CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA: A CASE OF STANBIC BANK UGANDA LIMITED

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A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF EXECUTIVE MASTER'S IN BUSINESS ADMINISTRATION OF UGANDA TECHNOLOGY AND MANAGEMENT UNIVERSITY (UTAMU)

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DECLARATION

I, Noah Kimaite, hereby declare that this dissertation entitled "Corporate Governance and Organizational Performance of Commercial Banks in Uganda: A Case of Stanbic Bank Uganda Limited" was carried out by myself and that it is my original work that has never been presented to any other university or institution for any academic award. Where other sources of individuals' research work were used, acknowledgement has been duly given.

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APPROVAL

This is to certify that this report entitled "Corporate Governance and Organizational Performance of Commercial Banks in Uganda: A Case of Stanbic Bank Uganda Limited" was carried out by Noah Kimaite under my supervision and is submitted with my approval for examination.

Signed: -- Date: -------------------------------

Dennis K. Omvia

Supervisor

DEDICATION

This dissertation is dedicated to my Family for the patience they accorded me when I was preoccupied with this work. This is an encouragement to them that they will also make it in life.

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I thank the Almighty God for the wisdom and courage that enabled me to complete this report. I extend my sincere thanks to my employers who allowed me to take time off to undertake my studies. I take the pleasure to extend my sincere gratitude to all those who contributed to my making this research a success and appreciate the individual respondents for the information provided that helped me gain insights during the great discussions and the stimulating dialogues. Heartfelt thanks also go my family and my parents for their encouragement and for enduring my absence when I was undertaking my studies. May the good Lord reward then generously! I am greatly indebted to my supervisor, Mr. Dennis K. Omvia, for his tireless efforts in guiding me. As a result of his regular guidance and discussions, I was able to complete this research. I wish to extend my appreciation to my classmates and lecturers who have been guiding me on a number of issues during my studies at UTAMU.

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LIST OF ABBREVIATIONS

BoU	-	Bank of Uganda
CEO	-	Chief Executive Officer
CVI	-	Content Validity Index
HR	-	Human Resource
MOU	-	Memorandums of Understanding
NGO	-	Non Governmental Organisations
NPA	-	Non-Performing Assets
SBUL	-	Stanbic Bank Uganda Limited
SPSS	-	Statistical Package for Social Sciences
UGX	-	Uganda Shillings
UK	-	United Kingdom
US	-	United States
UTAMU	-	Uganda Technology and Management University

ABSTRACT

The purpose of the study was to investigate the influence that corporate governance has on organizational performance in Stanbic Bank. The study was guided by the following specific objectives; effect of transparency on organizational performance; contribution of accountability on organizational performance; and effect of board composition on organizational performance at SBUL. The study adopted a case study design and a sample size of 97 respondents comprising staff was selected using simple random sampling. Data was collected using structured questionnaires and in-depth interviews. The data was analyzed using Microsoft excel and SSPS version 20. The major findings of the study revealed that there is a significant relationship between transparency and organizational performance and transparency was a predictor of bank performance. Likewise, a significant relationship was observed between accountability and organizational performance where accountability was seen to be a predictor of bank performance. Further still, the relationship between board composition and organizational performance showed a significant relationship. In conclusion, transparency, accountability and board composition as dimensions of corporate governance, determine organizational performance at Stanbic Bank. The study recommends, therefore, that management of SBUL should make efforts to ensure that there is transparency, accountability and effective board composition so as to promote bank performance. The stakeholders in the financial sector should develop strategies in line with the study variable relationships to enhance organizational performance in financial institutions. The strategies will help foster the development and implementation of governance structures which promote profitability, cost reduction, growth and liquidity.

CHAPTER ONE
INTRODUCTION

1.1 Introduction

The study examined the effect of corporate governance and organizational performance of commercial banks in Uganda. According to the study, corporate governance was the independent variable and organizational performance was conceptualized as the dependent variable for the study. In the study, the independent variable was measured in form of accountability, transparency and board composition, while dependent variable was measured in form of profitability, cost reduction, growth and liquidity; moderating factors was measured in form of regulations, rules and policies. This chapter covers the background of the study, the statement of the problem, purpose of the study, objectives of the study, research questions, hypotheses, conceptual framework, scope of the study, significance, justification and operational definition of terms and concepts.

1.2 Background to the Study

Under this section, the researcher discusses the historical background, theoretical background, conceptual background and contextual background of the study.

1.2.1 Historical Background

The subject of corporate governance world over has been top of the agenda for many years. Despite tight regulatory framework, corporate governance continues to weaken in developed and underdeveloped countries to some extent, affirms the World Bank report (2009). Issues of good governance in business have become matters of great public and academic debate during the past 15 years, prompted by major scandals such as the frauds at Enron and WorldCom in the US, and the collapse of Vivendi in France and Marconi and Equitable Life in the UK, to name a few. In the period 2008 to 2010, several international banks such as Marilyn Lynch, Chase Bank, JP Morgan, among others, collapsed as a result of management issues. Like many other developing countries, Uganda has had a share of challenges in the banking sector, culminating in major bank failures such as Greenland, Cooperative Bank, Uganda Commercial Bank, International Credit Bank and Sembule Investment Bank, posit Kithinji and Waweru (2007). Ashbaugh, Collins and LaFond (2004) revealed that particular concerns have focused on the quality of auditing and accountability, on the role of non-executive directors, and on agency problems in the boardroom and 'fat cat' executive pay levels.

Such concerns are not merely pertinent to the internal affairs of large corporations, but also have a resonance for the wider community of stakeholders, such as the commercial banks. Similarly, management of commercial banks have come under pressure by the different stakeholders offering value for money services in accordance to the set policies in Uganda's financial sector. This often determines the sustainability of banks in the financial sector. Issues relating to corporate governance, however, are not new. They have been around since the early days of the joint stock company, which emerged as an important form of business organization in England and Scotland during the seventeenth century. Wherever share-owning partnerships were large enough for a space to emerge between directors, managers and the majority of owners, conflicts of interest between the three groups could emerge. This space became a political arena in which governing executives confronted their 'public', the shareholder assemblies. The critical questions about how power was to be divided between proprietors, directors and managers were answered in a variety of ways by different companies.

Conyon and Florou (2004) identified two types of conflicts; one from managerial moral hazard since, in not having full ownership, managers are unable to capture the full benefits of their efforts. As well, they do not bear the full costs of their actions. This conflict has been described as managerialism or managerial agency. Furthermore, the complexity of the coordination task in the modern firm (corporation), imperfect information (uncertainty), and bounded rationality all combine to necessitate the vesting of managers with discretion, aver Bhagat and Black (2002). Such discretion, however, creates opportunities for self-interested behaviour by the managers. This temptation to self-aggrandize is reinforced by having different sets of information available to agents and principals. This information asymmetry can mean that those who in practice discipline the managers may not be able to monitor cheaply the performance of the managers hence affecting the effectiveness, efficiency, economy and appropriateness of the organizations/corporations.

The East Asian crisis and the recent corporate scandals around the world, coupled with the seemingly poor performance of corporate Africa with regard to financial management have given prominence and impetus to corporate governance on the continent. One of the most striking differences between countries' corporate governance systems are the contrasts in the ownership and control of firms that exist across countries. Corporate governance systems can be distinguished according to the degree of ownership concentration and the identity of controlling shareholders. While some systems are characterized by widely dispersed ownership, others tend to be characterized by concentrated ownership where the controlling shareholder may be an individual, family holding, bloc alliance, or financial institution and other corporations acting through a holding company or via cross shareholdings, assert Kithinji and Waweru (2007). Therefore, two of the most basic conflicts that can occur in corporate governance are the conflict between a controlling manager and ‘outside’ widely dispersed shareholders, and the conflict between ‘inside’ controlling shareholders and outside minority shareholders. This soon or later affects the financial performance of banks since transparency, accountability and openness in reporting and disclosure of information, both operational and financial, may be compromised.

1.2.2 Theoretical Background

The study will be guided by the principal agency theory. According to Jensen and Meckling (1976), an agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. It has been argued that the agency theory has been the most dominant issue in corporate governance and the principal-agent theory is generally considered the starting point of this debate. Agency theory hypothesizes that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns, reveal Bhagat and Black (2002). The assumption is that if the principal and agent have a common understanding in this case, the agency is obliged to provide quality financial reports to the Board of Directors. These relationships are not necessarily harmonious, indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals.

This has implications for, among other things, corporate governance and business ethics. Ashbaugh, Collins and LaFond (2004) suggest that when agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship. Agency theory raises a fundamental problem in organizations’ self-interested behaviour. A corporation's managers may have personal goals that compete with the owner's goal of maximization of shareholder wealth. Since the shareholders authorize managers to administer the firm's assets, a potential conflict of interest exists between the two groups. This theory will guide the study by analyzing whether the corporate governance systems used by commercial banks, always act according to their principal's interests of delivering services effectively, efficiently and economically. Time, effort, and skills contributed by customers are often critical to the provision, production, and delivery of services. Indeed, some financial services can be produced only when directors, management and customers jointly contribute to their production.

The study will also be guided by the stakeholder theory. According to Bhagat (2004), stakeholder theory basically aims at striking a balance between the interests of a corporation's stakeholders and their satisfaction. It tries to identify the purpose of the firm. Identification of the firm's purpose, therefore, becomes the driving force underlying its activities, posits Bhagat (2004). By highlighting the firm's responsibility to its stakeholders, the author states that it pushes the management to design and employ appropriate methodologies to determine the nature of the relationship between interested parties and the management in order to deliver on their purpose. Freeman further says that there is a realization that economic value is created by people who voluntarily come together, cooperate and hence improve everyone's circumstances, reveal Brown and Caylor (2004).The theories may help explain the poor bank performance, when they emphasize the need for organizations to ensure proper organizational internal management so as to remain sustainable. This implies that if Stanbic Bank does not comply to what is suggested by the theories, then its performance could remain low despite management's effort to implement corporate governance reforms.

1.2.3 Conceptual Background

Corporate governance is the international term associated with the trend towards greater corporate responsibility and the conduct of business within acceptable ethical standards as viewed by Brown and Caylor (2004). Brown and Caylor (200) assert that transparency, accountability and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. According to Bhagat (2004), the object of good corporate governance is attained when institutions demonstrate their public accountability and conduct their business within acceptable ethical standards. This demonstration will take the form of effective financial reporting, both internally and externally, and the unqualified encouragement of public debate in respect of such financial reports. Consequently, effective corporate governance in the public sector means that public officials must demonstrate compliance which, according to Bhagat (2004), is supported through outwards and internal reporting.

From the foregoing analysis, Bhagat and Black (2002) argue that corporate governance is represented by the structures and processes laid down by a corporate entity to minimize the extent of agency problems as a result of separation between ownership and control. It must also be indicated that different systems of corporate governance will embody what are considered to be legitimate lines of accountability by defining the nature of the relationship between the company and key corporate constituencies. According to Bhagat and Black (2002), a corporation’s financial structure can be perceived as a receptor of various factors deriving out of the firm and industry level, institutional, legal, political and social framework. Apart of these factors, capital structure bears the mark of the board of directors’ decision in respect of the organization’s financing policy, being deeply linked with the corporate governance area.

According Bushman and Smith (2001), board size and structure, CEO duality and CEO compensation and tenure are the key variables of corporate governance. Anderson et al. (2004) highlighted that it is cheaper for organizations with a large board to attract external financial resources since creditors perceive these organizations as having a rigorous monitoring of the financing decision. Core, Holthausen and Larcker (1999) assumed that outside directors have the incentive to monitor managers very strictly, determining them to adopt a lower leverage in order to encourage a high market value of equity. Core, Holthausen and Larcker set forth that the effectiveness of the board role diminishes in case of dual leadership since one person is entitled to manage both the operations and the internal controlling.

