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Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Management
Final Research Paper

**Good Corporate Governance practices in Case of Bunna
International Bank S.C. Submitted for the partial fulfillment of
EMBA Program**

By Fasikaw Zerfu

June 10, 2021

Addis Ababa, Ethiopia

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Advisor Dr. Amare Abawa

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June 10, 2021

ADDIS ABABA, ETHIOPIA

Declaration

I would like to confirm your good office about the originality of my final graduating thesis work and it should not be submitted to any university before and also I gave all the acknowledgment for all materials used in this regard.

Name Fasikaw Zerfu _____

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APPROVED BY BOARD OF EXAMINERS

ADVISOR

SIGNATURE

EXTERNAL EXAMINER

SIGNATURE

INTERNAL EXAMI

SIGNATURE

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Acronyms

ALI	American law institutes
BCBS	Basel Committee on Banking Supervision
BOD	Board of Directors
BIB	Bunna International Bank Share Company
CEO	Chief Executive Officer
CRO	Chief Risk Officer
CG	Corporate Governance
ISS	Institutional Shareholder Services
NBE	National Bank of Ethiopia
NYSE	New York Stock Exchange
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
SEC	Securities and Exchange Commission
SPSS	Statistical Package for the Social Sciences
SOX	The Sarbanes-Oxley Act
RAF	Risk appetite framework
RAS	Risk appetite statement
ROSC	Reports on the Observance of Standards and Codes
WTO	World Trade Organization

Table of Contents

Contents

Acronyms	ii
Table of Contents	iii
List of Tables and Graphs	vi
Abstract	viii
Chapter One	1
Introduction	1
1.1 Background of the Study.....	1
Overview of Bunna International Bank Share Company.....	2
1.2 Statement of the problem	3
1.3 Objective of the study	5
1.3.1 General Objective.....	5
1.3.2 Specific Objectives.....	5
1.5 Significance of the study	5
1.6 Scope of the study	6
1.7 Limitations of the Study.....	6
Chapter Two.....	7
2. Literature Review	7
2.1 Theoretical Literature Review.....	7
2.1.2 Cadbury Rules-Definition	7
2.1. 3 Definition and meaning of corporate governance	7
2.1.4 History Of Corporate Governance	7
2.1.5 The Organization For Economic Co-Operation And Development (Oecd)	8
2.1.6 Bank corporate governance Directives of NBE (Directives No.SBB/71/2019)	9
2.1.6.1 Board of directors' size and composition	9
2.1.6.2 General Meeting of Shareholders.....	10
2.1.6.3 Qualifications and Training.....	10
2.1.6.4 Disclosures and Others.....	11
2.1.6.5 NBE Directives, Annexes	11

2.1.12 Basel Committee On Banking Supervision Guidelines On Corporate Governace	17
2.1.12.1 Introduction	17
2.1.13 Corporate Governace Principles For Banks	19
2.1.14 Organisation And Assessment Of The Board	19
2.1.15 Board Committess	20
2.1.16 Conflicts Of Interest	22
2.1.17 Risk Management Function	23
2.1.18 Compensation	24
2.1.19 The Role Of Supervisors	25
CHAPTER THREE	29
RESERCH METHODOLOGY	29
3.1 Introduction	29
3.3 Determining the Sample size and Sampling techniques	31
3.5 Descriptive Study	32
3.7 Instruments Validation	33
3.8 Method of Data Analysis and Presentation	33
CHAPTER FOUR	35
4. Results And Discussion	35
4.1 Questionnaire Survey Results And Discussion	35
4.1.1. Response Rate	35
4.1.2. Sample Reliability	35
4.1.3 General Background of the Respondents	36
4.1.3.1 Sex	36
4.1.3.2 Martial Status	36
4.1.3.3 Age	36
4.1.3.6 Work Experience	38
4.1.4 Corporate Governace Practice and its application in the Bank	38
4.1.4.3 The Equitable treatment of shareholders	43
4.1.4.4 The Role of stakeholders in corporate governace	44
4.1.4.5 Disclosure and transparency	46
4.1.4.6 The Responsibility of the Board, the Board Activities and Key Functions	47

4.1.4.7 Risk management Functions	49
4.1.4.8 Efficiency and effectiveness of the board	51
4.1.4.9 Management Supervision.....	52
CHAPTER FIVE.....	55
5. Summary Of Major Findings, Conclusions And Recommendation	55
5.1 Summary Of Major Findings	55
5.2 Conclusions And Recommendations	58
References	60

List of Tables and Graphs

Table	Page
Table 3.1 Sample Population	57
Table 4.1 Reliability Statistics	58
Figure 4.2 Gender of respondents	59
Table 4.3 Marital Status of Respondents	59
Table 4.4 Ages of Respondents	60
Table 4.5 Job position of Respondents	60
Table 4.6 Educational Qualification of Respondents	61
Table 4.7 Work Experience of Respondents	61
Table 4.8 Descriptive Statistics for 2.1	62
Table 4.9 Descriptive statics for 2.1.1-2.1.7	62-64
Table 4.10 Descriptive statics for 2.2	65
Table 4.11 Descriptive statics for 2.2.1-2.2.6	65-67
Table 4.12 Descriptive statics for 2.3.....	68
Table 4.13 Descriptive statics for 2.3.1-2.3.4	68
Table 4.14 Descriptive statics for 2.4	69
Table 4.9 Descriptive statics for 2.4.1-2.4.4	69-70
Table 4.9 Descriptive statics for 2.5	71
Table 4.9 Descriptive statics for 2.5.1-2.5.6	71-73
Table 4.9 Descriptive statics for 2.6	74
Table 4.9 Descriptive statics for 2.6.1-2.6.4	74-75
Table 4.9 Descriptive statics for 2.7	76

Table 4.9 Descriptive statics for 2.7.1-2.7.6	76-78
Table 4.9 Descriptive statics for 2.8	79
Table 4.9 Descriptive statics for 2.8.1-2.8.4	79-80
Table 4.9 Descriptive statics for 2.9	81
Table 4.9 Descriptive statics for 2.9.1-2.9.6	81-83

Abstract

This research was conducted to assess the degree of which corporate governance practices are functional in Bunna International Bank S.C. In doing so, corporate governance system and its proper application of good corporate governance practice was the primary focus and goal of the study. A descriptive research approach was employed to achieve the objective of this research. Most of the management members; including directors, district managers, selected branch managers found in Addis Ababa, all audit and risk and compliance directorate staffs, all division managers at head office and districts and all customer service and relationship managers were used as a target population of the study. A sample of the respondents was selected from all the head office departments, district offices and branches. Therefore, the target sample includes Twenty five city branches, six districts which are having a total of 272 participants, were involved in the study. In order to get relevant data from the target population questionnaire and interviews were used. The data collected through questionnaire were analyzed using descriptive analysis techniques and the qualitative data were analyzed using elucidation. Furthermore, the qualitative data (data from interview) were analyzed together with the quantitative one to strengthen the results found from the questionnaire. Finally, based on the most important findings, the study made a conclusion and offered some possible recommendations for the bank, the governing body, and the stake holders in general.

Key Words Corporate governance

Chapter One

Introduction

1.1 Background of the Study

According to Harvard Business School publishing; 2019, corporate governance has become a topic of broad public as the interest of institutional investors has increased and the impact of corporations on society has grown.

The issue of making corporate decision is particularly contentious, with some authorities giving a special consideration to shareholders' interest with the intent of excelling their returns and the others arguing that shareholders' other interests, in corporate strategy, executive compensation, and environmental policies, for example, and the interests of other parties must be respected as well.

Most companies strike to have a high level of corporate governance. For many shareholders, it is not enough for a company to merely profitable; it is expected to apply and exercise good corporate citizenship.

According to Diligent insights publications, 2018, In the 1970s Securities and Exchange Commission (SEC) brought the issue of corporate governance to the forefront when they brought a stance on official corporate governance reforms. In 1976, the term "corporate governance" first appeared in the Federal Register, the official journal of the federal government.

In the 1960s, the Penn Central Railway had diversified by starting pipelines, hotels, industrial parks and commercial real estate. Penn Central filed for bankruptcy in 1970 and the board came under public fire. In 1974, the SEC brought proceedings against three outside directors for misrepresenting the company's financial condition and a wide range of misconduct by Penn Central executives. At the same period, the SEC caught on to widespread payments by corporations to foreign officials over falsifying corporate records. During this era, corporations started to form audit committees and appoint more outside directors. In 1976, the SEC prompted the New York Stock Exchange (NYSE) to require each listed corporation to have an audit committee composed of all independent board directors, and they complied. Advocates pushed to get governance right by requiring audit committees, nomination committees, compensation committees and only one managerial appointee.

The 1980s brought an end to the 1970s movement for corporate governance reform due to a political shift to the right and a more conservative Congress. This era brought much opposition to deregulation, which was another major change in the history of corporate governance. Lawmakers put forth The Protection of Shareholders' Rights Act of 1980, but it was stalled in Congress.

Debates on corporate governance focused on a new project called the Principles of Corporate Governance by the American Law Institute (ALI) in 1981. The NYSE had previously supported this project, but changed their stance after they reviewed the first draft. The Business Roundtable also opposed ALI's attempts at reform. Advocates for corporations felt they were strong enough to oppose regulatory reform outright, without the restrictive ALI-led reforms. Businesses had concerns about some of the issues in Tentative Draft No. 1 of the Principles of Corporate Governance. The draft recommended that boards appoint a majority of independent directors and establish audit and nominating committees. Corporate advocates were concerned that if companies implemented these measures, it would increase liability risks for board directors.

"Corporate governance is the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment"(Shleifer and Vishny,1997).

Overview of Bunna International Bank Share Company

The company we are intended to do our project; Bunna International Bank S.C. has joined the Banking industry of Ethiopia following the favorable economic developments witnessed in the country during the last decade and the incessantly growing needs for Financial Services. The bank has obtained its license from the National Bank of Ethiopia (NBE) on June 25, 2009 in accordance with Licensing & Supervision of Banking Business Proclamation No. 592/2008 and the 1960's Commercial Code of Ethiopia. The Bank officially commenced its operation on October 10, 2009 with subscribed & paid up capital of 308 Million Birr and 156 Million Birr, respectively.

Bunna International Bank S.C. is uniquely established as the largest number of shareholders' bank in the country. It has more than 12,500 shareholders that put the bank on a strong base. The Paid up capital of the bank is more than 2.46 Billion Birr. The Bank has 284 branches that are distributed throughout Ethiopia. BIB provides contemporary banking services

including modern alternative channel banking like ATMs and many POS terminals, internet banking, mobile banking and agent banking.

It continues product and service innovations along with technology adoptions to the satisfaction of its customers.

