56	Very unsatisfactory	12
At the bank, the total costs of operation have continued to reduce	1.45	Very unsatisfactory	13
Average mean	2.54	Satisfactory	

Source: primary data (2019)

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very Satisfactory
2.51 - 3.25	Agree	Satisfactory
1.76 - 2.50	Disagree	Unsatisfactory
1.00 - 1.75	strongly disagree	Very Unsatisfactory

Results in table 4.5 indicated that financial performance was rated satisfactory and this was indicated by the overall mean of 2.54, implying that the commercial banks in Mogadishu, Somalia always use their assets and other resources effectively and efficiently. The results still indicated that; the bank is highly productive and values its customers (mean=3.28), these banks are also productive (mean=3.26), these selected banks are one of the fastest growing financial institution in the country (mean=3.21). The following items were rated satisfactory; the bank's sales volumes have been growing for the last 3 years (mean=3.10), the bank's sales turnover has grown (mean=2.78), the bank's return on investment has been growing over the years (mean=2.65). The following items were rated Unsatisfactory; the asset base of the bank has grown (mean=2.42), the bank competes favorably in the financial sector (mean=2.32), bank's customer base has grown over the years (mean=2.25), profits of the bank have been steadily increasing (mean=2.17), profit margins of the bank have growth (mean=1.56), at the bank, the total costs of operation have continued to reduce (mean=1.45), hence implying that the bank's turnover is not adequate to meet short and long term obligations.

4.4 Objective one; effect of transparency on financial performance of commercial banks in Mogadishu Somalia

Table 4.6: Effect of transparency on financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623 ^a	.388	.364	.50465

a. Predictors: (Constant),

Transparency

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.670	1	1.670	28.889	.003 ^a
	Residual	24.050	128	.188		
	Total	25.720	129			

b. Dependent Variable: financial performance of commercial banks

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.839	.432		4.257	.000
	Transparency	.473	.159	.255	2.981	.000

a. Dependent Variable: Financial performance of commercial banks

Regression analysis results in the Model Summary table revealed that transparency accounted for 33.8% on financial performance of commercial banks in Mogadishu Somalia and this was indicated by r-squared of 0.388, implying that transparency as an aspect of corporate governance contributes to the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated that transparency as a system of corporate governance significantly affects the financial performance of commercial banks and this was indicated by the F-value=28.889 and Sig-value=.003, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a

significant effect. This implies that transparency as an aspect of corporate governance highly contributes to the financial performance of commercial banks in Mogadishu Somalia. The coefficients table indicated that considering the standard error, transparency significantly influence the financial performance of commercial banks in Mogadishu Somalia ($\beta=0.473$, $\text{Sig}=0.000$).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 ($\text{Sig}=0.000$), thus rejecting the null hypothesis and accepting the alternative hypothesis.

4.5 Objective two; the effect of accountability on financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546 ^a	.298	.291	.52246

a. Predictors: (Constant),
Accountability

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.953	1	11.953	43.788	.000 ^a
	Residual	28.115	103	.273		
	Total	40.068	104			

a. Predictors: (Constant), Accountability
b. Dependent Variable: Financial performance of commercial banks

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.754	.329		2.291	.004
	Accountability	.777	.117	.546	6.617	.000

a. Dependent Variable: Financial

performance of commercial banks

Regression analysis results in the Model Summary table indicated that accountability accounted for 29.8% on financial performance of commercial banks in Mogadishu Somalia and this was indicated by r-squared of 0.298, implying that accountability as a system of corporate governance significantly contributes 29.8% on the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated that accountability significantly affects financial performance of commercial banks and this was indicated by the F-value=43.788 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that accountability as a system of corporate governance highly affects financial performance of commercial banks in Mogadishu Somalia. The coefficients table indicated that considering the standard error, accountability significantly affects financial performance of commercial banks ($\beta=0.562$, Sig=0.000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0.000). Thus implying an alternative hypothesis and rejecting null hypothesis.