1.2.4 Contextual Background

Commercial banks are distinguished from other financial institutions by their accepting deposits and provision of credit. Loans are the basic source of revenue and a major part of asset for banks. However, poor management of credit has historically been a major cause of bank failure (Comptroller's Handbook, 1998). In the case of Uganda, the financial sector has undergone several reforms geared, among other things, towards improvement of bank performance. Joseph and Dai (2009) points out that the poor performance of banks is closely associated with managerial incompetence. The Stanbic Bank's Annual Report (2010) states that the bank's approach to corporate governance is based on a well established governance structures and relies on both individual responsibility and collective oversight supported by comprehensive reporting. Likewise, the bank also has governance structures in form of risk management committee of the board of directors, credit risk committee, audit committee and internal audit assurance whose primary objective is to provide assurance to the audit committee on the quality of controls as stated by the Stanbic Bank Annual Report of 2010.

According to the report, effective policies and procedures have enabled SBUL to maintain sound credit-grading standards, monitor and control credit risk, properly evaluate new business opportunities, and identify and administer problem credits. Despite the existence of a robust governance framework, the bank has continued to record poor performance of the bank's portfolio. The Bank of Uganda On-Site Examination Report (2010) revealed that for the financial year 2008/09, credit risk had increased from UGX 0.8 billion to UGX4.8 billion indicating a 600% increase in credit risk within a period of one year which was justification for the reduction in the profits of the bank by 23%. According to the bank's performance of 2009, Stanbic Bank made a pretax income of UGX 122.5 billion and in 2010 recorded UGX 87.6 billion, showing a decrease of 34.9 billion in pretax income of the bank. With regard to profit after tax, the bank realized UGX 72.1 billion, showing a decrease of 24.4% from UGX. 95.3 billion. According to the reports, the poor management of credit risk has contributed to the declining profits of the bank, causing the bank to fail to meet projected portfolio performance.

The Head Risk Department revealed that the rise in non-performing assets has been recorded for both individual and corporate clients. He said the bank operates schemes with corporate companies through which credit is extended to their staff. Under this scheme, the bank enters into Memoranda of Understanding (MOUs) with the management of these companies to extend their staff credit at relatively lower interest rates compared to the running rates in the market. In the MOUs, the decision to either deduct staff repayments at source or by standing order is agreed upon. However, over the years the loan scheme has proved to be risky due to delays in updating payrolls and negligence on the part of human resource officers. With regard to making staff repayment deductions at source, some companies do not remit the money on time, hence putting staff in arrears reveals the SBUL Quarterly Review (2010). Similarly, for repayments made by standing order, staff draw the money off their accounts before deductions are made by the bank. Likewise, delays in salary payments also cause staff under standard order loan repayments to go into arrears. According to the data of the bank, aggregate portfolio risk had an annual growth rate of 17%.

For the years 2009 and 2010, the bank closed with arrear rates of 3.6% and 5.46% respectively. Likewise, the bank's lending performance for the last three years reveals that it has continued to record average arrear rates of 3.24% and Non-Performing Assets (NPA) rates of individual loans of 1.4% where the acceptable rate by Bank of Uganda is 1%. The above weaknesses may be responsible for the growing credit risk at the bank. It is upon this background that the study seeks to examine the level of performance at Stanbic Bank.

1.3 Statement of the Problem

For any commercial bank, corporate governance is an essential tool for bank performance, posits the SBUL Strategic Plan (2014). The management of the Stanbic Bank has made attempts to improve bank performance through system and procedure integration of the governance structures. The SUBL Annual Report (2014) revealed that although the restructuring of governance structures at SBUL has been ongoing in a bid to improve bank performance, the bank has continued to record growth in bad debts and loan arrears which has made bank performance vulnerable. For example, the SBUL Annual Reports (2009, 2010 and 2011) revealed that the bank registered a 12%, 15% and 17% annual growth rates in credit risk respectively. The reports further revealed that the bank's portfolio performance continued to decline with arrear rates averaging at 3.24% and Non-Performing Assets (NPA) rates of 1.4% exceeding the acceptable rate by Bank of Uganda (1%) by 40%. Similarly, the bank has continued to record declining credit repayments evidenced by the reducing credit recovery rates and growing arrears rates which have affected the portfolio performance (SBUL Quarterly Review, 2013). The poor portfolio performance has had a negative impact on the different stakeholders of the bank. The Stanbic Bank HR Report (2011) showed that several members of staff in the credit, risk departments, among others, were downsized due to the decline in the performance of the bank. For example, there was a continuous decline in the dividend payments to shareholders for three consecutive financial years starting 2010, 2011 and 2012. The BoU Performance Review Report (2012) showed that the bank's portfolio at risk steadily increase for the period 2010 to 2012 during which the bank also continued to record an annual arrear rate of 15%. The SBUL Annual Report (2010) showed that lapses in credit risk assessment, monitoring and control may explain the poor bank performance. This raised the researcher's curiosity and hence the need to establish the effect of corporate governance on organizational performance at SBUL.

1.4 Purpose of the Study

The study examined the effect of corporate governance on organizational performance in commercial banks in Uganda using Stanbic Bank as a case study.

1.5 Research Objectives

i) To establish the effect of transparency on organizational performance at SBUL.

ii) To examine the effect of accountability on organizational performance at SBUL.

iii) To establish the effect of board composition on organizational performance at SBUL.

1.6 Research Questions

i) What is the effect of transparency on organizational performance at SBUL?

ii) What is the effect of accountability on organizational performance at SBUL?

iii) What is the effect of board composition on organizational performance at SBUL?

1.7 Hypotheses of the Study

The study was guided by the following hypotheses;

i) Financial transparency enhances organizational performance.

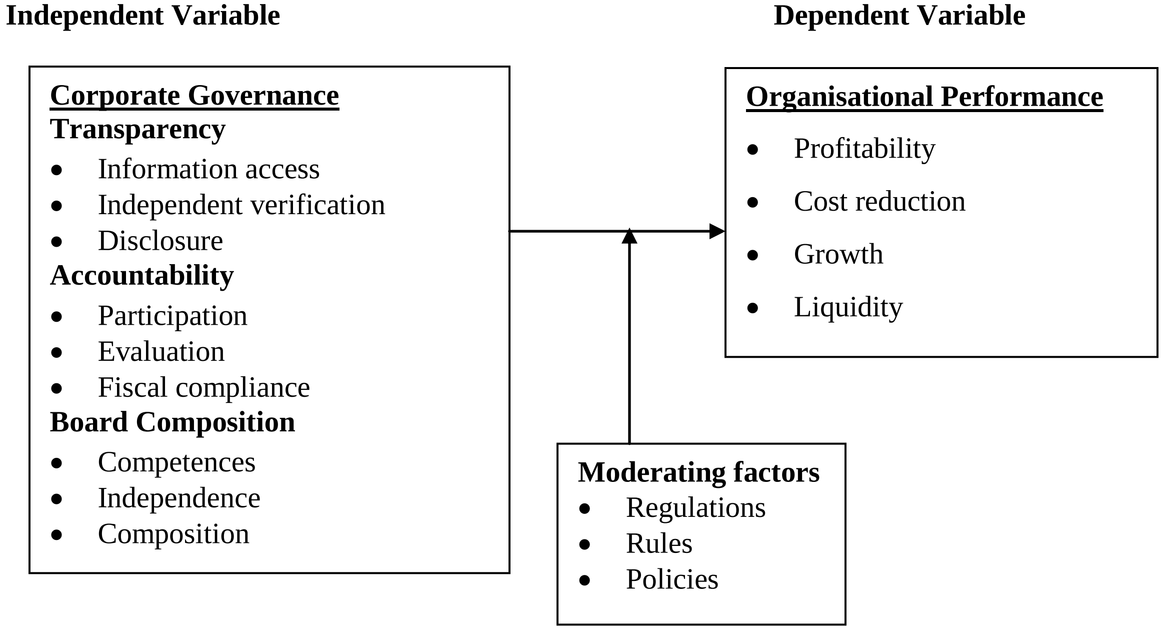
ii) Accountability has a positive significant effect on organizational performance.

iii) Board composition greatly contributes to organizational performance.

1.8 Conceptual Framework

The conceptual framework was developed after review of related literature on the study variables. The conceptual framework shows the relationship between the study variables under investigation. The independent variable was corporate governance with organizational performance as the dependent variable. The model shows that corporate governance influences organizational performance of banks. Corporate governance was measured in form of accountability, transparency and board composition. The framework shows the different determinants of organizational performance of banks in Uganda. The dependent variable is organizational performance (profitability, growth, liquidity and cost reduction) and the moderating factors will be measured in form of regulations, rules and policies.

Figure 1: Conceptual Framework



Source: Adopted with modifications from the literature of Abor and Biekpe (2007); Awio and Northcote, (2007); Leblanc and Gillies, (2005); Heidi and Marleen, (2003); Agrawal and Chadha (2005)

Corporate governance plays a pivotal role in the enhancement of bank performance. Therefore, the study attempted to establish the relationship between corporate governance and organizational performance in Stanbic bank. The key factors related to organisational performance are synthesized to form this presented conceptual framework. The dependent variable is organizational performance whereas, the independent variables comprised accountability, transparency and board composition. Organizational performance is the variable of interest in which the variance is attempted to be explained by three independent variables; accountability, transparency and board composition. Therefore, the study attempted to establish how the identified corporate governance dimensions affect organizational performance in commercial banks with policies, rules, regulations and competition moderating the relationships.

1.9 Significance of the Study

To date there has been much research carried out on the effect of corporate governance on organizational performance in commercial banks. This study may therefore adds knowledge to the already existing current stock of knowledge regarding this area of study for future researches especially the study of variables and their relationships. The findings of the study is also vital to policy makers as it clearly points out the effect of corporate governance on organizational performance in banks as well as other factors which affect performance. The possible solutions to these causes may be used by policy makers since they are a point of reference while writing government policies. The commercial banks may therefore benefit since the right recommendations which suit their particular problems have been made. The findings of the study enlighten the relevant authorities, namely the staff, public top/senior management and finally the State and its organs, on the areas that need improvement. And when this improvement is effected, bank performance may raise hence clients benefiting in terms of effective and efficient service delivery. The study also makes recommendations for what should be done in order to improve on corporate governance and reduce its negative effects on bank performance.

1.10 Justification of the Study

SBUL is Uganda's leading commercial bank commanding 27% of market share with almost presence in every district in Uganda. SBUL offers a collection of appropriate financial services to both economically vibrant and disadvantaged Ugandans, of whom the latter are the majority states the SBUL Annual Report (2010). These financial services include savings, credit, funds transfers, financial training, time deposits and cheque clearing. However, despite being the market leader in Uganda's financial sector, this has not made the bank immune to performance challenges. Therefore, strengthening corporate governance at the bank has recently become a central part of the performance agenda. The link between corporate governance and organizational performance is increasingly being appreciated. Therefore, corporate governance has been identified as a means of causing improved performance at the bank.

1.11 Scope of the Study

1.11.1 Subject Scope

In terms of the content scope, this study specifically sought to determine the relationship between accountability and organizational performance, transparency and organizational performance, and board composition and organizational performance at Stanbic Bank Uganda Limited.

1.11.2 Geographical Scope

The study was centred on SBUL headquarters are located on Crested Towers, Hannington road, Plot 17, Central division, Kampala district and the branches in Kampala district. The headquarters of SBUL were chosen because that is where all governance decisions are centralized.

1.11.3 Time Scope

The study covered a period of 7 years from 2009-2015. The researcher considered this period to be long enough for proper assessment of corporate governance on organizational performance in SBUL given that this is the period during which the bank continued to experience a tremendous increase in non-performing assets.

1.12 Definition of Terms

- Board composition refers to issues related to board independence, diversity of board members, and CEO duality.

- Accountability is the obligation of an individual or organization to account for his/her/its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property.
- Transparency is the minimum degree of disclosure to which agreements, dealings, practices, and transactions are open to all for verification.
- Corporate governance refers to the system by which companies are directed and controlled.
- Organizational performance refers to an analysis of a company's performance as compared to goals and objectives.
- Performance means both behaviours and results or employee outputs that focus on quality and quantity of work and the time taken to release such outputs.