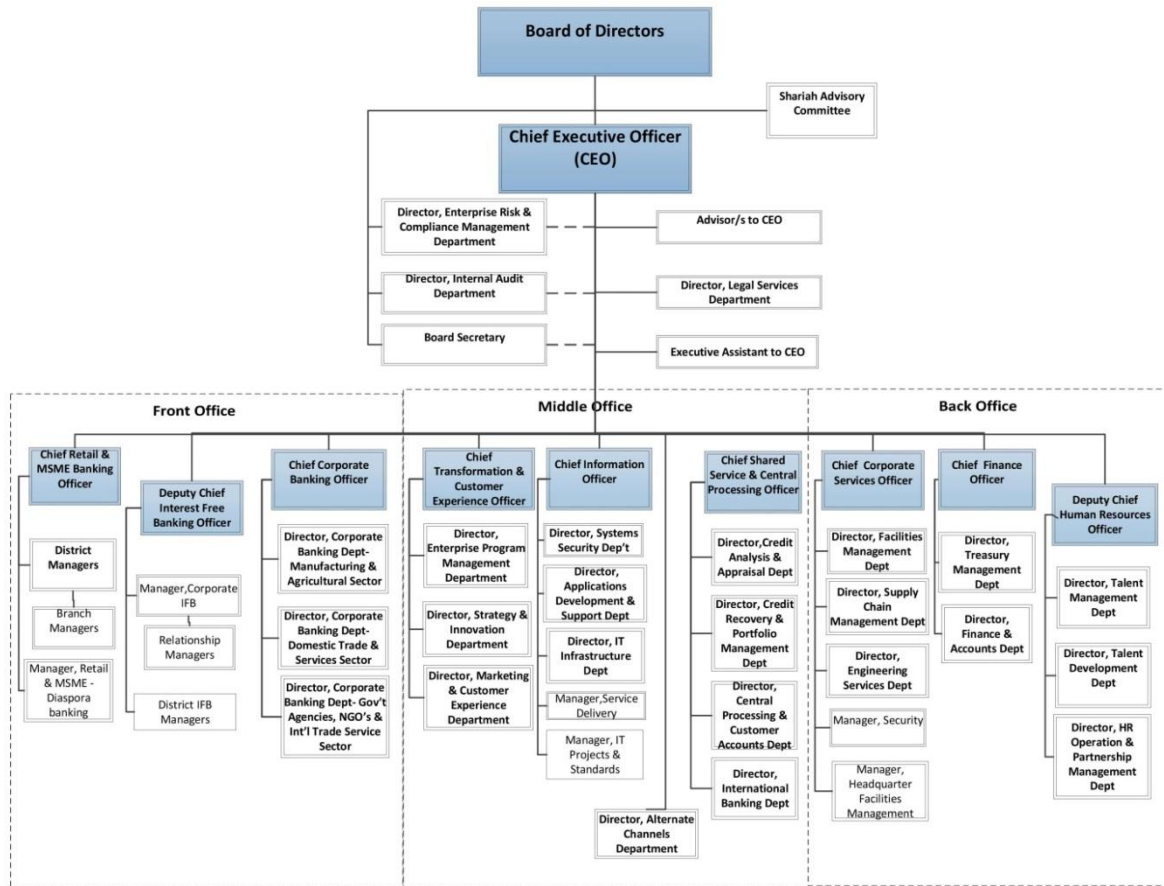


Fig BIB New Organizational Structure

(Source: BIB Website)

1.2 Statement of the problem

Good Corporate governance requires a complex system of check and balances, one might say that it take a village to make it work. In the last decade, we have seen a perfect storm of failures, negligence, and corporation in every single category of principal and gate keeper:

managers, directors, shareholders, security analysts, lawyers, bankers, journalists and politicians.

Good Corporate governance helps to prevent corporate scandals, fraud, and potential civil and criminal liability of the organization. A good corporate governance image enhances the reputation of the organization and makes it more attractive to customers, investors, suppliers and in the case of non-profit organizations, contributors.

Private companies that intend to seek capital from financial institutions and institutional investors should also be sensitive to their image is an important factor in the ultimate decision to provide capital to the organization.

The research intends to give a response for the following research question:-

1. Does the company corporate governance practice goes in line with NBE directives OECD principles?
2. How the bank's various organizational structure supports in the application of good corporate governance?
3. How the banks applies its corporate governance practice with related to OECD principles?

Corporate governance is the mechanisms, processes and relations by which corporations are controlled and directed.

Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as Board of Directors, managers, shareholders, creditors, auditors, regulators and other stakeholders) and include the rules and procedures for making decisions in corporate affairs.

Corporate governance is the framework companies use to outline the specific operations and guidelines for their employees. Corporate governance is often a unique framework built around the organization's mission and values.

A company which applies the core principles of good corporate governance; fairness, accountability, responsibility and transparency, will usually outperforms other companies and will be able to attract investors, whose support can help to finance further growth (bizfluent.com).

The governing body of financial institutions here in Ethiopia NBE issued the corporate governance framework with its directive SBB/62/2015 (and on 2018) and then NBE made the

first replacement as “Bank Corporate governance Directives No. SBB/71/2019 by June 18, 2019 and also the application of modern corporate governance theories and practices here in Ethiopia is presented at its infant stage and there is a lack of awareness in most of the people who are dealing with it and in the public at large, the researcher believes that, the condensed and detailed literature part of the paper should give a paramount importance for those who are interested to know something about corporate governance, especially corporate governance in banks.

The researcher believes that as being there is lack of proper corporate governance practices here in Ethiopia, Good corporate governance should have a significant impact for success of many companies, when we see some of the activities done by Ethiopian banks; there is a sign of lack of standardized corporate governance practices. Doing a research in the application of corporate governance practice at BIB, will help the bank and other banks to see what is going on in their company and should give an alert about their corporate governance practice.

1.3 Objective of the study

1.3.1 General Objective

The very purpose of assessing the corporate governance practice of Bunna International Bank S.C. is to check the application of corporate governance practice of the bank with related to national bank directives and OECD principles and the Basel committee conventions and give a recommendation for the bank and other stakeholders.

1.3.2 Specific Objectives

- To assess whether the board established a check and balance in the bank
- To assess the extent which the board is discharging its responsibilities.
- To assess whether the corporate governance practice in Bunna International Bank is in accordance with the directives of the National Bank of Ethiopia and OECD principles.

1.5 Significance of the study

This research is expected to see how the selected private bank adopts corporate governance principles with respect to National Bank of Ethiopia directives and OECD principles and other rules and regulations.

- The need to assess the corporate governance practice of the selected bank found in Ethiopia and to give a recommendations for the bank, the regulatory bodies and the stakeholders in general.
- The need to check the availability of various board committees and how much their role is applicable in the bank?
- To assess the impact of the board in overseeing the bank's management and the company in general.
- To assess the role of board of directors in keep going with the interest of shareholders and various stakeholders.
- To assess the banks overall compliance with NBE directives and OECD principles and other rules and regulations.
- To check how much things accomplished transparently with great sense of integrity and honesty.

1.6 Scope of the study

The project intends to assess the corporate governance practice of Bunna International Bank Share Company, with respect to the directives of national bank of Ethiopia and OECD principles and Basel Committee conventions for Banks. The research was conducted at BIB S.C., particularly at Various Head office organs and Districts and twenty five branches found in Addis Ababa. Thus, conceptual the scope is limited to Corporate Governance Practices in BIB and geographically, the scope is limited to Head office of BIB.

1.7 Limitations of the Study

The research was intended to be conducted in all private banks found in Ethiopia however due to various reasons the study was practically conducted in one private bank, which is Bunna International Bank S.C. Moreover, it was difficult to reach interviewees due to the situation we are in (COVID-19) that the process of data collection was not easy. And also the unwillingness of respondents should have a drawback for conducting a study.

Chapter Two

2. Literature Review

2.1 Theoretical Literature Review

Corporate governance concerns a company's system of management and control, specifically, it concerns Proper management: Including the relation between board members and the Company's shareholders and the company and other stakeholders such as employees, creditors and customers and Internal control processes; a good corporate governance framework will lead to internal discipline, accountability and transparency as the journal issued from www.lexology.com.

2.1.2 Cadbury Rules-Definition

According to Diligent Insights, Cadbury Rules are guidelines or recommendations on corporate governance that were specified by the UK's Cadbury committee. These rules were submitted in 1992 with the aim of raising the standards of corporate governance as well as financial reporting and auditing in organizations. There are standards expected from management bodies in charge of corporate governance and professionals that perform financial reporting and auditing roles.

2.1.3 Definition and meaning of corporate governance

The CG flow consists of Explicit and Implicit contracts between the company and the stakeholders for distribution of responsibilities, rights and rewards, Procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and A procedure for effective supervision, control, and information flows to function as a system of checks and balances and also it is the system of rules, practices, and processes by which a firm is directed and controlled, and a resolutions put in place to dictate company behavior.

2.1.4 HISTORY OF CORPORATE GOVERNANCE

The history of Corporate governance starts back in 1612, when the world's first listed company was founded. The Dutch east Indies company faces many of the problems we face today, Adam Smith understood the issue of Corporate governance in 1776, he did not use the

phrase corporate governance(Steier,2005). The first reorganized academic work on the issue of Corporate governance was(Means,1932), followed by (Coase,1937) as the separation of ownership and management of the company.

The topic of corporate governance is a vast subject that enjoys a long and rich history. It is a concept that incorporates managerial accountability, board structure and shareholder rights. The idea of governance began at the inception of corporations, dating back to the East India Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16th and 17th centuries.

2.1.5 THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

OECD an intergovernmental economic organization with 36 member countries, founded in 1961 to stimulate economic progress and world trade, the organization for Economic Co-Operation and Development (OECD) release its first set of corporate governance principles in 1999. A revised revision was then released in 2004.

The six organizations for Economic Co-Operation and Development (OECD) principles are:-

1. Ensuring the basis of an effective corporate governance framework.
2. The rights of shareholders and key ownership functions.
3. The equitable treatment of shareholders.
4. The role of stakeholders in corporate governance.
5. Disclosure and transparency.
6. The responsibility of the board

Now a day, The OECD Principles of Corporate Governance have become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide.

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.

The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth.

2.1.6 Bank corporate governance Directives of NBE (Directives No.SBB/71/2019)

Corporate governance plays a vital role in maintaining the safety and soundness of financial system in general and banking sector in particular and gives way to balanced risk taking and enhances business prudence, prosperity and corporate accountability with ultimate objective of realizing long term shareholders value, as well as customers' and other stakeholders' interest.

As being the national bank of Ethiopia is responsible in ensuring whether the banks are soundly and prudently managed and directed in accordance with articles 13(1)(a), 14(4b-d), and 59(2) of banking business proclamation No. 592/2008, the central bank issues corporate governance directives(Bank corporate governance directives No SBB/71/2019(1st Replacement).

2.1.6.1 Board of directors' size and composition

In the directives stated by NBE, a Bank works in Ethiopia shall have at least nine directors, preferably comprise of directors who are having a mixture of core competencies such as banking, finance, insurance, accounting, management, economics, legal, business administration, auditing, information technology and investment management.

The Board shall also comprise of female directors if there are nominees accessible among the shareholders.

According to NBE Directive, The board of the bank should involves of non-influential shareholders and should not be less than One-third (1/3rd) of the entire board members. Such directors shall be nominated and elected separately by such shareholders provided that such

shareholders hold at least thirty percent(30%) of the subscribed capital of the bank; or One-fourth (1/4th) of the total board members. Such directors shall be nominated and elected separately by such shareholders provided that such shareholders hold less than thirty percent (30%) of the subscribed capital of the bank no matter what the proportion of their shareholding in the bank is Two-third(2/3rd) or three-fourth(3/4th) of the board members as the case may be, shall be nominated and elected by all shareholders; and Where a bank has no influential shareholders at all, all the conditions mentioned above shall not be applied.

2.1.6.2 General Meeting of Shareholders

The ordinary general meeting of the shareholders of a bank shall Strive in good faith that only competent and reliable persons who can enrich good corporate governance and add value to the bank are elected or appointed as a director; Decide up on the appointment and service fee of an external auditor as proposed by the board and this power shall not be delegated to any other organ or body in the bank's structure; Ensure that the board is held accountable and responsible for the inefficient and ineffective governance.

Establishing a "Nomination and Election Committee" should be Composed of not less than five members and elected from and by shareholders, which are independent and shall not have a seat from the board; that is directly accountable for the General Meeting of shareholders.

The nomination and election Committee is established by AGM and the number shall not be less than twice the board seat in the bank.

2.1.6.3 Qualifications and Training

With respect to Sub-article 10.2.1-3 of NBE, Nominated candidates to the board of a bank shall meet criteria under relevant National Bank Directives, A Bank shall give training, at least once in a year, to directors on priority basis in areas of financial analysis, corporate governance, applicable laws, regulations, directives, risk management and internal control and shall file certificate of training of each member of the board to the National Bank for validation of its compliance with sub-article 10.2.2 of this article respectively.

2.1.6.4 Disclosures and Others

According to Sub-article 12.1 of NBE directive, the board and senior management shall be transparent to shareholders, policyholders and other relevant stakeholders without breaching lawful and necessary confidentiality.