4.6 Objective three; effect of board composition on Financial performance of commercial banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755 ^a	.570	.565	.33660

a. Predictors: (Constant), Board composition

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.448	1	15.448	136.347	.000 ^a
	Residual	11.670	103	.113		
	Total	27.117	104			

a. Predictors: (Constant), Board composition

b. Dependent Variable: Financial performance of commercial banks

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.307	.212		1.448	.001
	Board composition	.884	.076	.755	11.677	.000

a. Dependent Variable: Financial performance of commercial banks

Regression analysis results in the model Summary table indicated that the board composition significantly affects financial performance of commercial banks in Mogadishu Somalia at a rate of 57% and this was indicated by r-squared of 0.57, hence implying that board composition significantly influences the financial performance of commercial banks in Mogadishu Somalia.

The ANOVA table indicated a positive significant effect board composition has on Financial performance of commercial banks and this was indicated by the positive F-value=136.347 and Sig-value=0.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that board composition highly affects the financial performance of commercial banks in Mogadishu Somalia. Still this implied that high level of board composition improves the level of financial performance of commercial banks and poor board composition system reduces it. The coefficients table indicated that considering the standard error, board composition significantly affects the Financial performance of commercial banks ($\beta=0.884$, Sig=0.000).

Decision on hypothesis

The hypothesis was rejected since the significant value was found to be less than 0.05 (Sig=0.000), thus rejecting the null hypothesis and accepting the alternative hypothesis.

4.7 Multiple Linear Regression

Table 4. 7: Multiple Linear Regression analysis between the Dependent and Independent Variables

Variables regressed	Adjusted r²	F-value	Sig.	Interpretation	Decision on H₀
Financial performance of commercial banks VS Corporate governance	.761	106.955	.000a	Significant effect	Rejected
Coefficients	Beta	t-value	Sig		
(Constant)	3.062	7.143	.000	Significant effect	Rejected
Transparency	.375	7.731	.000	Significant effect	Rejected
Accountability	.356	6.730	.000	Significant effect	Rejected

Board composition	.421	1.951	.000	Significant effect	Rejected
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Source: primary data, 2019

Regression analysis results in table 4.9 revealed that corporate governance accounted for 76.1% on financial performance of commercial banks in Mogadishu Somalia and this was indicated by adjusted r squared of 0.761, this imply that corporate governance significantly affects financial performance of commercial banks in Mogadishu Somalia, and this is indicated by the F-value=0.513, and Sig=0. 001. The coefficients table indicated that of all the aspects of corporate governance, board composition accounted for the biggest influence on financial performance of commercial banks in Mogadishu Somalia ($\beta=0.421$, Sig=0. 001).

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the findings, conclusions; recommendations based on the conclusions of this study and suggested areas that need further research following the study objectives;

5.1 Discussions on findings

This study was set to find out the effect of corporate governance on financial performance of commercial banks in Mogadishu, Somalia, three specific objectives guided this study and these were i) to establish the effect of transparency on the financial performance in commercial banks Mogadishu Somalia; ii) to examine the effect of accountability on the financial performance in commercial banks Mogadishu Somalia and (iii) to establish the effect of board composition on Financial performance of commercial banks in Mogadishu Somalia.

5.1.1 Objective one; the findings on effect of transparency on financial performance of commercial banks

The findings indicated that transparency significantly affects financial performance of commercial banks in Mogadishu Somalia; this effect therefore implies that transparency as a corporate governance system contributes to financial performance of commercial banks in Mogadishu Somalia since transparency has been found to involve all relevant documents/reports/statements of the bank are available for access, disseminate bank information is done in a timely manner, commercial banks have regularly bank provided progress reports about its performance to statutory bodies, bank financial statement are authenticated by statutory bodies and also commercial banks also facilitates understandability and interpretation of the published information and Proof of bank expenditures and revenue is ascertained by statutory bodies. This finding is in line with Barbu (2015) who noted that transparency is integral to corporate governance, because higher transparency has helped to reduce the information asymmetry between commercial banks management and financial stakeholder's (equity and bondholders), mitigating the commercial banks problems in corporate governance. In Somalia, lack of transparency has led to the closures of commercial banks. The concept of bank transparency is broad in scope; it refers to the quality and quantity of public information on a bank's risk profile and to the timing of its disclosure, including the bank's past and current decisions and actions as well as its plans for the future. The

transparency of the banking sector as a whole also includes public information on bank regulations and on safety net operations of the central bank (Brown and Caylor, 2014).