1.13 Conclusion

This chapter has presented the introduction of the study, which includes the problem statement, objectives which led to the next chapter of the literature review on corporate governance and organizational performance.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This study aims at contributing to the discussion on organizational performance of commercial banks by considering not only the quantitative variables already mentioned in the framework, but also those of a qualitative or strategic nature. It is structured starting with a brief summary of the different theoretical approaches analyzing organizational performance, then the peculiarities of organizational performance determinants for banks and finally their relationship with corporate governance of banks.

2.2 Theoretical Review

Mugenda and Mugenda (2003) define a theory as a system of explaining phenomena by stating constructs and the laws that interrelate these constructs to each other. The study can be based on several theories that link corporate governance to bank performance. Agency theory is concerned with the relationship between the principal and the agent. Jensen and Meckling (1976) defined the agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. In the case of commercial banks in Uganda the principal would be the bank board of directors while the agent would be the management of the banks. Bhagat and Black (2002) state that in financial management the primary agency relationships are between shareholders and managers and between shareholders and debt holders.

Stewardship theory is an alternative view to the agency theory and the key aspect of it is that managers will act responsibly as stewards of the resources they are in charge of. Under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. The theory holds that there is no inherent, general problem of executive motivation. Given the absence of an inner motivational problem among executives, there is the question of how far executives can achieve the good corporate performance to which they aspire. Thus, stewardship theory holds that performance variations arise from whether the structural situation in which the executive is located facilitates effective action by the executive. Structures will be facilitative of this goal to the extent that they provide clear, consistent role expectations and authorize and empower senior management.

The Resource Dependency theory is based on the premise that an organization depends on its environment for its resources and as such it must establish good relations to ensure constant flow of the resources and information. Their main emphasis was on power and they stated that if dependence of resources comes from relying on a sole-supplier, then the solution is to find and maintain alternatives. Another solution is in the selection of the board members. The theory suggests that an organization can manage uncertainty by inviting a representative of the source of constraint onto its governing board, thus trading sovereignty for support.

The Stakeholder theory is on the basis that organizations should be responsible to stakeholders in society other than just their owners. There can be no truly sustainable development progress without an ethically critical consideration of stakeholders. It is precisely through stakeholder theory's challenging dilemmas such as who is the customer, the beneficiary or the donor, that one gains a platform for broader considerations. The key stakeholders for the banks working in Uganda are the customers, providers, government and employees. The banks' main responsibility lies with these stakeholders.

From the deliberations of the agency theory, an agency relationship is a contract under which one or more persons (principals) engages another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent which is true in the case of SBUL. When executing the tasks within the principal-agent relationship, the agent must choose actions that have consequences for both the principal and the agent. Since these outcomes can be either negative or positive for each of the actors, the chosen action of the agent affects the welfare of both -- the principal being Board of Directors and the agent being the management. The assumption is that the principal and agent have a common understanding in this case, Board of Directors appoints management members to perform the day to day operations of the bank. In its study, it is assumed that SBUL can realize sustained improved bank performance through overcoming the principal agent challenges. Therefore, by carrying out effective management reforms supported by constant monitoring of the actions of management by the principal, this results into improved bank performance.

2.3 Corporate Governance

Over the recent past, the world economy has been caught up in what can best be described as Corporate Governance Euphoria. Serving as an impetus to this trend since late 1990s and the early years of 2000s, is what one can justifiably consider to be the worst sweeping corporate scandals that saw the demise of what formerly were considered to be the world's greatest corporate failures'. Abor and Biekpe (2007) observed that the reasons responsible for growing corporate governance included; world-wide wave of privatization of the past two decades, the takeover wave of the 1980s, the deregulation and integration of capital markets, the 1997 east Asian crisis, and the series of recent corporate scandals in the US and elsewhere. According to Agrawal and Chadha (2005), worldwide notable cases of corporate catastrophes with mistreatment of corporate governance being the known primary source of the problems in the past 20 years have included a list of prominent companies like Enron, WorldCom, Inc. and Barings, all of which and many others including: Pamalat, Adelphi, are good cases of corporate governance failure.

The rapidly developing body of literature on corporate governance began with the classical thesis, the modern corporation and private property by Core, Holthausen and Larcker (1999). This addressed the fundamental problem in the then firms where there was separation of ownership and control. Such companies are run by professionally qualified managers acting as agents, who are accountable to dispersed shareholders being the principals. Good corporate governance could greatly impact on the operations of a firm. The four main aspects of improving corporate performance include; strategic direction, financial expectations, transparency and accountability issues and shareholder activism. Strategic direction defines the firm's long-term direction. It requires the appointment of board members with proper competences and skills mix. Appointing the board, must bring right-thinking individuals into the organization in order not to adversely affect the entrepreneurial direction of the firm. The appointment of right-thinking individuals in the firm will usually result in more attention being paid to innovation, proper oversight and improved performance.

In the case of SBUL, a lot of emphasis is put on transparency, accountability and board composition. To promote transparency at the bank, management publishes different reports about the bank operations in public media and website. Likewise, the bank promotes accountability through internal audits and external audits so as to account for the resources entrusted to management and how the resources are being handled to generate more resources so as to promote bank growth. On the other hand, there are different boards/committees composed of competent, independent and diversified members who are involved in the decisions making process of the bank.

2.4 Organizational Performance

The ultimate goal of a business organization is higher financial performance or maximization of wealth for stakeholders (Joseph and Dai, 2009). Nonetheless, attaining the organization's goals depends upon the extent to which its organizational performance is reached (Katou and Budhwar, 2007). Organizational performance is generally indicated by effectiveness, efficiency, satisfaction of employees and customers, innovation, quality of products or services, and ability to maintain a unique human pool. The organizational performance variables of the present study included features such as product quality, customer satisfaction, new product development, ability to attract employees, ability to retain employees, and relationship between management and employees.

According to Kaplan and Norton (1993), organizational performance means the transformation of inputs into outputs for achieving certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost (economy), between effective cost and realized output (efficiency) and between output and achieved outcome (effectiveness). Sales performance can be explained as all the activities or investment carried out in the firm in the given period of time. It can be measured by total amount of revenue collected for the goods sold. Growth revenue is defined as total amount of money collected by the company for the goods they sold in a specific time and this amount is calculated before any expenses are subtracted. Effectiveness of the organization depends on the three basics performance determinants which include efficiency and process reliability; human resource and relations; and innovation and adaptation to environment (Joseph and Dai, 2009).

Efficiency is defined as a term practiced by organization or firm to use people and resources to carry out important operations in a way which minimizes the costs. When the resources are used in a proper way as compared to the competitors, the cost of operation will decrease and the profit margin will increase. Efficiency is important when the competitive strategy of the firm offers products and services at lower rates than the competitors. Human resource relation is defined as trust, organizational commitment, collective identification and cooperation among the employees (Joseph and Dai, 2009). Most organizations view their performance in terms of effectiveness in achieving their mission, purpose or goals. Most public organizations, for example, would tend to link the larger notion of organizational performance to the results of their particular programmes to improve the lives of a target group (Katou and Budwar, 2007). At the same time, a majority of organizations also see their performance in terms of their efficiency in deploying resources. This relates to the optimal use of resources to obtain the results desired.

Finally, in order for an organization to remain viable over time, it must be both financially viable and relevant to its stakeholders and their changing needs. In the Organisational performance framework, these four aspects of performance are the key dimensions to organizational performance. Organizations exist within certain external contexts or environments that facilitate or impede their performance. Key factors in the policy or regulatory environment, and in the economic, political, socio-cultural, environmental and technological contexts, affect how the organization does its work. (Kaplan and Norton, 1993). Internally, performance is driven by the organization's motivation to perform, which refers to the organizational culture, history, mission, values and incentive systems. These factors affect the quality of work, the nature of how the organization competes, and the degree of involvement of internal stakeholders in decision-making processes. Performance is driven, in part, by organizational capacity, which we now understand as existing in seven basic areas: strategic leadership, human resources, financial resources, infrastructure, programming and process management, and inter-institutional linkages (Usha, 2009).

Each of these seven capacity areas may be described in sub-components as, for example, in the organization's strategic leadership capacity which is understood as its structure, governance, leadership, strategic plans and niche management. Human resources, financial resources and infrastructure are seen as resources as well as the management of these resources (Katou and Budwar, 2007). Organizations also have capacities that result from the relations, partnerships and alliances they have established with other organizations referred to as inter-institutional linkages. Kaplan and Norton (1992) explain balanced scorecard methodology as a comprehensive approach that analyzes an organization's overall performance in four ways, based on the idea that assessing performance through financial returns only provides information about how well the organization did prior to the assessment, so that future performance can be predicted and proper actions taken to create the desired future.

The methodology examines performance in four areas: cost analysis in terms of procurement is the most traditionally used performance indicator, which includes assessments of measures such as operating costs and return on investment; customer analysis looks at customer satisfaction and retention; internal analysis looks at production and innovation, measuring performance in terms of maximizing profit from current products and following indicators for future productivity; and finally, learning and growth analysis explores the effectiveness of management in terms of measures of employee satisfaction and retention and information system performance (Joseph and Dai, 2009). As a structure, balanced scorecard methodology breaks broad goals down successively into vision, strategies, tactical activities, and metrics.

2.5 Accountability and Organizational Performance

Awio, Lawrence and Northcote (2007) posit that accountability is concerned with giving explanations through a credible story of what happened, and a calculation and balancing of competing obligations, including moral ones. 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 (2003) contend that the provision of more detailed information does not automatically lead to greater accountability. According to Barton (2006), 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.

Cheffins (2009) 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. Therefore, Goddard (2005) 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. Mulgan (2008) contends that an accounting system is a way of keeping a written record of transactions. Receipts are given for all money that is received by an organization and receipts are asked for every time money is spent. According to Core, Holthausen and Larcker (1999) an accounting system consists of business papers, records, reports and procedures that are used by an organization in recording transactions and reporting their effects. Goddard (2005) said that an accounting system, regardless of the size of the organization is designed to collect, process and report periodic financial information about the entity.

In the case of Uganda and more especially SBUL, the idea of accountability is practiced as a way of effectively managing resource utilization in relation to set financial internal controls. However, it should also be noted that the reviewed literature draws a lot of attention on accountability and financial performance of organizations in the financial sector leaving scanty literature on the effect of accountability on organizational performance in the financial sector and more especially SBUL. This provides a gap in literature which this study intended to bridge so as to provide information on the effect of accountability on organizational performance in the financial institutions such as SBUL.

2.6 Transparency and Organizational Performance

Transparency is integral to corporate governance, higher transparency reduces the information asymmetry between a firm's management and financial stakeholder's (equity and bondholders), mitigating the agency problem in corporate governance (Barbu, 2005). In Uganda, lack of transparency is attributed 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, 2004).

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, 2005). Rogers (2006) 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, 2007). 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 and regulators, and the exercise of investor rights granted by existing securities laws (Barbu, 2005). There are a number of issues to consider in this regard.

Brown (2004) 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. Today, after many scandals and financial crises, the transparency in corporate governance is the debate *du jour*. Transparency lies at the intersection between the public's right to know and corporation's right to privacy. The public's right to know, means the stakeholders interest in obtaining corporation information about management and strategy. According to Leblanc and Gillies (2005), stakeholders includes 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.

The corporation's right to privacy means the corporation's right to control the collection, use and disclosure of all information and management strategies related of the corporation (Agrawal and Chadha, 2005). Financial reports include filings and documents required by law, as well as those expected by lenders, investors, employees, donors, or board members. Much as the idea of transparency is been extensively studies in the financial sector, little attention has been focused on commercial banks. Similarly, much of the existing literature focuses on transparency and financial performance causing gaps in the literature on transparency and organizational performance in the financial sector and more especially commercial banks in developing countries where the procedures followed during transparency are still underdeveloped to support the organizational performance of commercial banks. This explains why in SBUL there are still lapses in organizational performance. This literature deficiency provides a research gap which will be bridged by this study.