2.1.6.5 NBE Directives, Annexes

Terms of references of board sub-committees

The board shall at a minimum set-up the following sub-committees.

1. AUDIT COMMITTEE
2. RISK MANAGEMENT AND COMPLIANCE COMMITTEE
3. HUMAN RESOURCE AFFAIRS COMMITTEE

As per OECD documents:

- A. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and their incentives it creates for market participants and the promotion of transparent and well-functioning markets.
- B. The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.
- C. The division of responsibilities among different authorities should be clearly articulated and designed to serve the public interest.
- D. Stock market regulation should support effective corporate governance.
- E. Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfill their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.
- F. Cross-border co-operation should be enhanced, including through bilateral and multilateral arrangements for exchange of information.

2.1.7 THE RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders.

All shareholders should have the opportunity to obtain effective redress for violation of their rights.

Basic shareholders rights include the right to:

1. Secure methods of ownership registration.
2. Convey or transfer shares
3. Obtain relevant and material information on the corporation on a timely and regular basis
4. Participate and vote in general shareholder meetings
5. Elect and remove members of the board and
6. Share in the profits of the corporation.

According to OECD, Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings:

1. Shareholders should be furnished with sufficient and timely information concerning date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
2. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.
3. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes at shareholder meetings, on the remuneration of board members and/or key executives, as applicable. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.
5. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.
6. Impediments to cross border voting should be eliminated.

D. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the *Principles*, subject to exceptions to prevent abuse.

E. All shareholders of the same series of a class should be treated equally.

Capital structures and arrangements that enable certain shareholders to obtain a degree of influence or control disproportionate to their equity ownership should be disclosed.

Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

1. Conflicts of interest inherent in related-party transactions should be addressed.

2. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.

H. Markets for corporate control should be allowed to function in an efficient and transparent manner.

2.1.8 INSTITUTIONAL INVESTORS, STOCK MARKETS, AND OTHER INTERMEDIARIES

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

2.1.9 THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

A key aspect of corporate governance is concerned with ensuring the flow of external capital to companies both in the form of equity and credit.

Corporate governance is also concerned with finding ways to encourage the various stakeholders in the firm to undertake economically optimal levels of investment in firm-specific human and physical capital. The competitiveness and ultimate success of a corporation is the result of teamwork that embodies contributions from a range of different resource providers including investors, employees, creditors, customers and suppliers, and other stakeholders.

Corporations should recognize that the contributions of stakeholders constitute a valuable resource for building competitive and profitable companies. It is, therefore, in the long-term interest of corporations to foster wealth-creating co-operation among stakeholders. The governance framework should recognize the interests of stakeholders and their contribution to the long-term success of the corporation by considering the following points:

- A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.
- B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.
- C. Mechanisms for employee participation should be permitted to develop.
- D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.
- E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this.
- F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

2.1.10 DISCLOSURE AND TRANSPARENCY

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

In most countries a large amount of information, both mandatory and voluntary, is compiled on publicly traded and large unlisted enterprises, and subsequently disseminated to a broad range of users.

A. Disclosure should include, but not be limited to, material information on:

1. The financial and operating results of the company.
2. Company objectives and non-financial information.
3. Major share ownership, including beneficial owners, and voting rights.
4. Remuneration of members of the board and key executives.
5. Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.
6. Related party transactions.
7. Foreseeable risk factors.
8. Issues regarding employees and other stakeholders.
9. Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.

B. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.

C. An annual audit should be conducted by an independent, competent and qualified, auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.

E. Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users.

2.1.11 THE RESPONSIBILITY OF THE BOARD

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The *Principles* are intended to apply to whatever board structure is charged with the functions of governing the enterprise and monitoring management.

A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.

C. The board should apply high ethical standards. It should take into account the interests of stakeholders.

D. the board should fulfill certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance
2. Monitoring the effectiveness of the company's governance practices and making changes as needed.
3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
5. Ensuring a formal and transparent board nomination and election process.
6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
8. Overseeing the process of disclosure and communications.

E. The board should be able to exercise objective independent judgment on corporate affairs.

F. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.

G. When employee representation on the board is mandated, mechanisms should be developed to facilitate access to information and training for employee representatives, so that this representation is exercised effectively and best contributes to the enhancement of board skills, information and independence.

2.1.12 BASEL COMMITTEE ON BANKING SUPERVISION GUIDELINES ON CORPORATE GOVERNANCE

As per **Basel Committee on Banking Supervision Guidelines**; Corporate governance principles for banks July 2015

2.1.12.1 Introduction

Bank or banking organization

A bank, bank holding company or other company considered by banking supervisors to be the parent of a banking group under applicable national law as determined to be appropriate by the entity's national supervisor.

Board of directors

Board the body that supervises management. The structure of the board differs among countries.

Boards have functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance. This includes the risk management function, the compliance function and the internal audit function.

Corporate governance:

A set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authority and responsibility is allocated and how corporate decisions are made.

Duty of care: The duty of board members to decide and act on an informed and prudent basis with respect to the bank. It is interpreted as requiring board members to approach the affairs of the company the same way that a "prudent person" would approach his or her own affairs.

Duty of loyalty: The duty of board members to act in good faith in the interest of the company.

The duty of loyalty should prevent individual board members from acting in their own interest, or the interest of another individual or group, at the expense of the company and shareholders.

Internal control system: A set of rules and controls governing the bank's organizational and operational structure, including reporting processes, and functions for risk management, compliance and internal audit.

Risk appetite: The aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan.

Risk appetite framework (RAF): The overall approach, including policies, processes, controls and systems, which risk appetite is established, communicated and monitored.

It includes:

- A risk appetite statement, Risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.
- The RAF should consider material risks to the bank, as well as to its reputation vis-à-vis policy holders, depositors, investors and customers. The RAF aligns with the bank's strategy.

Risk appetite statement (RAS): The written articulation of the aggregate level and types of risk that a bank will accept, or avoid, in order to achieve its business objectives.

It includes quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate.

It should also include qualitative statements to address reputation and conduct risks as well as money laundering and unethical practices.

Risk capacity: The maximum amount of risk a bank is able to assume given its capital base, risk management and control capabilities as well as its regulatory constraints.

Risk culture: A bank's norms, attitudes and behaviors related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume.

Risk governance framework:

As part of the overall corporate governance framework, the framework through which the board and management establish and make decisions about the bank's strategy and risk approach; articulate and monitor adherence to risk appetite and risk limits vis-à-vis the bank's strategy; and identify, measure, manage and control risks.

Risk limits:

Specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the bank's aggregate risk to business lines, legal entities as relevant, specific risk categories, concentrations and, as appropriate, other measures.

Risk management: The processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.

Risk profile:

Point-in-time assessment of a bank's gross risk exposures (i.e. before the application of any mitigates) or, as appropriate, net risk exposures (i.e. after taking into account mitigates) aggregated within and across each relevant risk category based on current or forward-looking assumptions.

2.1.13 CORPORATE GOVERNANCE PRINCIPLES FOR BANKS

According to Basel convention, Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth.

Banks' safety and soundness is a key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health.

Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole.

The Basel Committee's guidance draws from principles of corporate governance published by the Organization for Economic Co-operation and Development (OECD). The OECD's widely accepted and long-established principles aim to assist governments in their efforts to evaluate and improve their frameworks for corporate governance and to provide guidance for participants and regulators of financial markets.

2.1.14 ORGANISATION AND ASSESSMENT OF THE BOARD

The board should structure itself in terms of leadership, size and the use of committees so as to effectively carry out its oversight role and other responsibilities. This includes ensuring that

the board has the time and means to cover all necessary subjects in sufficient depth and have a robust discussion of issues.

The board should maintain and periodically update organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.

To support its own performance, the board should carry out regular assessments alone or with the assistance of external experts of the board as a whole, its committees and individual board members.

The board should:

- Periodically review its structure, size and composition as well as committees' structures and coordination;
- assess the ongoing suitability of each board member periodically (at least annually), also taking into account his or her performance on the board;
- Either separately or as part of these assessments, periodically review the effectiveness of its own governance practices and procedures, determine where improvements may be needed, and make any necessary changes; and use the results of these assessments as part of the ongoing improvement efforts of the board and, where required by the supervisor, share results with the supervisor.

2.1.15 BOARD COMMITTEES

To increase efficiency and allow deeper focus in specific areas, a board may establish certain specialized board committees. The committees should be created and mandated by the full board. The number and nature of committees depend on many factors, including the size of the bank and its board, the nature of the business areas of the bank, and its risk profile.

Each committee should have a charter or other instrument that sets out its mandate, scope and working procedures. This includes how the committee will report to the full board, what is expected of committee members and any tenure limits for serving on the committee.

2.1.15.1 Audit committee

An audit committee should:

- be required for systemically important banks and is strongly recommended for other banks based on an organization's size, risk profile or complexity;
- be distinct from other committees;

- have a chair that is independent and is not the chair of the board or of any other committee;
- be made up entirely of independent or non-executive board members; and
- include members who have experience in audit practices, financial reporting and accounting.

The audit committee is, in particular, responsible for:

- framing policy on internal audit and financial reporting, among other things;
- overseeing the financial reporting process;
- providing oversight of and interacting with the bank's internal and external auditors;
- approving, or recommending to the board or shareholders for their approval, the appointment, remuneration and dismissal of external auditors;
- reviewing and approving the audit scope and frequency;

In some jurisdictions, external auditors are appointed directly by shareholders, with the board only making a recommendation.

- receiving key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and other control functions;
- overseeing the establishment of accounting policies and practices by the bank; and
- reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system.

2.1.15.2 Risk committee

A risk committee should be required for systemically important banks and is strongly recommended for other banks based on a bank's size, risk profile or complexity; and should be distinct from the audit committee, but may have other related tasks, such as finance; and should include members who have experience in risk management issues and practices; and also should discuss all risk strategies on both an aggregated basis and by type of risk and make recommendations to the board thereon, and on the risk appetite; is required to review the bank's risk policies at least annually; and Should oversee that management has in place processes to promote the bank's adherence to the approved risk policies.

2.1.15.3 Compensation committee

It should support the board in overseeing the remuneration system's design and operation and in ensuring that remuneration is appropriate and consistent with the bank's culture, long-term

business and risk appetite, performance and control environment as well as with any legal or regulatory requirements.

The compensation committee should be constituted in a way that enables it to exercise competent and independent judgment on compensation policies and practices and the incentives they create.

2.1.15.4 Other board committees

Other specialized committees that are recommended include:

- Nomination/human resources/governance committee: provides recommendations to the board for new board members and members of senior management.

The nomination committee should analyze the role and responsibilities of the board member and the knowledge, experience and competence which the role requires. Where a supervisory board or board of directors is formally separate from a management board, objectivity and independence still need to be ensured by appropriate selection of board members. The nomination committee should strive to ensure that the board is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the bank as a whole.

It may be involved in assessment of board and senior management effectiveness and may be involved in overseeing the bank's personnel or human resource policies.

- Ethics and compliance committee:
 - Ensures that the bank has the appropriate means for promoting proper decision-making, due consideration of the risks to the bank's reputation, and compliance with laws, regulations and internal rules.
 - The board should appoint members to specialized committees with the goal of achieving an appropriate mix of skills and experience that, in combination, allow the committees to fully understand, objectively evaluate and bring fresh thinking to the relevant issues.

2.1.16 CONFLICTS OF INTEREST

Conflicts of interest may arise as a result of the various activities and roles of the bank (e.g. where the bank extends loans to a firm while its proprietary trading function buys and sells securities issued by that firm), or between the interests of the bank or its customers and those

of the bank's board members or senior managers (e.g. where the bank enters into a business relationship with an entity in which one of the bank's board members has a financial interest). The board should have a formal written conflicts-of-interest policy and an objective compliance process for implementing the policy.