Weak transparency makes banks' asset risks opaque. Stock market participants including professional analysts such as Moody's encounter difficulties in measuring banks' credit worthiness and risk exposures (Chiang, 2015). Governance research in accounting exploits the role of accounting information as a source of credible information variables that support the existence of enforceable contracts, such as compensation contracts with payoffs to managers contingent on realized measures of performance, the monitoring of managers by boards of directors and outside investors are regulators, and the exercise of investor rights granted by existing securities laws (Barbu, 2015).

There are a number of issues to consider in this regard. Rogers (2016) argues that timely incorporation of economic losses in the published financial statements increases the effectiveness of corporate governance, compensation systems, and debt agreements in motivating and monitoring managers. For instance, improved governance can manifest in a reduction of the private benefits that managers can extract from the company or in a reduction of the legal and auditing costs that shareholders must bear to prevent managerial opportunism (Abor and Biekpe, 2017).

According to Leblanc and Gillies (2015), stakeholders include employees, unions, and governments at various levels, media, customers, suppliers, financial institutions, various non-governmental corporations with broad or narrow agendas, and even the public at large. The stakeholders have a legitimate claim to know vast quantities of information about corporations' actions and intents. Brown (2014) asserts that transparency is integral to corporate governance, higher transparency reduces the information asymmetry between a firm's management and financial stakeholder's, mitigating the agency problem in corporate governance.

5.1.2 Objective two; the findings effect of accountability on Financial performance of commercial banks

The findings revealed that there is significant effect accountability has on financial performance of commercial banks in Mogadishu Somalia because Management of commercial banks in Somalia provide adequate information when making accountability, Management adheres to accountability procedures set by law, they are committed to the accountability process, there is stakeholder participation during accountability, availability of monitoring frameworks within commercial banks enhances accountability and also the accountability process is used as a means of assessing resource allocation. This also implied that high accountability improves the level of financial performance of commercial banks in Mogadishu Somalia and professional incompetency reduces it. This finding agrees with Barton (2016) who argued that accountability ranges more freely over time and space, focusing as much on future potential as on past accomplishment, connecting and consolidating performance reports to plans and forecasts. According to Barton (2016), accountability requires openness, transparency and the provision of information. Accountability ranges more freely over time and space, focusing as much on future potential as on past accomplishment, connecting and consolidating performance reports to plans and forecasts. Accountability is concerned with giving explanations through a credible story of what happened, and a calculation and balancing of competing obligations, including moral ones. Broadbent and Laughlin (2013) contend that the provision of more detailed information does not automatically lead to greater accountability.

Goddard (2015) revealed that greater accountability is often presumed to provide more visibility and transparency for organizational activity, enabling appropriate organizational behaviour and ultimately impact on organizational performance. It is increasingly used in political discourse and policy documents because it conveys an image of transparency and trustworthiness. Cheffins (2015) proposed two aspects of accountability thus: public accountability, which involves the public as principals and is

concerned with issues of democracy; and trust, and managerial accountability that is concerned with day-to-day operations of the organization. Under managerial accountability the provision of detailed information is not directed to being more accountable to the public but that rather, it is an attempt by the principals to control the agents (managers) and legitimize past decisions and actions.

5.1.3 Objective three; the findings effect of board composition on ofinancial performance of commercial banks

The findings of this study proved a positive significant effect board composition has on financial performance of commercial banks in Mogadishu Somalia which revealed that Board members provides mutual support and monitor the operations of the bank, Board composition is diversified in regard to skills and competences, management committee is independent during decision making, the management committee of the bank is competent to handle the operations of the Bank, Board members have the capability of assessing monetary and financial documents, board members have the capacity to develop policies and procedures, boards are composed of competent members demonstrate self-confidence by getting involved in decision making and also Board members possess the required knowledge and skills required to perform their Roles. this therefore implies that good board composition increases the level of financial performance of commercial banks in Mogadishu Somalia and poor board composition system reduces it. This finding is in line with Karamanou, et al (2017) who analyzed the composition of the board of directors and concluded that the size of the board does not enhance the returns of the company. As shown, most of the studies examining board size effect on financial performance have confirmed Gompers, Ishii and Metrick's (2014) findings that board size and financial performance of a firm were negatively correlated. This idea suggests that as the size of the group increases, communication and coordination problems increases. The reviewed literature puts a lot of emphasis on board composition and financial performance. Similarly, there is much attention drawn by researchers of board composition and financial performance which provided inadequate literature on the association between board composition as a measure of

corporate governance on bank performance in financial organizations such as Banks. On the other hand, much of the available literature is centred on developed economies and little or no research has been conducted on the subject in developing economies such as Uganda. This has left a literature gap which the study intends to close by carrying out a study on the effect of board composition on financial performance in financial institutions such as Banks.