2.7 Board Composition and Organizational Performance

According to the Gavin and Geoffrey (2004) the board composition allows for effective decision making and supervision of the management. Further to this, the board size should give room to fruitful discussions and appropriate, swift and prudent decisions. There is no perfect number of board members due to the different factors that may influence the board size, e.g. corporation's size, the business environment and special characteristics. The board should include outside directors in order to maintain practical independence and the appointment of board members should be through a transparent procedure that reflects broadly the diverse opinions of shareholders (Abor and Biekpe, 2007). Board members should also be competent and professional. Board size is one of the well-recognized dimensions of board composition examined in the literature.

Karamanou and Kyereboah (2007) 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 (2004) 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, assert Karamanou and Kyereboah (2007). Anderson, Mansi and Reeb (2004) 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. For example, Gavin and Geoffrey (2004) 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. Matama (2008) 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.

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 SBUL. 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 organizational performance in financial institutions such as SBUL.

2.8 Empirical Studies

A number of studies have been conducted on the effect of corporate governance on organizational performance. Matama (2012) undertook a study to examine the role of corporate governance in promoting financial performance of selected commercial banks in Uganda and established that corporate governance determined a variance in the general financial performance of commercial banks in Uganda. From his findings, he showed that it was obvious that trust had a significant impact on financial performance; given that transparency and disclosure boosts the trustworthiness of commercial banks.

Zvavahera and Ndoda (2014) in their study on corporate governance and ethical behaviour established that top management and the board were corrupt. There was lack of accountability and transparency in the way business was being done. It was reported that employees went for over seven months without salaries yet top management and the Board paid themselves handsomely. They further noted that bad corporate governance and unethical behaviour had serious negative implications on both organizational and employees' performance. Bauer, Frijns, Otten and Tourani-Rad (2006) conducting a study on the impact of corporate governance on corporate performance revealed that provisions towards financial disclosure, shareholder rights and remuneration do matter for stock price performance. The importance of board accountability, market for control and corporate behaviour is limited.

Ojok (2012) conducted a study to examine the effect of corporate governance on organizational performance in selected non-governmental organizations in Gulu district in Uganda and established that financial transparency, accountability and board composition were significant predictors of organizational performance. From the findings, NGO transparency regarding provision of information that is accurate, true and non-selective enhanced their performance. Similarly, stakeholder participation, evaluation and fiscal compliance enhanced NGO performance. On the other hand, board independence, competence and composition led to better financial decision making and thereby better NGO performance. From the studies that have been conducted, there seems to scanty literature on the effect of corporate governance on organizational performance on Uganda's banking sector, which necessitated a study to be carried out to bridge the gap in literature.

2.9 Synthesis of the Literature Review

The reviewed literature puts a lot of emphasis on corporate governance and organizational performance in public organizations focusing less on private organizations. This has contributed to inadequate literature on the association between corporate governance and organizational performance and more specifically in Uganda's banking sector. On the other hand, much of the available literature is centred on developed economies and little or no research has been conduct 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 corporate governance on organizational performance in Uganda banking sector. As observed from the assertions of the studies reviewed in literature, there is some level of corporate governance with regard to transparency, accountability and board composition in Uganda's banking sector. However, this is still in its infancy stage given that Uganda's banking sector has just been undergoing reforms over the years. This is given credence by the recent closure of some banks in the sector as a result of lapses in corporate governance which resulted into their poor performance forcing the central bank to close them or have them taken over by other banks. To this end, the banks have not realized the tangible benefits of corporate governance as a growth strategy. This may explain why Stanbic Bank is still facing challenges of growth in revenues, profits, liquidity, sales and costs. The literature review presents gaps and arguments that need to be authenticated through investigation. This has left a literature gap which the study intends to close by probinh into the effect of corporate governance on organizational performance in commercial banks in Uganda using Stanbic Bank as a case study.

2.10 Conclusion

In this chapter, we have presented a review of literature that was carried out in relation to the study objectives. Literature on the effect of corporate governance on organizational performance was reviewed and established that the prevalence of transparency among financial institutions was important in both public and private financial institutions. Much as this was provided for in institutions in developed countries, it was still in its infancy stage in institutions in developing countries. With regard to the contribution of accountability on organizational performance, the literature revealed that there was a significant positive effect of accountability on organizational performance reflecting that accountability within the institutions had a positive effect on organizational performance. From the literature, board composition affected organizational performance, which provided evidence that when there was board/committee composition and independence this enhanced performance of the organization. Therefore, to create a high-performance organization, an organization which brings out the best in its governance structures, there is need to understand how corporate governance affects institutional performance.

CHAPTER THREE
METHODOLOGY

3.1 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.

3.2 Research Design

The study adopted a single-case study to help in studying the effect of corporate governance and organizational performance and to also analyze the inherent problem. The case study research approach was used to investigate a contemporary phenomenon in its real-life context, most especially when the boundaries between the phenomenon and context are not clearly evident (Yin, 2011). A case study was therefore adopted for this study because its approach provides a holistic and in-depth investigation of the phenomena (Yin, 2011) and is compatible with a critical interpretive research paradigm. The design was descriptive and analytical in nature employing both quantitative and qualitative approaches. Quantitative approach allowed the researcher to solicit information that was quantified, while the qualitative approach allowed the researcher to solicit information that could not be quantified as observed by Mugenda and Mugenda (1999). Thus quantitative research design comprised correlations and descriptive designs. The qualitative method described variables that could not be measured in quantitative terms such as personal variables, organizational and other qualitative variables. Combining numerical and textual information helped the researcher to have an in-depth analysis of the procedures of organizational development.

3.3 Study Population

Population refers to an entire group of individuals, events or objects having a common observable characteristic as Mugenda and Mugenda (2003) posit. The population of the study was 130, comprising 10 executive committee members, 30 heads of department, 10 branch managers, 20 unit/sectional managers at the head office, 20 team leaders and 40 relationship managers as stated in the Stanbic Bank Performance Report of 2014.

3.4 Sample Size Determination

A sample size is the portion representing the population and selection involves the process of choosing the elements from the population Amin, (2005). Given that the study population is large, a sample size was selected from the population and used to represent the views of the entire population. The sample size of the study was 116. The sample size was derived using the Krejcie and Morgan (1970) statistical table adopted from Amin, (2005).

Table 3.1: Sample Size Determination

Respondent Category	Total Population	Sample	Sampling Technique
Executive committee members	10	6	Purposive sampling
Heads of Department/Section	30	28	Simple random sampling
Branch managers	10	10	Purposive sampling
Managers	20	18	Simple random sampling
Team leaders	20	18	Simple random sampling
Relationship managers	40	36	Simple random sampling
Total	**130**	**116**	

Source: *Human Resource Report, 2015*

3.5 Sampling Technique and Procedure

Mugenda and Mugenda (2003) 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 (2003), 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 branch managers who are possess a lot of information and are knowledgeable about corporate governance and bank performance.

3.6 Data Collection Methods

The decision regarding data collection methods was guided by two important factors, mainly: the material under study and type of information required. In this study, primary data was collected using questionnaires and interview, while secondary data was collected by using documentary reviews. The questionnaire was the key method for primary data collection. The questionnaire method is chosen because it has the advantage of eliciting a lot of information within a short time. Amin (2005) defines questionnaire as a form consisting of interrelated questions prepared by the researcher about the research problem under investigation based of the study. Using questionnaires elicits the relevant information, and is a less costly method. It is also good for confidentiality purposes. The self-administered questionnaires were given to employees to fill.

Interview was used as a supplementary method for data collection. An interview is a purposeful discussion between two or more people. This method of collecting data involves presentation of oral-stimuli and replies in terms of oral verbal responses. The executive committee members and branch managers were purposely selected because of their role in the bank performance. Interviews for all respondents were conducted after they have filled the questionnaire. This method is preferred because it is flexible enough to allow the interviewer to ask supplementary questions. The researcher also obtained some of necessary secondary data/ information through documentary review. Information was got from documents like Stanbic bank annual reports, Stanbic bank strategic plans, Bank of Uganda reports, performance reports, among others.

3.7 Data Collection Instruments

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

3.7.1 Structured Questionnaire

Self-administered questionnaires was 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 5- point Likert scale ranging from 5 (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.

3.7.2 Interview Guide

Interview guide was used for the executive members at the managerial level in order to obtain in-depth information. Interviews were opted because of seniority of the top management participation. An interview guide was used to supplement the questionnaire and get first-hand narrative vital while meeting management committee members.

3.7.3 Document Review Checklist

Document analysis involved reviewing existing publication and literature related to the study problem and cross reference with what the study discovered. Sarantakos (2005) asserts that reviewing documents gives an in-depth study of corporate governance towards bank performance. Similarly, in this study, following the researcher being granted permission to carry out the research at Stanbic Bank, he availed 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.

3.8 Validity and Reliability Tests

In order to make sure that quality and relevant data is collected, the research instruments were tested for validity and reliability as follows;

3.8.1 Validity Test

The validity of the study is concerned with the extent to which data collection instruments accurately measure what they intend to. Validity is an important concept in the acceptability of the use of an instrument. Validity refers to the appropriateness of the instrument in collecting the data that is supposed to be collected, while reliability refers to its consistency in measuring whatever it is intended to measure (Amin 2005). Validity was measured by both content and face validity. To ensure validity the researcher consulted the supervisors at UTAMU who helped in constructing a data collection instrument and made sure that each item has a link to the objectives of the study and ensure all items cover a full range of issues being measured. Face validity was established where tools and questions were chosen rationally, an appropriate way to find out what is being measured, content validity focused on the extent to which the contents of an instrument corresponds to contents of the theoretical concept designed to measure according to Amin (2005). The instruments were discussed with the supervisors and later pre-tested using a sample of 12 respondents within the study population which was asked to fill them and later give comments on their accuracy and clarity, and after pre-testing ambiguous questions were reconstructed. To measure validity of variables and measures of dimensions of corporate governance and bank performance, a validity test was carried out using content validity index (CVI) formula prior to the administration of the research instruments. This was intended to find out whether the questions were capable of capturing the intended data that was stated in research objectives and questions.

Table 3.2: Validity Tests

Variable	Number of Items	Content Validity Index
Transparency	19	.789
Accountability	20	.772
Board Composition	21	.854
Organizational Performance	13	.898

Source: *Primary data*

3.8.2 Reliability Test

To test reliability of instruments the researcher administered, pre-tested for consistency and checked logical flow of questionnaires. Prior to actual data collection all data collection tools and items were subjected to a pre-test or pilot study at Stanbic bank on a small sample of 12 staff to check for the clarity of the questions asked and the time required for data collection. The researcher constructed research instruments and analyzed the pre-test results using computer programme SPSS and Cronbach's Alpha split the questions on the instrument in a possible way and computed correlation values for them all. The computer programme was used for this part; in the end the computer generated one number for Cronbach's Alphas.

Table 3.3: Reliability Tests

Variable	Number of Items	Cronbach Alpha Value
Transparency	19	0.807
Accountability	20	0.890
Board Composition	21	0.842
Organizational Performance	13	0.793

Source: primary data

The table above displays the reliability indices/coefficients for all constructs used in the study. All alpha reliabilities (α) for all scales were above 0.7, ranging from 0.793 to 0.890, therefore meeting acceptance standards for research (Nunnally, 1978).

3.9 Data Collection Procedure

The researcher submitted his proposal to the University for approval. Upon successful defense of the proposal, the researcher obtained a cover letter from UTAMU authoring him to conduct the research. Questionnaires were hand-delivered to the respondents assuring them of voluntary, confidentiality and anonymity, completed questionnaires were collected after 5 days. The researcher contacted key informants and provided them with the necessary details of the study, seeking their consent to participate in the study and requesting for a date on which the interview could be conducted.

3.10 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 organized and analyzed using a 5-point Likert scale. Questionnaire data was obtained from questionnaires. Each questionnaire was given a unique serial number. Using soft number coding, categorizing data, sorting and filling was carried out. Statistical package for the social sciences (SPSS) student version of 18.0 was used to aid the processing and summarizing of information got from the questionnaires.

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 were 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. This provided invaluable information and gave the evaluation heightened status within the area of study.