There is a potential conflict of interest where a bank is both owned by the state and subject to banking supervision of the state. If such conflicts of interest do exist, there should be full administrative separation of the ownership and banking supervision functions in order to minimize political interference in the supervision of the bank.

2.1.17 RISK MANAGEMENT FUNCTION

Banks should have an effective independent risk management function, under the direction of a chief risk officer (CRO), with sufficient stature, independence, resources and access to the board.

The independent risk management function is a key component of the bank's second line of defense. This function is responsible for overseeing risk-taking activities across the enterprise and should have authority within the organization to do so.

The risk management function should provide input on risks as part of such processes and on the outsourcer's ability to manage risks and comply with legal and regulatory obligations. Such processes should entail the following:

- A full and frank assessment of risks under a variety of scenarios as well as an assessment of potential shortcomings in the ability of the bank's risk management and internal controls to effectively manage associated risks;
- An assessment of the extent to which the bank's risk management, legal and regulatory compliance, information technology, business line and internal control functions have adequate tools and the expertise necessary to measure and manage related risks.

Risk communication

An effective risk governance framework requires robust communication within the bank about risk, both across the organization and through reporting to the board and senior management.

Compliance

The bank's board of directors is responsible for overseeing the management of the bank's compliance risk. The board should establish a compliance function and approve the bank's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

An independent compliance functions a key component of the bank's second line of defense. This function is responsible for, among other things, ensuring that the bank operates with integrity and in compliance with applicable, laws, regulations and internal policies.

Internal audit

The internal audit function should provide independent assurance to the board and should support board and senior management in promoting an effective governance process and the long-term soundness of the bank.

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control.

2.1.18 COMPENSATION

The bank's remuneration structure should support sound corporate governance and risk management.

Remuneration systems form a key component of the governance and incentive structure through which the board and senior management promote good performance, convey acceptable risk-taking behavior and reinforce the bank's operating and risk culture. The board (or, by delegation, its compensation committee) is responsible for the overall oversight of management's implementation of the remuneration system for the entire bank. In addition, the board or its committee should regularly monitor and review outcomes to assess whether the bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity.

The board or subcommittee should review the remuneration plans, processes and outcomes at least annually.

Remuneration should reflect risk-taking and risk outcomes. Practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain should be carefully evaluated by means of both qualitative and quantitative key indicators. The remuneration framework should provide for variable remuneration to be adjusted to take into account the full range of risks, including breaches of risk appetite limits, internal procedures or legal requirements.

2.1.19 THE ROLE OF SUPERVISORS

Supervisors should provide guidance for and supervise corporate governance at banks, including through comprehensive evaluations and regular interaction with boards and senior management, should require improvement and remedial action as necessary, and should share information on corporate governance with other supervisors.

Guidance on expectations for sound corporate governance:

Supervisors should establish guidance or rules, consistent with the principles set forth in this document, requiring banks to have robust corporate governance policies and practices. Such guidance is especially important where national laws, regulations, codes or listing requirements regarding corporate governance are not sufficiently robust to address the unique corporate governance needs of banks.

Comprehensive evaluations of a bank's corporate governance:

Supervisors should have processes in place to fully evaluate a bank's corporate governance. Such evaluations may be conducted through regular reviews of written materials and reports, interviews with board members and bank personnel, examinations, self-assessments by the bank, and other types of on- and off-site monitoring.

2.2 Empirical Literature Review

According to Nicholas J. Price, a journal printed on Diligent Insights, even if the concept of corporate governance has existed for centuries, it didn't much clear until 1970s. It was a term that was only used in the United States. The balance of power and decision making between board directors, executives and shareholders was existed for centuries and the issue has been a hot topic among academic experts, regulators, executives and investors.

In the 1980s was also referred to as the “Deal Decade.” Institutional shareholders grabbed more shares, which gave them more control. They stopped selling out when times got tough. Executives went on the defensive and struck deals to prevent hostile takeovers.

State legislators countered takeovers with anti-takeover statutes at the state level. That, combined with an increased debt market and an economic downturn, discouraged merger activity and the Institutional Shareholder Services (ISS) was formed to help with voting rights.

According to Sub-article 10.3. of NBE, The Board shall set up and put in use rules for the “manner of conducting board meetings, it shall be held at least once in a month on the date and at the venue fixed in accordance with the rules for manner of conducting board meetings., and also The Board shall appoint a secretary shall fix regular meeting days and venue. In all regular meetings (excluding urgent meetings), the chairperson or the secretary of the board shall serve formal notice of meeting to each director, together with agenda items, at least three days earlier than the meeting day,

According to a research journal printed on papers.ssm.com, a literature review on the characteristics of banks’ Board of Directors by Marina Brogi, Executive compensation is a hot subject for researchers especially in the aftermath of 2007/2008 financial crises (OECD, 2015). Indeed, most of the literature regarding executive compensation in our sample was developed from 2011. Moreover, executive compensation has also become a topic of intense debate among principles setters (e.g. OCSE, 2015; 2017; BCBS, 2015; EBA, 2015), regulators (e.g. EP, 2013), and media (e.g. Rajan, 2008; Rajan et al. 2008), with a particular focus on CEO compensation. Nonetheless, the evidence linking compensation practices to the effect on banks’ risks and performance is mixed. There is a wide consensus in the literature regarding executive compensation that its level and composition may increase the risk-taking behaviour of bank managers (Houston and James, 1995; Adams and Mehran, 2003; Webb, 2008; Bebchuk et al., 2010; Gropp and Kohler, 2010; John et al., 2010; Grove et al., 2011; Cheng et al., 2012; DeYoung et al., 2013; Chaigneau, 2013). This is the reason why both principle setter and regulators identify it as a critical issue in banks’ soundness and stability. Moreover, executive compensation has also become a topic of intense debate among principles setters (e.g. OCSE, 2015; 2017; BCBS, 2015; EBA, 2015), regulators (e.g. EP, 2013) and media (e.g. Rajan, 2008; Rajan et al. 2008; Kyrkpatric, 2009), with a particular

focus on CEO compensation (Bai and Elyasiani, 2013; Chen et al. 2006; Fahlenbrach and Stulz, 2011; Thanassoulis, 2011; Hagendorff and Vallascas, 2011; Tian and Yang, 2014).

2.2.1 Board structure

The Board of Directors (BoD) plays an important role in the governance arrangements of any firm (Fama and Jensen, 1983a; 1983b; Williamson, 1983). The main functions of the BoD are controlling and advising (Zahra and Pearce, 1989; Gabrielsson and Huse, 2004).

The control function consists in the supervision of managers' activities so as to preserve shareholders' interests. As an advisor, the board supports strategic business decisions by providing opinions and directions to managers. As concerns financial institutions and in particular banks, the monitoring function is a crucial task for the board, due to the complexity and opaqueness of their business model (Levine, 2004; Mehran et al., 2011).

From an institutional perspective, improving board structure is considered vital by international standard setters in order to enhance Corporate Governance functioning (OECD, 2004; 2015; BCBS, 2006; 2010; 2015). Both the EBA and the BCBS consider BOD as one of the main internal governance features of banks. Directors are responsible for delegating power within the institution and setting objectives for the bank and the levels of risk-appetite.

The BOD is also responsible for the organization of the internal control system (EBA, 2011). Board of directors has "overall responsibility for the bank, including approving and overseeing management's implementation of the bank's strategic objectives, governance framework and corporate culture" (BCBS, 2015). Moreover, "The board should structure itself in terms of leadership, size and the use of committees so as to effectively carry out its oversight role and other responsibilities.

According to European Journal of Business and Management, Dr. Thobby Wakarmamu, M.Si, Faculty of Economics and Business, University of Cendrawasih, Papua Indonesia,

Application of risk management is expected to increase shareholder value, as well as provide an overview to the bank manager about a possible bank losses in the future, improve the methods and systematic decision-making process based on availability of information, are used as the basis for a more accurate measurement of the performance of the bank. In addition, risk management can be used to assess the risk inherent in instruments or banking operations are relatively complex as well as creating a solid risk management infrastructure in

order to improve the competitiveness of the bank. Thus, the application of risk management is closely related to the principle of accountability and responsibility. The application of risk management will also encourage better compliance with the principles of good corporate governance in a bank, especially in order to improve the performance and competitiveness of the bank itself.

The Role of Good Corporate Governance Banking Sector in Supporting Risk Management Principles as the Implementation of Prudential Dr. Thobby Wakarmamu, M.Si, Faculty of Economics and Business, University of Cendrawasih, Papua Indonesia;

The data have been collected both from the research literature and field research qualitatively analyzed with descriptive methods.

1. Descriptive; the method of analysis by describing the real situation on the ground.
2. Qualitative, the method of data analysis by classifying and selecting the data obtained from the study according to the quality and truth, then connected with the theories of the study of literature in order to obtain answers to problems in this study. In the analysis of this data is used inductive way of thinking, that concludes the study of things that are special to then conclude a general nature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study was intended to be conducted in one of Ethiopian private bank; which are a different tenure and shareholder background; namely Bunna International Bank share company, Zemen Bank, Dashen Bank and Awash Bank, however due to the time constraint, The researcher forced to conduct at Bunna International Bank share company only.

The study conducted at Bunna International Bank share company head office located at Bole, Bunna International Bank Building and selected city branches; Addis Ababa, Ethiopia. It will assess the corporate governance practices of the company through structured questionnaire and making interviews with those who are able to give reliable information for the researchers as per the criteria in choosing samples. The study uses a qualitative and quantitative approach with related to checking corporate governance practices of the company.

The study uses questioner and interview as a primary data and it considers Various NBE directives, OECD principles, the company profile, annual financial statement and their website as a secondary data.

The study involves selected employees of Bunna International Bank Share Company, our sample population chosen through one of non-probability sampling method, which is purposive or judgmental sampling method. This method supports our research as being it gives us a chance to choose our sample population by considering their exposure and understanding of Corporate governance when they doing their tasks and their positions and experience.

Purposive or judgmental sampling is a best strategy person or events are selected intentionally in order to provide important information that cannot be obtained from other choices (Maxwell, 1996). The researcher includes cases or a participant in the sample because it is believes warrant inclusion.

The research also includes convenience sampling in selecting participants, by taking in to account the readiness and availability and understanding of the participants. (Ackoff,

1953).The researcher considers the willingness and moral values of participants to involve in the assessment of Corporate governance at Bunna International Bank share company.

3.2 RESERCH DESIGN

Research design is a plan to answer research question. A research method is a strategy used to implement the plan we intend to achieve. Research design and methods are different but closely related; because good research design ensures that the data we obtain will help us to answer the research question more effectively. The research design applied by researchers varies from research to research. Choosing a research method depends on our research goal. Most frequently used research methods include:

1. Observation / Participant Observation
2. Surveys
3. Interviews
4. Focus Groups
5. Experiments
6. Secondary Data Analysis / Archival Study
7. Mixed Methods (combination of some of the above)

Developing research methods is an integral part of the research design. When planning our methods, there are two key decisions we will make.

First, decide how we will collect data. Our methods depend on what type of data we need to answer in research question like Qualitative vs. quantitative, Will our data take the form of words or numbers? And also questions like Primary vs. secondary, Will we collect original data by our self, or will we use data that has already been collected by someone else?

For quantitative data, we can use statistical analysis methods to test relationships between variables.

For qualitative data, we can use methods such as thematic analysis to interpret patterns and meanings in the data.

3.3 Determining the Sample size and Sampling techniques

The type of research method employed for the purpose of this study is descriptive research design to analyze the major factors raised by this research. Research methods are specific procedures for collecting and analyzing data. There are numerous approaches, incorporating a number of different formulas, for calculating the sample size for categorical data.