Anderson, et al (2014) reveal that although many of the studies suggest a positive relationship between outsider-dominated boards and the performance of the company, some studies found no significant relationship between the proportion of inside/outside directors and company performance. Moreover, some studies support a negative relationship between the previously mentioned variables. Matama (2014) posits that the rationale of this claim is based on the idea that dependent directors can better understand not only the business processes but also the environmental factors. Therefore, they can govern their businesses more successfully than independent directors. For example, Gavin and Geoffrey (2014) findings, which depended on a two-tier board structure proposed that the proportion of inside directors has an inverse relationship with financial performance. For a successful decision-making process, stewardship theory claims that a significant proportion of dependent directors is required in managerial boards.

5.2 Conclusions

5.2.1 Objective one; the effect of Transparency on financial performance of commercial banks

Transparency has a positive significant effect on financial performance of commercial banks in Mogadishu Somalia as revealed that bank management ensures that certification of agency records is carried, the bank financial statement are authenticated by statutory bodies, commercial banks provide regular progress reports about its performance to statutory bodies, Proof of bank expenditures and revenue is ascertained by statutory bodies, Dissemination of bank information is done in a timely manner, all relevant documents/reports/statements of the bank are available for access, commercial

banks facilitate understandability and interpretation of the published information and also the audited accounts of the bank are available for public access among others. Hence concluding that applying of transparency as a corporate governance system can lead to the improvement in the financial performance of commercial banks since it increases on the quality and efficiency during corporate governance,

5.2.2 Objective two; the effect of accountability on financial performance of commercial banks

Accountability has a significant effect on financial performance of commercial banks in Mogadishu Somalia, hence concluding that management of commercial banks in Somalia provides adequate information when making accountability, management adheres to accountability procedures set by law, the management of the bank is committed to the accountability process, the degree of participation during the accountability process leads to compliance and also the availability of monitoring frameworks enhances accountability within the commercial banks. The financial performance of commercial banks can be improved once accountability is effectively worked on because it helps to increase the customer responsiveness by reducing the demand gap thus giving satisfaction to the end customer by availing the desired financial services when needed.

5.2.3 Objective three; the effect of board composition on financial performance of commercial banks

Board composition has a positive significant effect on financial performance of commercial banks in Mogadishu Somalia as revealed that the boards are composed of competent members, The management committee of the bank is competent to handle the operations of the Bank, Board members provides mutual support and monitor the operations of the bank, Board members possess the required knowledge and skills required to perform their Roles demonstrate self-confidence by getting involved in decision making, Board members have the capability of assessing monetary and financial documents, hence concluding that board composition should base on customer

orders, transaction forecasts and bank policy in order to stimulate customer demand which leads to the improvement in the financial performance of commercial banks.

5.3 Recommendations

Managers of Commercial banks in Mogadishu should develop a good transparent system to monitor and track all the business transactions so that there is effectiveness in corporate governance and ensure to cover loopholes in the system to enhance financial performance of commercial banks.

Tellers and loan officers of Amal Premier and Dahabshil commercial banks in Mogadishu should develop and improve an effective accountability system as well as accountability performance, so as to boost financial performance of commercial banks, this will enable employees step up and doing what is best for the bank.

Managers of Dahabshil, Amal and Premier commercial banks should develop an effective board composition system which evaluates each individual member's performance, as well. Board members have term limits, so a key component to maintaining a productive board is to actively recruit new members who will bring new expertise to the board.

The Regulators and Boards of Dahabshil, Amal and Premier commercial banks in Mogadishu should keep a close check on influence of board structure index and audit committee index which have a positive influence on performance (ROA). The relationship is positive and significant for board structure which means that the commercial banks board structure that consists of the appropriate size, exhibits qualities of board diversity, separate functions of Managers (CEO and Chairman) will improve performance when measure with ROA. Equally, the existence of independent directors and non-executive directors on the Board of commercial banks will boost their independence and impact positively on performance.