3.11 Measurement of Variables

The variables were measured by defining concepts. For instance, the questionnaire was designed to ask for responses about corporate governance and organizational performance. These were translated into observable and measurable elements so as to develop index of the concepts. The researcher categorized the data collected in an orderly form using the 5-point Likert scale used on the questionnaire as indicated below where; 1= Strongly agree, 2= Agree, 3= Undecided, 4= Strongly disagree, 5= Disagree. Socio-economic attributes like age, sex, employment period/duration of service, academic levels were measured at nominal and ordinal scales depending on the variables.

3.10 Conclusion

The chapter introduced and explained the methodological aspects that were followed when constituting the population, selecting the sample the sampling methods to be used, the data collection methods and instruments employed during the study, quality control of the instruments, data analysis, ethical considerations and measurement of the variables. This set ground for chapter four which deals with presentation and interpretation of the results of the study.

CHAPTER FOUR

PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter provides a presentation, analysis and discussion of the empirical findings according to the purpose and objectives of the study. The chapter comprises five sections. Section one presents the introduction, section two represents the response rate, section three deals with the demographic characteristics which include gender, age group, tenure of employment, level of education and position held using frequency tabulations. Section four deals with empirical findings on the study objectives using item mean analysis and correlations. Section five deals with multiple regressions which present the results on the combined effect of the dimensions of corporate governance on organizational performance using regression analysis.

4.2 Response Rate

The study targeted 116 respondents to provide the information of the study and 116 questionnaires were distributed to the respondents who composed the sample size of the study. Out of the 116 distributed questionnaires, 97 usable questionnaires were returned giving a response rate of 83.6% which was acceptable for the study according to Sekaran (2003).

4.3 Bio Data of Respondents

This section of the study discusses the characteristics of the respondents at SBUL such as gender, age group, tenure of employment, level of education and position held. The researcher adopted frequency tabulations to present and discuss the results of the sample characteristics below. The rationale of using frequency tabulation and figures was to ascertain the categories of the different characteristics in relation to the responses of the respondents. In order to summarize the results, figures were used by the researcher because it was another way of presenting the results in a summarized manner.

4.3.1 Respondent Category by Gender

In order to present the respondent category and gender distribution categories of the respondents, frequency tabulation was used by the researcher. Table 4.1 below presents the results:

Table 4.1: Gender Distribution

Gender	Frequency	Percentage
Male	61	62.9
Female	36	37.1
Total	**97**	**100.0**

Source: *Primary data (2016)*

The results from Table 4.1 above show that 62.9% of the respondents were male whereas 37.1% were female. From the findings, it is apparent that the males were more responsive compared to their female counterparts, implying that there were more male staff at the bank compared to the female staff. The high composition of male respondents is a justification that the bank recruited more male employees compared to females. The reason for this is that the roles that are performed at the bank require a lot of flexibility whereby staff can be transferred from one department or branch or region to another at any given time which might be difficult for female staff who also have the responsibility of taking care of their families. Likewise, since also bank roles demand that staff work for long hours, this is unfavourable for the married female staff who have to also take care of the children and the family at large.

4.3.2 Respondent Category by Age Group

Frequency tabulation was used by the researcher to present the age distribution of the respondents. Table 4.2 below presents the results:

Table 4.2: Age Distribution

Age	Frequency	Percent (%)
Below 20 years	5	5.2
20-25 years	9	9.3
26-30 years	32	33.0
31-35 years	36	37.1
40 years and above	15	15.5
Total	97	100

Source: Primary data (2016)

The results in Table 4.2 revealed that the majority of the respondents fell in the age brackets of 31-35 years and 26-30 years with percentages of 37.1% and 33% respectively, whereas, 15.5% accounted for those respondents in the 40 years and above age group, 9.3% accounted for those under the 20-25 years whereas, 5.2 were under the below-20 years age group. The results implied that the composition of the respondents was made up of staff who were mature enough to understand the importance of corporate governance in enhancing the organizational performance of the bank. The results are summarized in figure 2 below.

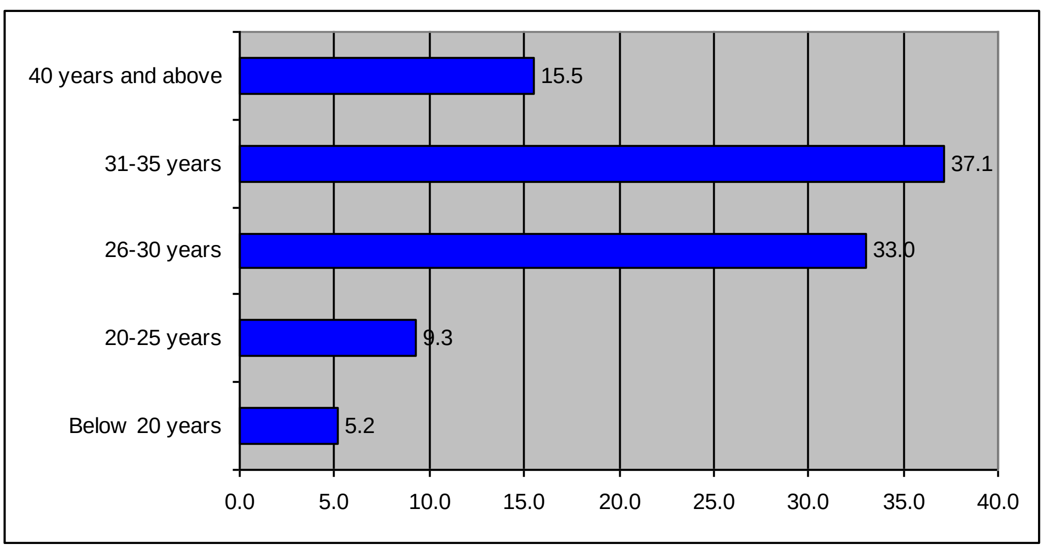


Figure 2: Age Distribution of Respondents

4.3.3 Tenure of Employment

Frequency tabulation was used by the researcher to present the tenure of employment distribution of the respondents. Table 4.3 below presents the results:

Table 4.3: Tenure of Employment Distribution

Tenure	Frequency	Percent (%)
Less than 1 year	11	11.3
2 – 3 yrs	22	22.7
4 – 5 yrs	10	10.3
6 – 10 yrs	35	36.1
Above 10 yrs	19	19.6
Total	**97**	**100.0**

Source: Primary data (2016)

From the results in Table 4.3 above, 36.1% of the respondents had worked with the agency for some 6-10 years, 22.7% had been employed for 2-3 years, 19.6% had worked for over 10 years, 11.3% had worked for less than 1 year whereas, 10.3% had worked with the bank for 4-5 years. This could imply that the majority of the staff at the corporation had served the agency for at least more than 6 years which was confirmation that they possessed the required experience to provide information for the study. The results are summarized in Figure 3 below.

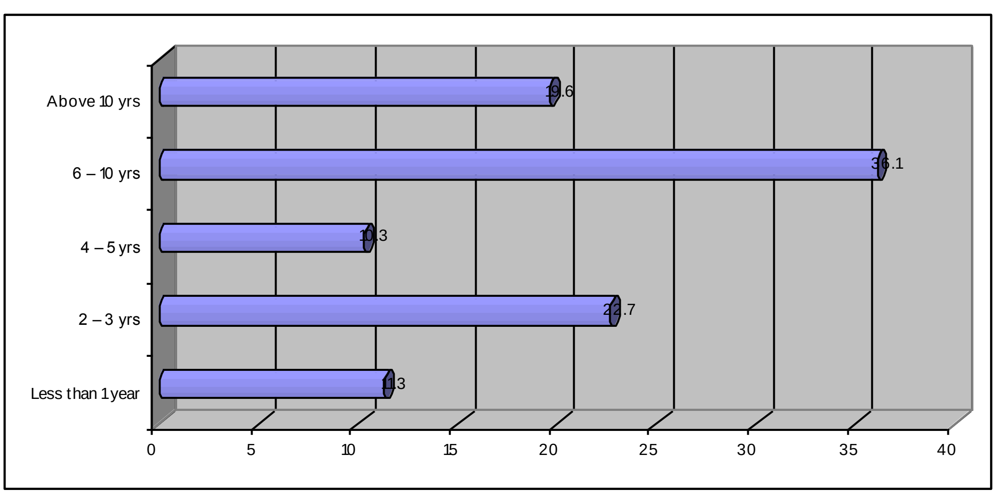


Figure 3: Tenure of Employment of Respondents

4.3.4 Respondent Category by Level of Education

Frequency tabulation was used to present the level of education distribution of the respondents. Table 4.4 below presented the results:

Table 4.4: Level of Education

	Frequency	**Percentage**
Diploma	9	9.3
Postgraduate diploma	22	22.7
Degree	38	39.2
Masters	17	17.5
Professional qualification	8	8.2
Others	3	3.1
Total	97	100.0

Source: *Primary data (2016)*

According to the results in Table 4.4, the majority of the respondents (39.2%) possessed degree level of education, 22.7% were postgraduate diploma holders, those who had attained Master's level of education accounted for 17.5%, the diploma holders accounted for 9.3%, 8.2% held professional qualifications, whereas 3.1% held other qualifications. From the findings, the majority of the responses were acquired from degree holders and postgraduate holders which was justification that the respondents possessed the required qualifications to perform their duties in an effective and efficient manner. The results are summarized in Figure 4 below.

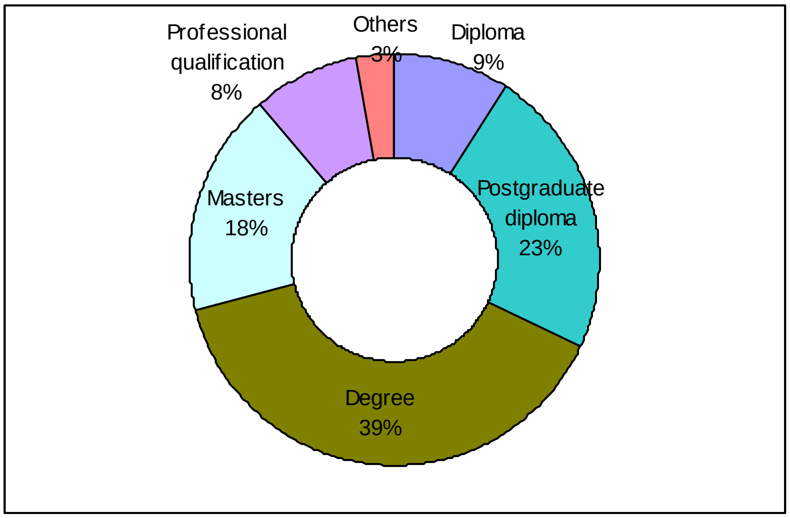


Figure 4: Level of Education Distribution of Respondents

4.3.5 Distribution According to Position Held

Frequency tabulation was used by the researcher to present the distribution according to position held of the respondents. Table 4.5 below presents the results:

Table 4.5: Position Held

Designation	**Frequency**	**Percent (%)**
Top management	11	11.3
Middle Management	39	40.2
Supervisor	47	48.5
Total	**97**	100.0

Source: Primary data (2016)

From the results in Table 4.5, the majority of the responses were acquired from supervisors (48.5%) and top management were the least in providing responses (11.3%). The fact that information was acquired from top managers to officers justifies that the staff holding different positions were able to provide their views regarding the existing corporate governance and how they affected the organizational performance of the bank. The results are summarized in Figure 5 below.