A sample of the respondents was selected from all the head office organs, district offices and branches. It includes Twenty four city branches, five districts and head office organs which are having a total of 272 participants were involved in the study. In order to get relevant data from the target population questionnaire and interviews were used. The data collected through questionnaire were analyzed using descriptive analysis techniques and the qualitative data were analyzed using explanation. Furthermore, the qualitative data (data from interview, company documents) were analyzed together with the quantitative one to triangulate the results found from the questionnaire. Secondary data were also obtained from different sources like published annual reports, different books, journals and websites, publicly available information like annual report of the bank, commercial code of Ethiopia, proclamation and directive issued by the National Bank of Ethiopia to regulate and supervise the bank's governance were accessed. Moreover, literatures related to the subject were exploited from the internet.

Quantitative data were gathered through questionnaire in the first phase of the study; On the other hand qualitative data were collected through interview in the second phase of the study.

The collected data should be analyzed using descriptive statistics by using SPSS statistical software,2020. The research expresses its analysis through descriptive statistics that is used to quantitatively describe the important features of the variables using mean, maximum, minimum and standard deviations.

3.4 SAMPLING FRAME, SAMPLE DESIGN AND SAMPLE SIZE

A sampling frame is a complete list of the units of analysis of interest from which the samples are selected while a sample size is the number of items to be selected from the universe to constitute a sample (Kothari, 2004). The optimum sample size was used to fulfill the requirements of our sampling collection approach.

Sampling is the procedure a researcher uses to gather people, places or things to study, (Kombo& Tromp, 2006). It is the procedure of selecting individuals or objects from a population such that the selected group contains elements representative of characteristics found in the entire group, (Orotho and Kombo, 2002). The researcher used three steps in determining the sample size for the study.

A sample of 28 % of the sample population was used for this study, therefore from the total of 172 employees selected as a sample population by purposive sampling and 55 respondents included in the study. According to Gay in Mugenda and Mugenda, (2003), for descriptive studies at least 10% - 20% of the total population is sufficient.

3.5 DESCRIPTIVE STUDY

A type of study that attempts to describe systematically a situation, problem, phenomenon, service or program, or provides information about, say the living conditions of a community or describes attitudes towards an issue. For example, it may attempts to describe the types of service provided by an organization, the administrative structure of an organization, the living conditions of aboriginal people in the outback, the needs of a community, what it means to go through a divorce, how a child feels living in a house with a domestic violence, the attitudes of employees towards management.

The main purpose of such studies is to describe what is prevalent with respect to the issue/problem under study.

The very purpose of the study is describing the bank's corporate governance practice with related to NBE directives, OECD principles and Basel committee conventions for banks and other rules and regulations.

3.6 Methods of Collecting Data

Data is the information that we collect for the purposes of answering our research question. The data collection methods we use depend on the type of data we need.

Our choice of qualitative or quantitative data collection depends on the type of knowledge we want to develop.

Primary data is any original information that we collect for the purposes of answering our research question (e.g. through surveys, observations and experiments). Secondary data is information that has already been collected by other researchers (e.g. in a government census or previous scientific studies). We consider annual financial statements, NBE directives, and various related journals as secondary data.

We have got empirical evidence through questioners, interviews and observations that give us a chance to have conclusions drawn based on hard evidence gathered from information collected from real-life experiences or observations.

3.7 Instruments Validation

Validity is the degree by which the sample of the test items represents the content the test is designed to measure. The study questionnaire was surveyed for content validity by expert in business research and to check for grammar, the wording, sequence and structure of the questionnaire.

3.8 Method of Data Analysis and Presentation

After the raw data was readily available, quantitative and qualitative methods of data analysis were used in order to meet the research objective. Quantitative methods of data analysis were used for data collected through questionnaire. The descriptive statistics were used to analyze the means and standard deviations of the variables. To analyze the data obtained through interview qualitative method of data analysis was employed. The data collected which is mostly quantitative in nature is analyzed by descriptive analysis techniques using tools such as Statistical Package for Social Sciences (SPSS).

Table 3.1 Sample Population

S.No.	List of Respondents by Category	Total Population Size	Sample Size (%)	No. of Samples
1.	Customer service managers/Customer Relation Managers	19	6.99	4
2.	Branch Managers(City Branches)	122	44.86	25
3.	Division Managers	56	20.59	11
4.	District Managers	6	2.21	1
5.	Directors (Department)	16	5.88	3
6.	Audit Directorate Staffs	33	12.13	7
7.	Resident Auditors	12	4.41	2
8.	Risk & Compliance Staffs	8	2.94	2
		272	100.00 %	55

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 QUESTIONNAIRE SURVEY RESULTS AND DISCUSSION

This chapter presents the research findings derived from the questionnaire employed to answer the research questions of this study. SPSS was used to analyze the survey data. The questionnaire was distributed to the following groups: managers, board members, process directors, team leaders, accountants, customer service officers and internal auditors. Here under these sections provide the overall results obtained from questionnaire.

4.1.1. Response Rate

To determine the actual number of responses who are engaged in the study, analysis of the response rate were conducted in 55 employees and also 49 questionnaires were received back fully completed making a response rate of 89.00 % and it goes in harmony with wit and Schindler (2003) theory, that indicates that a response rate of between 30 to 80% of the total sample size can be considered as being it represents the opinion of the entire population.

4.1.2. Sample Reliability

The reliability measure of the research emphasis on the internal consistency of the set of statements, the study used the coefficient alpha score to measure the reliability of the survey questionnaire. Cronbach's alpha is the degree to which instrument items are homogeneous and which reflects the same underlying flow

Cronbach alpha was calculated by application of SPSS for reliability analysis. The reliability analysis value of the alpha coefficient is 0.94. According to Smith et al. (2011) argue that a reliability coefficient of 0.94 is acceptable, Our result shows that, that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.60 (Cooper & Schindler, 2006).

Table 4.1 Reliability Statistics

Cronbach's Alpha	N of Items
.941	47

4.1.3 General Background of the Respondents

4.1.3.1 Sex

It shows the distribution of respondents based on sex. The results show that 95.92 % of the respondents were male and 4.08 % of them were female.

Table 4.2 Gender of respondents

Frequency Table

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	47	95.92	95.92	95.92
	female	2	4.08	4.08	100.0
	Total	49	100.00	100.0	

4.1.3.2 Marital Status

Table 4.2 shows the distribution of respondents based on marital status. The results show that 75.51 % of the respondents were male and 24.49 % of them were female.

Table 4.3 Marital Status of Respondents

Marital Status	Frequency	Percent
Married	37	75.51
Single	12	24.49
Total	49	100

Source: Computation from SPSS analysis

4.1.3.3 Age

As shown in the table below, it shows the distribution of respondents based on age. As we see from the Table below, 12.24 % of them were below or equal to 30 years old, 63.27 % and 24.49 % of the respondents were aged 31–40 and 41–50 years old, respectively. There is no respondent available above 50 years of the group.

Table 4.4 Ages of Respondents

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below or equal to 30 years	6	12.40	12.4	12.4
	between 31-40 years	31	63.27	63.27	75.31
	between 41-50 years	12	24.49	24.49	100.0
	Total	49	96.1	100.0	

Source: Computation from SPSS analysis

4.1.3.4 Job Position

Table 4.5 Job position of Respondents

List of Respondents by Category	Frequency	Percentage
Customer service managers/Customer Relation Managers	4	8.16
Branch Managers(City Branches)	24	48.98
Division Managers	9	18.37
District Managers	1	2.04
Directors (Department)	2	4.08
Audit Directorate Staffs	6	12.25
Resident Auditors	2	4.08
Risk & Compliance Staffs	1	2.04
	49	100.00 %

As shown in the above table, it shows the distribution of the participant of the survey by related work unit. The lowest percentage is registered from districts and risk and compliance staffs which is, 2.04 % for both of them, Both Resident auditors and Directorates constitute 4.08 %, Customer service managers/Customer Relation Managers; 8.16 %, Audit Directorate Staffs 12.25 %, Division Managers; 18.37 % and Branch Managers(City Branches); constitutes 48.98 % of the sample size.

As we see from the above table, branch managers constitute the highest number of sample.

4.1.3.5 Educational Background

As shown in the table below, shows the highest academic qualification for the eight groups of respondents. The majority (59.18 %) of participants had completed their bachelor degree and

40.82 % of the participants had a master’s degree. This reflects the high education level of the survey participants, which were the employees of Bunna International bank Share Company.

Table 4.6 Educational Qualification of Respondents

Education	Frequency	Percent
Master	20	59.18
Bachelor	29	40.82
Total	49	100

Source: Computation from SPSS analysis

4.1.3.6 Work Experience

As shown in the table, it shows that as being there is no a respondent under less than five years of work experience category, 36.73 % of the participants had 5–10 years of work experience. Those with the work experience of 11–15 years, constitutes 38.78 % of the sample, respondents with 16–20 years constitutes 20.41 % and more than 20 years of work experience holds 4.08 % of the sample, respectively.

Table 4.7 Work Experience of Respondents

Work Experience	Frequency	Percent
Less Than 5 years	-	-
Between 5 -10 years	18	36.73
Between 11-15 years	19	38.78
Between 16-20 years	10	20.41
Above 20 years	2	4.08
Total	49	100

Source: Computation from SPSS (Version 2020) analysis

4.1.4 Corporate Governance Practice and its application in the Bank

This section deals with the major part of the research, that analyzing the responses of the questionnaires which are concerned with Board Related issues that seriously matters the corporate governance practice of the bank and presented using SPSS (Version 20) software.

4.1.4.1 Ensuring the basis of an effective corporate governance framework and establishing a Culture of good governance practice

Table 4.1

	Mean	Std.

		Deviation
Transparency, integrity and accountability	3.5714	.93541
Signing Code of Ethics for new Employees	3.9796	.96803
Preventing corporate scandals, fraud	3.9184	1.01728
Goodwill of customers and the public	4.0000	.93541
Employees recruitment, promotion and other human resource activities	3.4490	1.08130
Sense of integrity and honesty	3.5918	.91101
Succession plan for CEO and Executive officers	3.2245	1.31125

The highest mean in both listed variables indicates the bank maintains the standards available in the OECD and Basel Convention.

According to Basel convention, Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole, the result supports the bank effort in exceling the good will of customers and the public. Creating public trust is one the qualitative traits expected to occur in OECD Principles and NBE directives.

When we see the SPSS result, The corporate governance practice of the bank helps to gain the goodwill of customers and the public scores a highest mean of 4.0, which is the highest level of agreement by the respondent and the standard deviation of 0.93 and the bank has a succession plan for CEO and executive officers scores the lowest mean of 3.22 which is a highest level of disagreement by the respondents.

Most of the participants believe that the bank provides proper frame work for efficient management of the organization, which constitutes 65.31 % of the participants and 16.33% of the participants were either uncertain about the concept or they are not willing to comment on it. 18.36 % of the participants which are five disagreed about the issue.

With respect to the capacity of the banks corporate governance practice in preventing corporate scandals, fraud and others, 77.55 % of the participants agreed about it, 12.24 % of the participants were not sure about the issue. The remaining 10.20 % of the participants failed to agree about the issue.

With respect to the banks employees recruitment and promotion and other activities, 57.14% of the participants agreed about it and 28.57% of them were not sure about it and the

remaining participants which are 18.37 % disagreed about the issue. As being it has a lesser agreement in this regard, the bank should have to see its activities in this regard.

With respect to the banks accomplishment of its task transparently and with great sense of integrity and honesty, 59.18% of the participants agreed about it and 26.53 % of them were not sure about it and the remaining participants which are 14.29 % disagreed about the issue. As being it has a lesser agreement in this regard, the bank should have to see its activities in this regard.

The Basel convention dictates that Bank should have a succession plan for Executive officers which are approved by BOD. In case of sudden resignation and unexpected death of the chief officers, it may seriously affect the performance of the company.

With respect to the bank's availability of succession plan for CEO and executive officers, 40.82 % of the participants agreed about it and 36.73 % of them were not sure about it and the remaining participants which are 22.45 % disagreed about the issue. As being it has a lesser agreement in this regard, When we see those who are not sure and disagreed constitutes 59.18 % of the participants, which resembles as being the bank should have no a succession plan for its top executives.