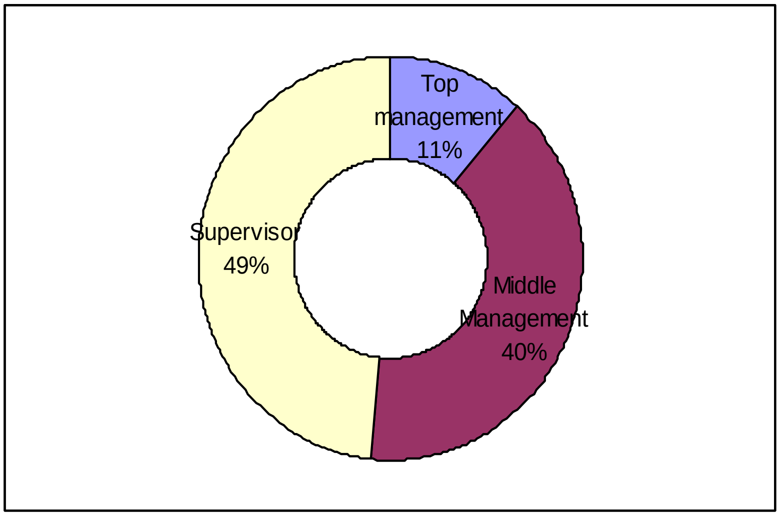


Figure 5: Positions held by Respondents

4.4 Empirical Findings

The findings in this study are based on the study objectives which included the effect of transparency on organizational performance; the contribution of accountability on organizational performance; and the effect of board composition on organizational performance. The variables are measured using a five-point Likert scale and the results are presented in descriptive tables, showing percentages and item means of responses under each variable. The results are further explained using the Pearson correlation matrix in order to show relationships between the study variables, whereas to study the predictive power of the dimensions of corporate governance (transparence, accountability and board composition) on organizational performance, a regression analysis was carried out. The results from the quantitative source are compared with qualitative ones. Statistical tables were used for easier understanding and interpretations.

4.4.1 Effect of Transparency on Organizational Performance

This section gives a description of research objective one which was assessed using a variety of questions as per Section I of the Instrument (Appendix I): How does transparency affect organizational performance? This research objective was conceptualized using 19 questions which required each respondent to do self-rating on training practices. Responses were based on Likert scale ranging from one which represented strongly disagree to five which reflected strongly agree, although these were thereafter categorized into agree and disagree sections. The resulting summary statistics are in Table 4.6;

Table 4.6: Transparency

Items	Min	Max	Mean	Std Dev
Information access				
At the bank, all public information is published	1	5	3.95	.999
There is no falsification of information at the bank	1	5	3.49	.798
All relevant documents/reports/statements of the bank are available for access	1	5	2.98	.737
The information provided to the public is complete	1	5	2.98	.812
Dissemination of bank information is done in a timely manner	1	5	2.54	.925
The bank provides regular progress reports about its performance to statutory bodies	1	5	3.34	.938
Independent verification				
At the bank, management ensures that certification of agency records is carried out	1	5	3.56	.941
The bank financial statements are authenticated by statutory bodies	1	5	4.07	.827
All bank reports submitted to statutory bodies are verified	1	5	3.90	.700
The bank regularly under goes an audit process to verify its performance	1	5	3.62	.812
An assessment of the bank's financial statements is carried out on a terminal basis	1	5	3.71	.783
During the verification process, the issues raised are addressed amicably	1	5	3.46	.901
Proof of bank expenditures and revenue is ascertained by statutory bodies	1	5	3.34	.938
Disclosure				
The bank responds to audit queries raised by statutory bodies	1	5	3.69	.702
The bank facilitates understandability and interpretation of the published information	1	5	3.56	.805
The information that is disclosed by the bank is a reflection of its performance	1	5	3.08	.829
Due to the bank's level of openness it is trusted by the public	1	5	3.30	.744
The audited accounts of the bank are available for public access	1	5	3.71	.809
The information provided by the bank is error free	1	5	3.39	.702

Source: Primary data (2016)

The results on information access as a component of transparency in Table 4.6 showed that there was agreement that the bank published all public information (mean=3.95) whereas, the respondents disagreed that all relevant documents/reports/statements of the bank were available for access (mean=2.98), the information provided to the public was complete (mean=2.98) and dissemination of bank information was done in a timely manner (mean=2.54). This was evidence that there was some level of information access by the public on the bank much more needed to be done to enhance the accessibility of the required information about the bank by the public.

In regard to independent verification in order to enhance transparency, the majority of the respondents again agreed that the bank's financial statements were authenticated by statutory bodies (mean=4.07), all bank reports submitted to statutory bodies were verified (mean=3.90), an assessment of the bank's financial statements was carried out on a terminal basis (mean=3.71), the bank regularly underwent audit processes to verify its performance (mean=3.62) and management ensured that certification of bank records was carried (mean=3.56). The results point to the fact that the bank carried out independent verification of its financial records by statutory organs so as to promote transparency.

The results on disclosure as a component of transparency showed that the audited accounts of the bank were available for public access (mean=3.71), the bank responded to audit queries raised by statutory bodies (mean=3.69) and the bank facilitated understandability and interpretation of the published information (mean=3.56). From the results, the standard deviation result of less than 1 is proof that transparency determined bank performance. Likewise, the standard deviation results provided evidence that the results obtained information access, independent verification and disclosure could be applied to SBUL and therefore could be generalized for other commercial banks in Uganda.

The qualitative results from management staff who were the key informants were in form of responses, one of which said:

> "to a moderate extent, the bank allowed information access by different stakeholders, allowed independent verification by statutory bodies and always disclosed their information to the public".

The general view is that the results on transparency as a means of corporate governance at the bank provided confirmation that information access, independent verification and disclosure as avenues of promoting efficient corporate governance was effective and had benefited the public and staff. This implies that continued information access, independent verification and disclosure will go a long way in helping management become more transparent to the public and in turn foster the required corporate governance at the bank.

4.4.1.1 Financial Transparency and Organizational Performance

To assess the association between transparency and organizational performance, correlation was done whereby all responses for each variable, transparency and organizational performance, were aggregated and then Pearson's Correlation Co-efficient (r) technique was used to assess the nature and magnitude of the relationship. Table 4.7 gives Pearson's Correlation Coefficient for the two variables which include transparency and organizational performance.

Table 4.7 Financial Transparency and Organizational Performance

Variables		**Transparency**	**Organizational performance**
Transparency	Pearson Correlation	1	.633**
	Sig. (2-tailed)		.000
Organizational performance	Pearson Correlation	.633**	1
	Sig. (2-tailed)	.000	

Variables		Transparency	Organizational performance
Transparency	Pearson Correlation	1	.633**
	Sig. (2-tailed)		.000
Organizational performance	Pearson Correlation	.633**	1
	Sig. (2-tailed)	.000	
***. Correlation is significant at the 0.01 level (2-tailed).*			

Source: primary data, 2016

Table 4.7 shows that Pearson's Correlation Coefficient for transparency and organizational performance was r = 0.633, which was positive with probability value (p = 0.000) that is less than α = 0.01 level of significance, showing a positive relationship between transparency and organizational performance at the one per cent level of significance. This implied that in order for the bank to enhance its corporate governance, it had to be more transparent so as to have a positive influence on the organizational performance at the bank. This position was also shared by top executives such as the executive committee members, top managers and heads of department who revealed that transparency at SBUL was paramount in promoting profitability, cost reduction, growth and liquidity. The correlation results between financial transparency and organizational performance are supported by the multiple regression results in Table 9, Beta=.390 which revealed that financial transparency determined a change in organizational performance. The results provide confirmation that availability of transparency with regard to information access, independent verification and disclosure will enhance the effectiveness, efficiency and service delivery of SBUL to the tune of 63.6%.

4.4.2 Effect of Accountability on Organizational Performance

This section gives a description of research objective two which was examined using a variety of questions as per Section II of the research tool (Appendix I): What is the contribution of accountability on organizational performance? This research objective was conceptualized using nine questions which required each respondent to do self-rating on accountability. Responses were based on Likert scale ranging from strongly disagree (1) to strongly agree (5), although these were subsequently categorized into agree and disagree sections. The resulting summary statistics are in Table 4.8;

Table 4.8: Respondents' Views on Accountability

Participation	**Min**	**Max**	**Mean**	**SD**
Management provides adequate information when making accountability	1	5	3.39	.692
Management adheres to accountability procedures set by law	1	5	3.56	.705
There is stakeholder participation during accountability	1	5	3.78	.729
The degree of participation during the accountability process leads to compliance	1	5	3.90	.844
The accountability process is used as a means of assessing resource allocation	1	5	3.71	.709
The management of the bank is committed to the accountability process	1	5	3.95	.671
Evaluation				
At the bank, there is resource monitoring	1	5	3.63	.719
Significant departures from accountability set targets are reported	1	5	3.46	.951
At the bank a lot of emphasis is put on timely provision of accountability	1	5	4.37	.813
The availability of monitoring frameworks enhances accountability	1	5	3.78	.788
Management provides for tracking variances and backlash	1	5	3.06	.638
There is a clear methodology of tracking accountability	1	5	4.05	.817
There is identification of the risky areas likely to affect the accountability process	1	5	3.80	.789
There are well set internal controls to check the accountability process	1	5	3.59	.795
Independent financial reviews are carried out at the bank	1	5	3.09	.895
Fiscal compliance				
The bank adheres to set financial sector policies, rules and regulations	1	5	3.62	.932
The bank adheres to accountability procedures governing the banking sector	1	5	3.65	.882
The right priorities are usually set during the budgeting process at the bank	1	5	3.32	.714
There are effective internal controls used to monitor the operations of the bank	1	5	3.25	.795
Staff are aware of the policies, laws and regulations	1	5	3.61	.881

Source: primary data, 2016

Basing on the study results in Table 4.8 with regard to participation as a component of accountability, the majority of the respondents revealed that management was committed to the accountability process (mean=3.95), the degree of participation during the accountability process led to compliance (mean=3.90), there was stakeholder participation during accountability (mean=3.78), the accountability process was used as a means of assessing resource allocation (mean=3.71) and management adhered to accountability procedures set by law (mean=3.56) which was indication that the work processes were determined by their line managers or according to set guidelines and policies.

Regarding evaluation as a component of corporate governance, the respondents showed that a lot of emphasis was put on timely provision of accountability (mean=4.37), there was a clear methodology of tracking accountability (mean=4.05), there was identification of the risky areas likely to affect the accountability process (mean=3.80), the availability of monitoring frameworks enhanced accountability (mean=3.78), there was resource monitoring (mean=3.63) and there were well set internal controls to check the accountability process (mean=3.59).

On the other hand, the results on fiscal compliance showed that the bank adhered to set financial sector policies, rules and regulations (mean=3.62), the bank adhered to accountability procedures governing the banking sector (mean=3.65) and staff were aware of the policies, laws and regulations (mean=3.61). From the results, the standard deviation result of less than 1 is proof that accountability determined organizational performance at SBUL. Likewise, the standard deviation results provided evidence that the results obtained on participation, evaluation and fiscal compliance could be applied to the bank and therefore could be generalized on other commercial banks in Uganda.

In line with the quantities results on accountability above, the results from the interviews affirmed that:

> “the bank exhibited a high level of accountability in regard to participation, evaluation and fiscal compliance through adherence to set procedures and policies, monitoring frameworks and stakeholder participation”.

Various studies have shown that accountability influences organizational performance. From the results of the study, one can deduce that accountability was paramount in promoting organizational performance. Therefore, the management of the bank should endeavour to adhere to the set procedures, guidelines and policies so as to promote improvement in governance structures which will in turn boost bank performance.

4.4.2.1 Accountability and Organizational Performance

To verify this hypothesis, correlation was done whereby all responses for each variable; accountability and organizational performance were aggregated into a single index and then Pearson's Correlation Co-efficient (r) technique was used to assess the nature and magnitude of the relationship. Table 4.9 gives Pearson's Correlation Coefficient for the two variables which include accountability and organizational performance.

Table 4.9: Relationship between Accountability and Organizational Performance

		Accountability	Organizational performance
Accountability	Pearson Correlation	1	.579**
	Sig. (2-tailed)		.000
Organizational performance	Pearson Correlation	.579**	1
	Sig. (2-tailed)	.000	
***. Correlation is significant at the 0.01 level (2-tailed).*			

Source: primary data, 2016

Correlation results indicated a significant and positive relationship between accountability and organizational performance ($r = 0.579^{**}$, $p<.01$). The results in the above table indicate that there is a very strong and statistically significant positive correlation between accountability and organizational performance at 0.579** with a significance of 0.000 at the level of 0.01. The correlation results between accountability and organizational performance are supported by the multiple regression results (Beta=.246) which revealed that accountability predicated a change in organizational performance. This implies that accountability positively contributes to organizational performance at the bank. The results provide justification that when there is stakeholder participation, evaluation and fiscal compliance in the bank, this would enhance the performance of the bank in terms of profitability, cost reduction, growth and liquidity to the tune of 57%.