It seems as being the Bank provides proper framework for efficient management of the organization in ensuring complete transparency, integrity and accountability of the management, has a Code of Ethics which all employees are required to sign when they join the bank and Corporate governance practice in the bank helps to prevent corporate scandals, fraud, and potential civil and criminal liability of the organization,

The corporate governance practice of the bank helps to gain the goodwill of customers and the public, acts transparently and responsibly in its employee's recruitment, promotion and other human resource activities and accomplished its task transparently and with great sense of integrity and honesty.

4.1.4.2 The Right of Shareholders and Key Ownership Functions

Table 4.2

	Mean	Std. Deviation
Respecting the rights of Stakeholders	3.6939	1.00424
Performance-enhancing mechanisms	3.3673	1.11232
Obtaining effective redress for violation of stakeholders rights	3.3265	.98716
Obtaining sufficient and reliable information	3.6122	.90867
Communicating illegal or unethical practices	3.5306	1.11993
Minority shareholders right	3.4286	1.09924

The primary objective of corporate governance should be safeguarding stakeholders' interest in conformity with public interest on a sustainable basis. Among stakeholders, particularly with respect to retail banks, shareholders' interest would be secondary to depositors' interest. As per our study, the bank scores the highest with related to safe guarding stake holders' interest.

The SPSS result shows, the rights of Stakeholders that are established by law are respected and considered prudently by the bank; scores the highest mean of 3.6939 which is a better agreement in this regard by the respondents and stakeholders have the opportunity to obtain effective redress for violation of their right scores a lowest mean of 3.33 which is a lesser agreement by the respondents in this regard.

Most of the participants believe that the rights of shareholders established by law are respected, which constitutes 71.43 % of the participants and 18.37 % of the participants were either uncertain about the concept or they are not willing to comment on it. 10.20 % of the participants were disagreed about the issue.

With respect to the bank's performance enhancing mechanism for employee participation, 55.10 % of the participants had an agreement in this regard, however 24.49 % of them were not sure about it or not willing to comment and the remaining participants which constitutes 20.41 % of the participants disagreed about the issue. As being 44.90 % of the participants didn't give their consent in this regard.

With respect to the stakeholders redress opportunity for their violated right, 44.90 % of the participants agreed about it, 40.28 % of the participants were not sure about the issue. The remaining 14.85 % of the participants failed to agree about the issue. Most of the participants failed to give their consent, which are 55.13 %.

In connection with the stakeholders right to obtain sufficient and reliable information, 65.30 % of the participants agreed about it and 24.49 % of them were not sure about it and the remaining participants which are 10.20 % disagreed about the issue.

With related to the stakeholders right to freely communicate their concerns about illegal or unethical practices to the board, 65.31 % of the participants agreed about it and 16.33 % of them were not sure about it or not willing to comment on it and remaining participants which are 18.37 % disagreed about the issue.

With respect to the bank's consideration about respecting the right of minority shareholders, only 51.02 % of the participants agreed about it and 32.65 % of them were not sure about it and the remaining participants which are 16.33 % disagreed about the issue. As being it has a lesser agreement in this regard, the bank should have to see its activities in this regard. When we see those who are not sure and disagreed constitutes 48.98 % of the participants, which raises the question about the bank's utmost consideration of the minority rights stated by NBE, especially at the time election of the nomination committee and AGM and in its overall activities of the bank.

As per our research it looks as being the rights of Stakeholders that are established by law are respected and considered prudently by the bank; Performance-enhancing mechanisms for employee participation are permitted in the bank, have the opportunity to obtain effective redress for violation of their rights and have the right to obtain sufficient and reliable information on a timely basis and having the right to freely communicate their concerns about illegal or unethical practices to the board and also minority shareholders right is respected by the bank

4.1.4.3 The Equitable treatment of shareholders

	Mean	Std. Deviation
Acting on a fully informed basis, in good faith	3.5714	.93541
High ethical standards	3.9796	.96803
Independent judgment on corporate affairs	3.9184	1.01728
Integrity of financial and non-financial reporting	4.0000	.93541

As per our research, The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders

The board should apply high ethical standards. It should take into account the interests of stakeholders

The board should be able to exercise objective independent judgment on corporate affairs, play its vital role in ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.

The SPSS result shows, The board should be able to exercise objective independent judgment on corporate affairs and Boards should play its vital role in ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration; score the highest mean of 3.9388 which is a better agreement in this regard by the respondents and Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders scores a lowest mean of 3.67 which is a lesser agreement by the respondents in this regard.

Most of the participants believe that board members should act in an informed basis, in good faith, with due diligence and care at the best interest of the company and shareholders, which constitutes 63.27 % of the participants and 26.53 % of the participants were either uncertain about the concept or they are not willing to comment on it. 10.20 % of the participants were disagreed about the issue.

Most of the participants of the survey believe that the boards activities in applying high ethical standards and respecting the interest of various stakeholders, which constitutes 71.43 %. 18.37 % of the participants were uncertain or not willing to comment about the issue and the remaining 10.20 % failed to agree in this regard.

With respect to exercising objective independent judgment by the board on corporate affairs, 71.43% of the participants agreed about it and the remaining 28.57 % of them, failed to agree or disagree.

In connection with ensuring the integrity of financial and non-financial reporting and the review of related party transactions, nomination of board members and key executives, and board of remuneration, 73.47% of the participants appreciate the activities, the remaining 26.53 % of the participants were not certain about the issue or failed to comment on it and also there is no complete disagreement in this regard. However, it is difficult to get a confirmation about the issue of related transactions if not it is fairly reported in annual financial statement as stated in Basel conventions for banks.

4.1.4.4 The Role of stakeholders in corporate governance

	Mean	Std. Deviation
The rights of stakeholders that are established by law respected	4.0204	.98931
Employee participation	3.6327	1.18487
Employee stock ownership plans or other profit sharing mechanisms	3.3265	1.10657
Stakeholders should be able to freely communicate their concerns about illegal or unethical practices	3.8163	1.01393

The SPSS result shows, the rights of stakeholders that are established by law or through mutual agreements are to be respected; scores the highest mean of 4.0204 and standard deviation of 0.9893, which is a better agreement in this regard by the respondents and Employee stock ownership plans or other profit sharing mechanisms are facilitated by the bank scores a lowest mean of 3.33 which is a lesser agreement by the respondents in this regard.

Most of the participants of the survey believe that, the rights of various stakeholders that are established by law are respected, which constitutes of 81.63 % of the participants. 10.20 % and 8.16 % of the participants uncertain and disagreed about the issue respectively.

In connection with the roles of employees participation in governance process employees participation in availing information, consultation and negotiation for the bank management, 55.10 % of the participants agreed about the issue and 26.53 % of the them were uncertain about it and the remaining 18.37 % of the participants disagreed about the issue.

With related to allowing stock ownership and plans and other profit sharing mechanisms, 48.98 % of the participants agreed with the issue, 36.73 % of the participants were uncertain about it or not willing to express their internal feeling or lack understanding about the issue and also 18.37 % of the participants were disagreed about it. However, as being 51.02 % of the participants were not agreed about the issue, these shows as being the bank should have to work on it further. In fact, in our discussion other than the survey, the bank should to deal with it further.

With respect to stakeholder's involvement, including individual employees and their representative bodies about their concerns in disclosing freely about illegal or unethical practices, 63.27 % of the participants agreed about the bank's role, 26.53 % were uncertain or failed to comment about it and also 10.20 of them were disagreed about it.

The rights of stakeholders that are established by law or through mutual agreements are to be respected; Stakeholders should have the opportunity to obtain effective redress for violation of their rights and Mechanisms for employee participation should be permitted to governance processes such as works councils that consider employee viewpoints in certain key decisions, recognize the rights of employees to information, consultation and negotiation.

As qualitative method of research, Employee profit sharing mechanisms are to be found in many countries but it is not applied at BIB.

Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices, however it is not a customary practice at BIB.

4.1.4.5 Disclosure and transparency

	Mean	Std. Deviation
The annual report inclusiveness	4.4286	.61237
Major share ownership and voting rights, governance structures and policies included in the annual report	3.6735	1.06825
Related party transactions, foreseeable risk factors and issues reporting	3.5510	1.06186
Using IFRS/Full Disclosure	4.2449	.75085
External auditors should be accountability to the shareholders	4.3061	.84666
Channels for disseminating information for users	4.2041	.67637

The SPSS result shows, External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit; scores the highest mean of 4.31 and standard deviation of 0.85, which is a better agreement in this regard by the respondents and The annual report includes related party transactions, foreseeable risk factors and issues regarding employees and other stakeholders scores a lowest mean of 3.33 which is a lesser agreement by the respondents in this regard.

Most of the participants believe that the annual report financial and operating results and the objectives and non-financial information of the company, which constitutes 93.88% of the survey participants, the remaining 6.12 % of them, were not certain about the issue. As we confirmed from the bank's annual financial statement, it includes all the matters on it.

With respect to the disclosure of ownership and voting rights, governance structures and policies, 59.18 % of the participants agreed about it. 22.45 % of them were not certain or not willing to comment about the issue and the remaining 18.37 % were disagreed only.

With respect to the inclusion of related party transactions, foreseeable risk factors and issue regarding employees and other stakeholders, 57.14 % of the participants were agreed about the issue, 26.53 % of them were not certain or not willing to comment about the issue and the remaining 16.33 % were disagreed about the issue.

In connection with the bank's application of IFRS in its annual report, it has a full disclosure of IFRS since 2018/19 fiscal year, most of the participants were agreed about the issue, which constitutes 83.67 % of them and the remaining 16.33 % of them were not sure about it. In our

understanding those who failed to see the reality; the researcher advises them to see the annual report to avoid their reservation.

Most of the participants were agreed about the accountability of external auditors to shareholders and exercise their work due professional care in the conduct of the audit, which constitutes 87.76% of the survey participants, 6.12 % of each were not certain or not willing to comment and disagreed about the issue. As being they are abide with international professional and local governing bodies, the audit were conducted through the expected standards.

With related to the creating channels for disseminating information for the users, most of the participants were agreed about it, which constitutes 83.67 % of the participants and the remaining 16.33 % of them were not sure about it or not willing to comment on it.

The annual report includes the financial and operating results and the objectives and non-financial information of the company

Major share ownership and voting rights, governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented, are included in the annual report

From research, we can't confirm that as being the annual report includes related party transactions, foreseeable risk factors and issues regarding employees and other stakeholders.

The Banks financial statements are abided by IFRS/Full Disclosure.

External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit

Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users and available in the company's website.

4.1.4.6 The Responsibility of the Board, the Board Activities and Key Functions

	Mean	Std. Deviation
Alignment of key executive and board remuneration	3.9592	1.05986
Managing potential conflicts of interest	3.5510	1.06186
Over sighting the bank and gives guidance	3.8571	1.06066
Access to accurate, relevant and timely information	3.8367	1.06745

The SPSS result shows, the board aligns key executive and board remuneration with the longer term interests of the company and its shareholders; scores the highest mean of 3.96 and standard deviation of 1.06, which is a better agreement in this regard by the respondents and The board monitors and manages potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions scores a lowest mean of 3.55 which is a lesser agreement by the respondents in this regard.

With respect to the alignment of key executives and board remuneration with the long term interest of the bank, 71.43 % of the participants agreed about it and 20.41 % were not certain or not willing to comment and the remaining 8.16 % of them, were disagreed about the issue.

With respect to the boards management of potential conflict of interest, including the misuse of the corporate assets and abuse in related transactions, 59.18 % of the participants were agreed about the issue and 24.49 % were not certain or not willing to comment and the remaining 8.16 % of them, were disagreed about the issue. As being there is a good number who were not agreed about the matter, the bank has to see itself in this regard.

In connection with the over sighting of the and give a guidance for the executives, 67.35 % of the survey participants were agreed about it and 22.45 % were not certain or not willing to comment and the remaining 10.20 % of them, were disagreed about the issue.

With related to the boards access to accurate, relevant and timely information, 69.39 % of them agreed about it and 20.41 % were not certain or not willing to comment and the remaining 10.20 % of them, were disagreed about the issue.

As per study, the board aligns key executive and board remuneration with the longer term interests of the company and its shareholders.

The board monitors and manages potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

4.1.4.7 Risk management Functions

	Mean	Std. Deviation
Policies, procedures and limits; risk monitoring and management information system	3.5714	.93541
Availability of Risk appetite framework	3.4898	1.06306
Predefined risk capacity of the bank	3.3469	1.05180
A bank's norms, attitudes and behaviors related to risk awareness	3.4082	.99830
Independent reviews of credit operations	3.7143	.95743
Accurate and timely information systems	3.2449	1.09031

The SPSS result shows, the board of directors should conduct/require independent reviews of credit operations to assess whether the bank's policies and procedures are being properly followed on ongoing basis; scores the highest mean of 3.71 and standard deviation of 0.96, which is a higher agreement in this regard by the respondents and Accurate and timely information systems are created in the bank for the management of foreign currency positions scores a lowest mean of 3.24 which is a lesser agreement by the respondents in this regard.

With respect to the availability of adequate policies, procedures and limits; adequate risk monitoring and management system and adequate internal control in the bank, 69.39 % of the participants agreed about it and 16.33 % were not certain or not willing to comment and the remaining 14.29 % of them, were disagreed about the issue.

With respect to the availability of risk appetite framework, which is well established, communicated and monitored, 59.18 % of the participants were agreed about the issue and 22.45 % were not certain or not willing to comment and the remaining 18.36 % of them, were disagreed about the issue.

In connection with the availability of a predefined risk capacity of the bank, 55.10 % of the participants were agreed about the issue and 20.40 % were not certain or not willing to comment and the remaining 24.49 % of them, as being there is a lesser agreement in this

regard, the bank should strongly work on it and revised the risk capacity of the bank and communicate the same for its organs.

With related to the bank's norms, attitudes and behaviors related to risk awareness, risk taking and risk management, controls had shape the decisions on risks, 55.10 % of them agreed about it and 26.53 % were not certain or not willing to comment and the remaining 18.36 % of them, were disagreed about the issue. It is believed that attitudes of the management and norms of the bank should affect the risk taking capacity of the bank.

With respect to the independent review of the credit review by the board, 69.39 % of the survey participants agreed about it and 14.29 % of them were not sure about it and the remaining participants which are 16.33 % disagreed about the issue. We confirm that, it is reviewed by the boards audit committee.

With related to the availability of accurate and timely information system in the bank for the management of foreign currency management, 51.02 % of them agreed about it and 26.53 % were not certain or not willing to comment and the remaining 22.45 % of them, were disagreed about the issue.

There is an Adequate policies, procedures and limits; Adequate risk monitoring and management information system; and Adequate internal control in the bank.

We cannot confirm that as being there is an availability of risk appetite framework in the bank, that includes the overall approach, including policies, processes, controls and systems, which risk appetite is established, communicated and monitored

There is predefined risk capacity which is the maximum amount of risk a bank is able to assume given its capital base, risk management and control capabilities as well as its regulatory constraints

A bank's norms, attitudes and behaviors related to risk awareness, risk-taking and risk management, and controls had shape decisions on risks.

The board of directors should conduct independent reviews of credit operations to assess whether the bank's policies and procedures are being properly followed on ongoing basis.

4.1.4.8 Efficiency and effectiveness of the board

	Mean	Std. Deviation
The board members qualification and experience	3.4490	1.06186
Formal orientation program for new board members	3.5306	.91520
The boards annual evaluation of itself	3.4286	.91287
Board have sufficient information and time	3.4286	.95743

The SPSS result shows, the bank has a formal orientation program for new board members, and does it organize formal training sessions for existing board members; scores the highest mean of 3.53 and standard deviation of 0.91, which is a higher agreement in this regard by the respondents and The board carries out annual evaluation of itself, its committees and its members and All members of the board have sufficient information and time that enables them to give strategic guidance of the bank, both score lowest mean of 3.43 which is a lesser agreement by the respondents in this regard.

With respect to the educational qualification of the bank, experience and having adequate knowledge of the bank, 57.14 % of the participants agreed about it and 26.53 % were not certain or not willing to comment and the remaining 16.33 % of them, were disagreed about the issue. as being it is abide by the directives of NBE, there is no question to be raised about the qualification, however; the researcher believe that, there was a lack of related experience in the industry board members.

In connection with availability of orientation program and giving training for new board members, 53.06 % of the participants agreed about it and 36.74 % were not certain or not willing to comment and the remaining 10.20 % of them, were disagreed about the issue. As per our interview, we confirm the bank arranges training for all its incoming board members.

With related to the board annual evaluation of itself, there is a lesser disagreement in this regard, which is 48.98 % of the participants and 40.82 % were not certain or not willing to comment and the remaining 10.20 % of them, were disagreed about the issue. It is expected that, the board should evaluate its work annually.

With respect to the availability of sufficient information and time that enables board to give strategic guidance of the bank, 53.06 % of the participants agreed about it and 34.69 % were

not certain or not willing to comment and the remaining 12.25 % of them, were disagreed about the issue. There is a lesser agreement in this regard.

Most of the board members are educationally qualified and very well experienced and has adequate knowledge of the bank and the board functions.

The bank has a formal orientation program for new board members, and does it organize formal training sessions for existing board members.

We cannot confirm that whether the board carries out annual evaluation of itself, its committees and its members.

All members of the board have sufficient information and time that enables them to give strategic guidance of the bank.

4.1.4.9 Management Supervision

	Mean	Std. Deviation
The principle of transparency is observed by management	3.4286	1.06066
The management of the bank motivates employees	3.3673	1.09343
Providing alert response to every issue	3.0816	1.11499
Developing clear and flexible career paths development and retention.	3.2245	.98457
The management is accessible for various stakeholders	2.9796	1.14546
Transparent resource allocation system in the bank	2.8980	1.22890

The SPSS result shows, the principle of transparency is observed by conveying all information to stakeholders, particularly on associated operations and conflicts of interest; scores the highest mean of 3.43 and standard deviation of 1.06, which is a higher agreement in this regard by the respondents and There is a transparent resource allocation system in the bank scores the lowest mean of 2.90 and standard deviation of 1.23, this shows as being a greater disagreement by the respondents. With related to the application of transparency observed by conveying all information to stakeholders, particularly on associated operations and conflict of interest, 61.24 % of the participants and 20.41 % were not certain or not willing to comment and the remaining 18.37 % of them, were disagreed about the issue.

With respect to the managements actions that motivates the employees and creating a mood that enforces them to do their job at highest level bank, 59.18 % of the participants agreed

about it and 20.41 % were not certain or not willing to comment and the remaining 18.37 % of them, were disagreed about the issue.

With related to the management's alert response to every action, there is a lesser agreement in this regard, which constitutes 42.86 % of the participants and 22.45 % of the participants were not certain or not willing to comment and the remaining 34.69 % of them, were disagreed about the issue. It seems as being there is lack of alertness in responding for actions the bank.

In connection with the availability of a clear and flexible career path and the bank's focus on career development and retention, 38.79 % of the respondents agreed about it and 38.79 % of the participants were not certain or not willing to comment and the remaining 22.45 % of them were disagreed about the issue. As being there is a lesser agreement about the issue, which constitutes 61.21 % of the participants.

With respect to the accessibility of the bank for various stock holders especially for employees and customers, 38.79 % of the respondents agreed about it and 34.69 % of the participants were not certain or not willing to comment and the remaining 30.61 % of them were disagreed about the issue.

In connection with availability of transparent resource allocation in the bank, there is a lesser agreement in this regard, which is 30.61 % of the respondents of the survey, 32.65 % of the participants were not certain or not willing to comment and the remaining 36.73 % of them were disagreed about the issue. Most of the participants of the survey, whom they are working in the bank failed to agree about the issue, which constitutes 69.38 % of the respondent employees. The bank should have to see its resource allocation process, as being it affects the interest of the bank and having a negative effect in its good will.

We cannot confirm that whether or not the principle of transparency is observed by conveying all information to stakeholders, particularly on associated operations and conflicts of interest.

The management of the bank motivates employees to perform their duties at their highest capabilities

From our research, it looks as being the management of the bank provides alert response to every issue.

Some of the respondents believe that as being the management of the bank shouldn't develop clear and flexible career paths and focus on career development and retention.

The management of the bank is not accessible for various stakeholders including, customers and employees

Some of the respondents believe that, as being there is no a transparent resource allocation system in the bank and also our result shows the lowest mean in this regard, which is 2.8.

CHAPTER FIVE

5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 SUMMARY OF MAJOR FINDINGS

The banks employees recruitment and promotion and other activities, 57.14 % of the participants agreed about it and as being it has a lesser agreement in this regard, the bank should have to see its activities in this regard. The banks accomplishment of its task transparently and with great sense of integrity and honesty, 59.18 %, we found that there was a lesser agreement, the bank should have to see its activities in this regard. The issue of transparency and integrity must not be a bone of contention, as being it is the essential qualitative for the company success.

The bank's availability of succession plan for CEO and executive officers, in our survey, we found that as being it looks the bank should not have a succession plan for its top executives.

The bank should have to see its performance enhancing strategies whether it is participatory or needs some improvement, as being approximately half of the respondents didn't give their consent for the existing trend of the bank.

Most of the participants failed to give their consent, which are 55.13 % , the bank should have to see at most consideration with respect to accepting and responding to effective redress of the stakeholders right stated in NBE directives, OECD principles and Basel conventions for banks and other rules and regulations, as being it should affect the long term interest of the bank.

With related to the stakeholders right to freely communicate their concerns about illegal or unethical practices to the board, Due to the sensitivity of the issue , As being 34.69 % of the participants failed to give their consent and the bank should have to take some check and balance and arranging a mechanism like giving a whistleblowing roles for some of stakeholders and gathering informal information and filtering the content of it and making further actions by considering the reliability and accuracy of it.

With respect to the bank's consideration about respecting the right of minority shareholders, only 51.02 % give their consent, as being it has a lesser agreement in this regard, the bank should have to see its activities in this regard. When we see those who are not sure and disagreed constitutes 48.98 % of the participants, which raises the question about the bank's utmost consideration of the minority rights stated by NBE, especially at the time election of the nomination committee and AGM and in its overall activities of the bank.

With respect to exercising objective independent judgment by the board on corporate affairs, 71.43% of the participants agreed about it and the remaining 28.57 % of them, failed to agree or disagree.

In connection with ensuring the integrity of financial and non-financial reporting and the review of related party transactions, nomination of board members and key executives, and board of remuneration, 73.47% of the participants appreciate the activities, the remaining 26.53 % of the participants were not certain about the issue or failed to comment on it and also there is no complete disagreement in this regard. However, it is difficult to get a confirmation about the issue of related transactions if not it is fairly reported in annual financial statement as stated in Basel conventions for banks.

With related to allowing stock ownership and plans and other profit sharing mechanisms, as being 51.02 % of the participants were not agreed about the issue, this shows as being the bank should have to work on it further. In fact, in our discussion other than the survey, the bank should to deal with it further.

With respect to the boards management of potential conflict of interest, including the misuse of the corporate assets and abuse in related transactions, 59.18 % of the participants were only agreed about the issue and As being there is a good number who were not agreed about the matter, the bank should have to see it self in this regard.

With respect to the availability of risk appetite framework, which is well established, communicated and monitored, even if 59.18 % of the participants were agreed about the issue, As being there is a good number of respondents of the survey who were not agreed about the matter, the bank has to work on it and communicate the matter for all its organs.

In connection with the availability of a predefined risk capacity of the bank, as being there is a lesser agreement in this regard, the bank should strongly work on it and revised the risk capacity of the bank and communicate the same for its organs.