4.4.3 Effect of Board Composition on Organizational Performance

In order to examine the effect of board composition on Organisational performance, item mean results were developed to show the average response of the respondents on each item. The items were anchored on a 5-point Likert scale ranging from strongly disagree, to disagree, neither agree nor disagree, agree and strongly agree. The findings are shown in Table 4.10 below:

Table 4.10: Respondents' Views on Board Composition

Competencies	Min	Max	Mean	SD
I demonstrates self confidence by getting involved in decision making	1	5	4.02	.772
Board members possess the required knowledge and skills required to perform their roles	1	5	3.67	.813
Board members provides mutual support and monitor the operations of the bank	1	5	3.48	.688
Board members have the capability of assessing monetary and financial documents	1	5	3.52	.772
Board members have the capacity to develop policies and procedures	1	5	3.65	.817
The management committee of the bank is competent to handle the operations of the bank	1	5	3.70	.789
The management committee is independent during decision making	1	5	3.49	.895
Board composition is diversified in regard to skills and competences	1	5	3.59	.695
Composition				
The boards are composed of competent members	1	5	3.61	.781
During board formation, representation of all stakeholders is considered	1	5	3.55	.882
The integrity of board members is considered during board composition	1	5	4.02	.614
When appointing board member, there is gender balance	1	5	3.05	.795
During board composition, members' track record is considered	1	5	3.61	.781
The board co-opts members with expert knowledge and skill in particular fields.	1	5	3.06	.757
Independence				
The board has the mandate to carry out resource allocation	1	5	3.72	.832
The board takes decisions independently	1	5	3.34	.735
The board of the bank is autonomous	1	5	3.02	.832
The board decides on the internal controls to be instituted at the bank	1	5	3.95	.782
The bank has administrative and financial autonomy	1	5	3.62	.814
The bank is at liberty to carry our policy reviews	1	5	3.75	.795
The board delegates some of its responsibilities to sub-committees or subordinates	1	5	3.51	.881

Source: primary data, 2016

From the results on competences as a component of board composition, the majority of the respondents were in agreement that board members demonstrated self-confidence by getting involved in decision making (mean=4.02), the management committee members were competent to handle the operations of the bank (mean=3.70), board members possessed the required knowledge and skills required to perform their roles (mean=3.67), board members had the capacity to develop policies and procedures (mean=3.65), board composition was diversified in regard to skills and competences (mean=3.59) and board members had the capability of assessing monetary and financial documents (mean=3.52).

On the other hand, the results on composition as a dimension of board composition revealed that integrity of board members was considered during board composition (mean=4.02), boards were composed of competent members (mean=3.61), during board composition, members' track record was considered (mean=3.61) and during board formation, representation of all stakeholders was considered (mean=3.55). The responses on independence as a construct of board composition revealed that the board decided on the internal controls to be instituted at the bank (mean=3.95), the bank was at liberty to carry our policy reviews (mean=3.75), the board had the mandate to carry out resource allocation (mean=3.72) and the bank had administrative and financial autonomy (mean=3.62).

This is justification that the management of SBUL ensured that the boards were composed of competent people who were independent in their decision making. From the results, the standard deviation results of less than 1 provided evidence that the results obtained on board composition applied to the bank and therefore could be generalized on other commercial banks in Uganda. Various studies have shown that board composition influences organizational performance. From the results of the study, one can deduce that board composition was paramount in promoting organizational performance.

4.4.3.1 Board Composition and Organizational Performance

To verify this hypothesis, correlation was done whereby all responses for each variable, board composition and organizational performance, were aggregated into a single index and then Pearson's Correlation Co-efficient (r) technique was used to assess the nature and magnitude of the relationship. Table 4.11 gives Pearson's Correlation Coefficient for the two variables which include; board composition and organizational performance.

Table 4.11: Board Composition and Organizational Performance

		Board Composition	Organizational performance
Board Composition	Pearson Correlation	1	.530**
	Sig. (2-tailed)		.000
Organizational performance	Pearson Correlation	.530**	1
	Sig. (2-tailed)	.000	
***. Correlation is significant at the 0.01 level (2-tailed).*			

Source: primary data, 2016

Correlation results indicated a significant and positive relationship between board composition and organizational performance ($r = 0.530^{**}$, $p<.01$). The results indicate that there is a strong and highly significant positive correlation between board composition and organizational performance at 0.530** with a significance of 0.000 at the level of 0.01. The correlation results between board composition and organizational performance are supported by the multiple regression results of Beta=.130 which revealed that board composition influenced the change in organizational performance. This implies that board composition positively contributes to the performance of bank and, therefore, the hypothesis that board composition significantly influences organizational performance in SBUL is substantiated.

4.5 Multiple Regression Model

Regression analysis includes any techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables. Regression analysis is widely used for prediction and forecasting, where its use has substantial overlap with the field of machine learning.

Regression analysis is also used to understand which among the independent variables are related to the dependent variable, and to explore the forms of these relationships. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables. A regression analysis was carried out to examine the extent to which study variables (transparency, accountability and board composition) predict organization performance at the bank. The results are presented in Table 4.14 below.

Table 4.12: Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	.863	.437		1.976	.052
	Boar Composition	.165	.148	.130	1.112	.269
	Accountability	.239	.115	.246	2.085	.040
	Transparency	.372	.115	.390	3.221	.002

Dependent Variable: Organizational performance
R Square = 458
Adjusted R Square = .437

Source: primary data, 2016

According to Table 4.12, accountability, transparency and board composition predict 43.7% of organizational performance (Adjusted R Square = .437). The regression model was significant and thus reliable for making conclusions and recommendations. The most significant predictor of organizational performance was transparency (Beta= 0.390, t= 3.221, Sig. = .002) followed by accountability (Beta= .246, t= 2.085, Sig. = .040) and then board composition (Beta= 0.130, t= 1.112, Sig. = 0.269). The findings revealed that accountability and transparency were strong predictors of organizational performance, whereas board composition did not register a significant effect on organizational performance.

4.6 Conclusion

This chapter analyzed the contribution of corporate governance on organizational performance. The findings indicated that accountability, transparency and board composition were strong predictors of organizational performance accounting for 43.7% of the change in organizational performance at the bank. This provided a basis for chapter five which presents the summary of the findings, discussion, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of results presented in chapters four and conclusions drawn from the presentation. The chapter presents a short summary of the purpose of the study and the research findings, followed by the set of recommendations, limitations of the study and areas of further research.

5.2 Summary of the Findings

The study sought to investigate the effect of corporate governance on organizational performance in SBUL. This was carried out by way of unpacking the factor components of corporate governance and thereafter relating them to organizational performance. Data was collected by way of a self-administered questionnaire and interview guide which were both open and closed ended and the data was analyzed with the use of Statistical Package for Social Scientists which presented results in tabulations of frequencies, correlations and regression analysis. From the findings on the demographic characteristics, the majority of the respondents were male. According to the results, middle managers were more responsive in comparison with other positions. A sizeable number of respondents had accumulated experience of over 2 years. The majority of the respondents belonged to the 26-35 years age group and the highest level of education possessed by the majority of the respondents was degree level of education.

5.2.1 Financial Transparency and Organizational Performance

The findings on the effect of transparency and organizational performance revealed a significant relationship. This is confirmation that information access, independent verification, and disclosure were paramount in influencing organizational performance positively. The correlation findings were also supported by regression analysis results which showed that transparency was a significant predictor of organizational performance.

5.2.2 Accountability and Organizational Performance

According to the correlational findings on the effect of accountability and organizational performance, a significant relationship was observed. This is confirmation that through participation, evaluation and fiscal compliance, this had a positive effect on organizational performance The correlational results are in line with the regression analysis which revealed that accountability predicted organizational performance.

5.2.3 Board Composition and Organizational Performance

Similarly, the association between board composition and organizational performance revealed a significant relationship between the study variables. The findings posit that board competences, composition and independence were important in promoting organizational performance. The correlational results are in agreement with the regression analysis findings which revealed that board composition predicted organizational performance.

5.3 Discussion of the Findings

A discussion of the findings is presented in this section according to the study objectives. Here the researcher assesses how the findings of the study are in agreement or disagreement with extant literature that was reviewed.

5.3.1 Financial Transparency and Organizational Performance

The findings revealed that there was a strong and statistically significant positive correlation between financial transparency and organizational performance which was implication that financial transparency positively affects organizational performance of SBUL. The findings were further supported by the multiple regression results which revealed that financial transparency determined a change in organizational performance. In support of the findings of the study, Abor (2007) asserts that transparency may not lead to immediate success, but lack of transparency can lead to a quick failure of an organization. While increasing transparency means that organizational mechanisms operate closer and closer to true efficiency, shareholders and stakeholders have more power, the privacy right of corporations slips slowly away. Organizational transparency is essentially about trust. Assuming the information that is transparently provided by an organization is accurate, true and non-selective, it is likely that the public will trust a transparent organization over a non-transparent one. According to Batra, Kaur and Dangwal (2007), transparent and consistent reporting will promote sound decision-making, which can improve organizational performance and attract additional capital.

5.3.2 Accountability and Organizational Performance

From the findings, there was a very strong and statistically significant positive correlation between accountability and organizational performance. This was supported by the multiple regression results which revealed that accountability predicated a change in organizational performance of SBUL. In agreement with the findings, Chen, Chen and He (2008) revealed that 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 board of directors and outside investors and regulators, and the exercise of investor rights granted by existing securities laws.

They posit that the existence of a strong financial accounting regime is likely a precondition for the existence of a vibrant organization and in its absence the notions of equity-based pay and diffuse ownership of firms become debatable (Jandik and Rennie, 2008). Alexander (2006) suggests that corporate audiences rate the performance of firms on the basis of the quality of their disclosures as well as market and accounting signals such as asset size, market returns and ROA. If companies are to reap the benefits of good corporate governance, they need to communicate such information to the various groups of stakeholders (Mashayekhi and Mohammad, 2008).

5.3.3 Board Composition and Organizational Performance

The findings revealed a strong and highly significant positive correlation between board composition and organizational performance which was supported by the multiple regression results which revealed that board composition influenced the change in organizational performance. In line with the findings, Mohd, et. al. (2008) are of the view that the size of the group increases, communication and coordination problems increases in the organizational environment. According to Alexander (2006) greater independence of board members led to better financial decisions and thereby better financial performance.

The findings further revealed that, the board of directors be constituted of at least two independent members and that at least one third of the members fulfil the criteria for independence. For a successful decision making process, stewardship theory claims that a significant proportion of dependent directors is required in managerial boards. 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 (Abor and Biekpe, 2007).

5.4 Conclusion

The conclusions were drawn basing on the research objectives of the study as presented below:

5.4.1 Financial Transparency and Organizational Performance

From the findings, transparency was an integral in promoting the performance of the bank. This implies that when the bank provides information that accurate, true and non-selective, this will lead to the public having trust in the organizations, hence improving their performance. This is justification that transparency was paramount in improving bank performance.

5.4.2 Accountability and Organizational Performance

The findings on objective two revealed that accountability in relation to participation, evaluation and fiscal compliance had a positive significant effect on bank performance. The positive significant relationship between accountability on organizational performance is justification that to promote effectiveness, efficiency and service delivery of the bank, there was need to have bank managers and employees appreciate the role of accountability as this would in turn improve performance.

5.4.3 Board Composition and Organizational Performance

The findings confirmed that board composition was a determining factor of bank performance which is implication that board competences, independence and composition were paramount in promoting bank performance. As a result this would promote idea generation as a result of board independence which would in turn lead to better financial decision making and thereby better bank performance.