With related to the availability of accurate and timely information system in the bank for the management of foreign currency management, even if 51.02 % of them agreed about it and As being there was a lesser agreement in this regard, the bank should have to see management of foreign currency management system, if it is available. As being it creates settlement problems for international payments and has a defamation effect of the bank and the country, the bank should have to control the process and knowing the positions regularly.

With respect to the managements actions that motivates the employees and creating a mood that enforces them to do their job at highest level bank, 59.18 % of the participants agreed about it and As being it has lesser agreement in this regard, the bank should work on it as being motivating the employees has a magnificent effect in exceling the performance of the bank in general.

With related to the management's alert response to every action, there is a lesser agreement in this regard, which constitutes 42.86 % of the participants and 22.45 % of the participants were not certain or not willing to comment and the remaining 34.69 % of them, were disagreed about the issue. The bank should have to see its response for every action, as being most of the employees participated in the survey failed to agree in this regard. It seems as being there is lack of alertness in responding for actions the bank.

In connection with the availability of a clear and flexible career path and the bank's focus on career development and retention, 38.79 % of the respondents agreed about it and As being there is a lesser agreement about the issue, which constitutes 61.21 % of the participants, the bank should have to see and revise its strategies in this regard, as being it has a devastating effect in retaining its employees and in giving a chance to work with great sense of belongingness and motivation.

With respect to the accessibility of the bank for various stock holders especially for employees and customers, As being there is a lesser agreement about the issue, which constitutes 65.30 % of the participants, the bank should have to see the availability of it for

various stakeholders, it looks as being the bank is not open for its various stakeholders especially for its employees and customers.

In connection with availability of transparent resource allocation in the bank, there is a lesser agreement in this regard and Most of the participants of the survey, whom they are working in the bank failed to agree about the issue, which constitutes 69.38 % of the respondent employees. The bank should have to see its resource allocation process, as being it affects the interest of the bank and having a negative effect in its good will.

The findings of this study have pointed out the bank should have work more in creating an awareness of corporate governance for its employees, including the internationally accepted principles like OECD principles and Basel conventions for banks, some of the employees are new for the concept.

5.2 CONCLUSIONS AND RECOMMENDATIONS

The corporate governance procedures stated by most of the directives is respected by most of the banks found here in Ethiopia, as being the process were controlled by the governing body, NBE . Such as Things like the number of board members available in the bank, which is a minimum of 9, qualifications of BOD members, the nomination committee and the criteria and the process of it, qualified nominees, election processes, number of individual attendance at the meeting, recording the minutes, minority rights, institutional investors right and others are controlled by NBE. What matters most is getting a confirmation in their application of good corporate governance practice's, these should not be guaranteed by procedures and system created, it depends on what the organization is willing to apply or exercise the principle of corporate governance in their day to day move. That is the reason the researcher chooses to assess the corporate governance practice of the bank from its influential stakeholders side, which are the employees.

The bank should see employee's recruitment and promotion and other related activities, its current accomplishment of its task whether it is performed transparently and with great sense of integrity and honesty, to have a succession plan which is approved by the board for its top executives.

The bank should have to see its performance enhancing strategies whether it is participatory or needs some improvement and should have to give at most consideration with respect to accepting and responding to effective redress of the stakeholders' right stated in NBE directives, OECD principles and Basel conventions for banks and other rules and regulations, as being it should affect the long term interest of the bank.

The Board should have to create a system that allows with stakeholders the right to freely communicate their concerns about illegal or unethical practices to the board and should have to take some check and balance and arranging a mechanism like giving a whistleblowing roles for some of stakeholders and gathering informal information and filtering the content of it and making further actions by considering the reliability and accuracy of it.

The Board should have to see the availability of a clear and flexible career path and the bank's focus on career development and retention, revise its strategies in this regard, as being it has a devastating effect in retaining its employees and in giving a chance to work with great sense of belongingness and motivation.

The bank's availability of succession plan for CEO and executive officers, in our survey, we found that as being it looks the bank should not have a succession plan for its top executives, the bank should have an approved succession planning for its top executives.

The bank should have a predefined risk capacity of it, should strongly work on it and revised the risk capacity of the bank and communicate the same for its organs.

The bank should have to see the availability of it for various stakeholders, it looks as being the bank is not open for its various stakeholders especially for its employees and customers.

The bank should have to see its resource allocation process, as being it affects the interest of the bank and having a negative effect in its good will.

Last but not least, The findings of this study have pointed out the bank should have work more in creating an awareness of corporate governance for its employees, including NBE Directives, the internationally accepted principles like OECD principles and Basel conventions for banks.

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Annex
Addis Ababa University
Faculty of Business & Economics
School of Graduate Studies
Executive MBA Program
Questionnaire for Final Research Paper

Dear Respondents,

This study will conduct an Assessment of Good Corporate Governance practices in Ethiopia, a Case study conducted at Bunna International Bank S.C., The very purpose of this research is to examine and look at the approach's concerning internal corporate governance system and its impact on company performance from a theoretical and practical perspective. The information collected will be analyzed and organized in the form of research paper. Respondents are respectfully asked for giving genuine information in this regard. The intention of this questionnaire is only academic, and therefore will result in no unconstructive consequences in your present position. Responses/information given will be used exclusively for this research paper. I would like to express my deepest gratitude in advance for the Volunteer employees who are willing to respond for these questions.

With Regards,

PART 1: General Information of the Respondents

The following questions concerned about your personal information. Please put a tick in the appropriate box in each of the following questions.

1. Sex Male Female

2. Marital status, Married Single Other _____

3. Age group

Below or Equal to 30 Years

Between 31-40 Years

Between 41-50 Years

Above 50 Years

4. Highest level of educational qualification

PhD	Master	Bachelor	Diploma	Other, please specify it
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Current position

Branch Manager	<input type="checkbox"/>	Audit Directorate Staff*	<input type="checkbox"/>
Division Manager	<input type="checkbox"/>	Risk & Compliance Staff*	<input type="checkbox"/>
Director (Department)	<input type="checkbox"/>	Executive Assistants	<input type="checkbox"/>
District Managers	<input type="checkbox"/>	Resident Auditor	<input type="checkbox"/> Chief
Officers (Vice President)	<input type="checkbox"/>	Customer service or Customer Relation Manager	<input type="checkbox"/>

**Excluding Directors & Division Managers*

6. Your work experience

Less than 5 Years	5–10 years	11–15	16-20	More than 20
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part 2: Corporate Governance practice of the Bank

These are list of questions concerning Board Related issues that seriously matters the corporate governance practice of the bank; please try to assert the degree to which you agree/disagree with the following matters as they exist in your company and tick/mark it (✓) in the space provided.

Grade 1= strongly disagree, 2= Disagree, 3= Uncertain, 4= Agree and 5=strongly agree

2.1. Ensuring the basis of an effective corporate governance framework and establishing a Culture of good governance practice

2.1	Assertion/Statement	1	2	3	4	5
2.1.1	The Bank provides proper framework for efficient management of the organization in ensuring complete transparency, integrity and accountability of the management					
2.1.2	The bank has a Code of Ethics which all employees are required to sign when they join the bank					
2.1.3	Corporate governance practice in the bank helps to prevent corporate scandals, fraud, and potential civil and criminal liability of the organization					
2.1.4	The corporate governance practice of the bank helps to gain the goodwill of customers and the public.					
2.1.5	The bank acts transparently and responsibly in its employees recruitment, promotion and other human resource activities					
2.1.6	The bank accomplished its task transparently and with great sense of integrity and honesty					
2.1.7	The bank has a succession plan for CEO and Executive officers					

2.2. The rights of shareholders and key ownership functions

2.2	Assertion/Statement	1	2	3	4	5
2.2.1	The rights of Stakeholders that are established by law are respected and considered prudently by the bank					
2.2.2	Performance-enhancing mechanisms for employee participation are permitted in the bank					
2.2.3	Stakeholders have the opportunity to obtain effective redress for violation of their rights					
2.2.4	Stakeholders have the right to obtain sufficient and reliable information on a timely basis					
2.2.5	Stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board					
2.2.6	Minority shareholders right is respected by the bank					

2.3 The Equitable treatment of shareholders

2.3	Assertion/Statement	1	2	3	4	5
2.3.1	Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders					
2.3.2	The board should apply high ethical standards. It should take into account the interests of stakeholders					
2.3.3	The board should be able to exercise objective independent judgment on corporate affairs					
2.3.4	Boards should play its vital role in ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration					

2.4 The Role of stakeholders in corporate governance

2.4	Assertion/Statement	1	2	3	4	5
2.4.1	The rights of stakeholders that are established by law or through mutual agreements are to be respected					
2.4.2	Mechanisms for employee participation should be permitted to governance processes such as works councils that consider employee viewpoints in certain key decisions, recognize the rights of employees to information, consultation and negotiation.					
2.4.3	Employee stock ownership plans or other profit sharing mechanisms are to be found in many countries.					
2.4.4	Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this					

2.5 Disclosure and transparency

2.5	Assertion/Statement	1	2	3	4	5
2.5.1	The annual report includes the financial and operating results and the objectives and non-financial information of the company					
2.5.2	Major share ownership and voting rights, governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented, are included in the annual report					
2.5.3	The annual report includes related party transactions, foreseeable risk factors and issues regarding employees and other stakeholders.					
2.5.4	The financial statements are abided by IFRS/Full Disclosure?					
2.5.5	External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit					
2.5.6	Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users					

2.6 The Responsibility of the Board, the Board Activities and Key Functions

2.6	Assertion/Statement	1	2	3	4	5
2.6.1	The board aligns key executive and board remuneration with the longer term interests of the company and its shareholders					
2.6.2	The board monitors and manages potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions					
2.6.3	The board plays its role in overseeing the bank and gives guidance for the executive management of the bank					
2.6.4	In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information					

2.7 Risk management Functions

2.7	Assertion/Statement	1	2	3	4	5
2.7.1	There are adequate policies, procedures and limits; Adequate risk monitoring and management information system; and Adequate internal control in the bank					
2.7.2	There is a risk appetite framework, that is the overall approach, including policies, processes, controls and systems, which risk appetite is established, communicated and monitored					
2.7.3	There is predefined risk capacity which is the maximum amount of risk a bank is able to assume given its capital base, risk management and control capabilities as well as its regulatory constraints					
2.7.4	A bank's norms, attitudes and behaviors related to risk awareness, risk-taking and risk management, and controls had shaped decisions on risks					
2.7.5	The board of directors should conduct/require independent reviews of credit operations to assess whether the bank's policies and procedures are being properly followed on an ongoing basis					
2.7.6	Accurate and timely information systems are created in the bank for the management of foreign currency positions					

2.8 Efficiency and effectiveness of the board

2.8	Assertion/Statement	1	2	3	4	5
2.8.1	The board members are educationally qualified and very well experienced and have adequate knowledge of the bank and the board functions					
2.8.2	The bank has a formal orientation program for new board members, and does it organize formal training sessions for existing board members					
2.8.3	The board carries out annual evaluation of itself, its committees and its members					
2.8.4	All members of the board have sufficient information and time that enables them to give strategic guidance of the bank					

2.9 Management Supervision

2.9	Assertion/Statement	1	2	3	4	5
2.9.1	The principle of transparency is observed by conveying all information to stakeholders, particularly on associated operations and conflicts of interest					
2.9.2	The management of the bank motivates employees to perform their duties at their highest capabilities					
2.9.3	The management of the bank provides alert response to every issue					
2.9.4	The management of the bank develops clear and flexible career paths and focus on career development and retention.					
2.9.5	The management of the bank is accessible for various stakeholders including, customers and employees					
2.9.6	There is a transparent resource allocation system in the bank					

I would like to express my grand appreciation for your unreserved attention and genuine participation in carrying out what is expected as a respondent and for being playing your role in fulfilling the significant part of the study, i.e. responding the questionnaire. If you have any comments, please try to point out it in the space provided below.

Thank you for your attention!