5.5 Recommendations

In the light of the research findings, the following recommendations are made:

5.5.1 Financial Transparency and Organizational Performance

According to the findings, transparency was found to be the major predictor of bank performance. Therefore, the management of the bank should put a lot of emphasis on information access, independent verification and disclosure so as to enhance bank performance. This can be carried out through the bank websites, publications and through electronic media which will have a positive effect on the effectiveness and efficiency of the bank in the delivery of services to the public.

5.5.2 Accountability and Organizational Performance

According to the regression analysis results, accountability was found to be predictor of bank performance. Therefore, the management of the bank should ensure that the generated financial reports are accurate, relevant and reliable so as to enhance decision making at the bank which would in turn have a positive effect on the performance of the bank. This could be realized through ensuring that effective and efficient financial reporting systems are put in place to promote participation, effective evaluation and adherence to financial policies set by the bank as this will have a positive influence on bank performance. There should also be continuous reviews of accounting internal controls of the bank through monitoring and evaluation of accounting processes as this will ensure checks and balances and also help identify the gaps that are still eminent in the accounting processes of the bank and address them.

5.5.3 Board Composition and Organizational Performance

The findings revealed that board composition was a determinant of bank performance. For this reason, the management of the bank should ensure that the members appointed on the different boards and committees possess the required competences, promote gender balance and are independent during decision making. This could be achieved through talent management by promoting succession planning, career guidance, workplace diversity and staff development where the bank should offer the required training for staff. Management should provide guidance on training opportunities which are relevant to their professions.

5.6 Limitation of the Study

i) The case study analysis used by the study undermined the quality of information that was collected to represent the views of all the other commercial banks. Here the researcher carried in-depth interviews with senior staff who had a long tenure with the bank so as to gather data that was representative for all the commercial banks.

ii) The time horizon used (cross sectional) in the study only collected data at a point in time, therefore providing views as of when the study was carried out. However, the research encouraged staff to provide as much information as possible; and to bridge this gap, he pointed out that a longitudinal study was more appropriate for the study so as to gain a clear understanding about commercial banks regarding the association between corporate governance and bank performance.

5.7 Contribution of the Study

i) According to the findings on transparency and bank performance, the study was able to provide insight in the role of financial transparency with regard to information access, independent verification and disclosure in promoting profitability, cost reduction, growth and liquidity at the bank.

ii) Regarding the findings on the association between accountability and bank performance, the study was able to articulate the importance of accountability relative to participation, evaluation and fiscal compliance which were key in promoting profitability, cost reduction, growth and liquidity at the bank.

iii) The findings on the association between board composition and bank performance revealed that the role played by composition with regard to competences, independence and composition were key determinants of bank profitability, cost reduction, growth and liquidity.

5.8 Recommendation for Further Research

i) This study concentrated on transparency, accountability and board composition and organizational performance at SBUL. Future research should attempt to widen the scope of the study to cover other regions other than Kampala district to ascertain the findings.

ii) The study adopted a cross sectional design which studied the state of affairs at the bank at a point in time. To study the true nature and quality of the effect of transparency, accountability and board composition on organizational performance, a longitudinal study is more appropriate.

iii) From the findings, the regression analysis revealed that the model could only explain 43.7% in variance of organizational performance; a study should be carried out comprising other factors which were not part of the model.

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APPENDIX I

QUESTIONNAIRE

Dear Respondent,

This questionnaire is aimed at collecting data to undertake a study on Corporate Governance and Organisational Performance of Commercial Banks in Uganda: A Case of Stanbic Bank Uganda Limited. The research is in partial fulfillment of the requirements for the award of a Master of Business Administration of Uganda Technology and Management University. All information provided will be treated with utmost confidentiality and will be used for purely for academic purposes.

SECTION I: General Information (Please tick in the appropriate option)

1. What is your gender?

Male	Female

2. What is your age bracket?

20-25 years	26-30 years	31-35 years	40 years and above

3. How long have you worked at the SBUL?

Less than 1 year	2 – 3 yrs	4 – 5 yrs	6 – 10 yrs	Above 10 yrs

4. What is the highest level of education you have attained?

Diploma	Degree	Postgraduate Diploma	Professional Qualification	Masters	other

5. What is your level of management?

Top management (1)	Middle Management (2)	Supervisor (3)	Officer (4)

SECTION II: Board Composition

Please indicate the extent of your agreement with statements listed below ranging from 5- strongly agree (SA), 4- agree (A), 3 not certain (NS), 2 disagree (D), 1- strongly disagree (SD).

Items	**SD**	**D**	**NS**	**A**	**SA**
Competencies					
I demonstrates self confidence by getting involved in decision making	1	2	3	4	5
Board members possess the required knowledge and skills required to perform their roles	1	2	3	4	5

Board members provides mutual support and monitor the operations of the bank	1	2	3	4	5
Board members have the capability of assessing monetary and financial documents	1	2	3	4	5
Board members have the capacity to develop policies and procedures	1	2	3	4	5
The management committee of the bank is competent to handle the operations of the bank	1	2	3	4	5
The management committee is independent during decision making	1	2	3	4	5
Board composition is diversified in regard to skills and competences	1	2	3	4	5
Composition					
The boards are composed of competent members	1	2	3	4	5
During board formation, representation of all stakeholders is considered	1	2	3	4	5
The integrity of board members is considered during board composition	1	2	3	4	5
When appointing board member, there is gender balance	1	2	3	4	5
During board composition, members’ track record is considered	1	2	3	4	5
The board co-opts members with expert knowledge and skill in particular fields.	1	2	3	4	5
Independence					
The board has the mandate to carry out resource allocation	1	2	3	4	5
The board takes decisions independently	1	2	3	4	5
The board of the bank is autonomous	1	2	3	4	5
The board decides on the internal controls to be instituted at the bank	1	2	3	4	5
The bank has administrative and financial autonomy	1	2	3	4	5
The bank is at liberty to carry our policy reviews	1	2	3	4	5
The board delegates some of its responsibilities to sub-committees or subordinates	1	2	3	4	5

Section III: Accountability

Please indicate the extent of your agreement with statements listed below ranging from 5- strongly agree (SA), 4- agree (A), 3 not certain (NS), 2 disagree (D), 1- strongly disagree (SD).

Items	**SD**	**D**	**NS**	**A**	**SA**
Participation	1	2	3	4	5
Management provides adequate information when making accountability	1	2	3	4	5
Management adheres to accountability procedures set by law	1	2	3	4	5
There is stakeholder participation during accountability	1	2	3	4	5
The degree of participation during the accountability process leads to compliance	1	2	3	4	5
The accountability process is used as a means of assessing resource allocation	1	2	3	4	5
The management of the bank is committed to the accountability process	1	2	3	4	5
Evaluation					
At the bank, there is resource monitoring	1	2	3	4	5
Significant departures from accountability set targets are reported	1	2	3	4	5
At the bank a lot of emphasis is put on timely provision of accountability	1	2	3	4	5
The availability of monitoring frameworks enhances accountability	1	2	3	4	5
Management provides for tracking variances and backlash	1	2	3	4	5
There is a clear methodology of tracking accountability	1	2	3	4	5
There is identification of the risky areas likely to affect the accountability process	1	2	3	4	5

There are well set internal controls to check the accountability process	1	2	3	4	5
Independent financial reviews are carried out at the bank	1	2	3	4	5
Fiscal compliance					
The bank adheres to set financial sector policies, rules and regulations					
The bank adheres to accountability procedures governing the banking sector	1	2	3	4	5
The right priorities are usually set during the budgeting process at the bank	1	2	3	4	5
There are effective internal controls used to monitor the operations of the bank	1	2	3	4	5
Staff are aware of the policies, laws and regulations	1	2	3	4	5

Section IV: Transparency

Please indicate the extent of your agreement with statements listed below ranging from 5- strongly agree (SA), 4-agree (A), 3 not certain (NS), 2 disagree (D), 1- strongly disagree (SD).

Items	**SD**	**D**	**NS**	**A**	**SA**
Information access					
At the bank, all public information is published	1	2	3	4	5
There is no falsification of information at the bank	1	2	3	4	5
All relevant documents/reports/statements of the bank are available for access	1	2	3	4	5
The information provided to the public is complete	1	2	3	4	5
Dissemination of bank information is done in a timely manner	1	2	3	4	5
The bank provides regular progress reports about its performance to statutory bodies	1	2	3	4	5
Independent verification					
At the bank, management ensures that certification of agency records is carried	1	2	3	4	5
The bank financial statement are authenticated by statutory bodies	1	2	3	4	5
All bank reports submitted to statutory bodies are verified	1	2	3	4	5
The bank regularly under goes an audit process to verify its performance	1	2	3	4	5
An assessment of the bank's financial statements is carried out on a terminal basis	1	2	3	4	5
During the verification process, the issues raised are addressed amicably	1	2	3	4	5
Proof of bank expenditures and revenue is ascertained by statutory bodies	1	2	3	4	5
Disclosure					
The bank responds to audit queries raised by statutory bodies	1	2	3	4	5
The bank facilitates understandability and interpretation of the published information	1	2	3	4	5
The information that is disclosed by the bank is a reflection of its performance	1	2	3	4	5
Due to the bank's level of openness it is trusted by the public	1	2	3	4	5
The audited accounts of the bank are available for public access	1	2	3	4	5
The information provided by the bank is error free	1	2	3	4	5

Section V: Organisational Performance

Please indicate the extent of your agreement with statements listed below ranging from 5- strongly agree (SA), 4-agree (A), 3 not certain (NS), 2 disagree (D), 1- strongly disagree (SD).

Items	**SD**	**D**	**NS**	**A**	**SA**
The bank is highly productive and values its customers.	1	2	3	4	5
The bank is highly productive.	1	2	3	4	5

The bank is one of the fastest growing financial institution in the country	1	2	3	4	5
The bank's sales volumes have been growing for the last 3 years	1	2	3	4	5
The bank's sales turnover has grown	1	2	3	4	5
The bank's return on investment has been growing over the years	1	2	3	4	5
The bank has grown in the number of branches	1	2	3	4	5
The asset base of the bank has grown	1	2	3	4	5
The bank competes favorably in the financial sector.	1	2	3	4	5
The bank's customer base has grown over the years	1	2	3	4	5
The profits of the bank have been steadily increasing	1	2	3	4	5
The profit margins of the bank have growth	1	2	3	4	5
At the bank, the total costs of operation have continued to reduce	1	2	3	4	5

Thank you

APPENDIX II

INTERVIEW GUIDE FOR EMPLOYEES

The researcher will be guided by the following questions in carrying out the interview for bank employees

1. In your view, is there easy information access and disclosure at the bank?
2. Does the management of the bank encourage participation during accountability?
3. Is board independence and diversity encouraged on the different boards/committees at the bank?
4. Does the management of the bank appoint competent board members?
5. Is the profitability and growth of the bank satisfactory?
6. Is the bank's level of liquidity adequate to enable it carryout its activities well?
7. What are the corporate governance challenges faced the bank?
8. What strategies have been put in place to mitigate the above challenges?
9. In your view, does corporate governance enhance bank performance?

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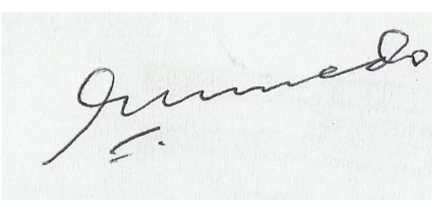
24 September 2016

CERTIFICATE OF PROOF THAT DISSERTATION HAS BEEN EDITED

This is to certify that the Master's Degree dissertation entitled**, Corporate Governance and Performance of Commercial Banks: A case of Stanbic Bank Uganda Limited by Noah Kimaite ,** has been reviewed and corrected in order to ensure clarity of expression and consistency regarding key style aspects like general grammar, sentence structure to ensure logical flow and effectiveness of meaning, all-round punctuation, stylistic monotony, use of tenses in methodology and reporting, citation and referencing.



Mukotani Rugyendo

Professional Editor