ASSESSMENT OF CORPORATE GOVERNANCE PRACTICES IN GOVERNMENT OWNED BANK'S OF ETHIOPIA THE CASE OF DEVELOPMENT BANK OF ETHIOPIA

By

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ADDIS ABABA, ETHIOPIA

ADDIS ABABA UNIVERSITY
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ADVISOR: ABEBE YITAYEW (PHD)

A thesis submitted to the Department Masters of Science in Financial Service Presented in partial fulfillment of the requirements for the degree of Master of Science in Financial Service.

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This is to certify that the thesis prepared by AZEB ASRAT entitled: assessment of corporate governance practices in government owned bank's of Ethiopia the case of development bank of Ethiopia and submitted in partial fulfillment of the requirements for the degree of Master of Science in Financial Service complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ACRONYMS AND ABBREVIATION

BCBS	Basel Committee on Banking Supervision
DBE	Development bank of Ethiopia
EEC	European Community Corporate Governance
GATT	General Agreement on Tariffs and Trade
HSB	Housing and Savings Bank
NBE	National Bank of Ethiopia
OECD	Organization for Economic Cooperation and Development
SPSS	Statistical Package for the Social Sciences
SOX	The Sarbanes-Oxley Act
WTO	World Trade Organization
BOD	Board of Directors
CEO	Chief Executive Officer

ABSTRACTS

This study was conducted to evaluate the extent to which corporate governance practices are applied in the Development bank of Ethiopia. Internal corporate governance mechanism was the critical focus of the study. A descriptive research approach was employed to achieve the goal of this research. All the management members and employees of the Bank were used as a target population of the study. A sample of the responding staff was drawn from all the head office processes and branches, which are a total of 286 participants, were involved in the study. In order to get relevant data from the target population questionnaire 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) were analyzed together with the quantitative one to triangulate the results found from the questionnaire. In this respect, generally the finding result portrayed that the culture of corporate governance in the DBE still has a setback and needs improvements. The finding of the study also disclosed that the board and the management of the bank are not effective in discharging their roles and responsibilities. In addition weak legal controls and law enforcement within the industry and weak relationship between executive's managements and employees of the bank are possible barriers for the implementation of good corporate governance within the bank.

Key words: *Corporate Governance, Bank*

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CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

The role of corporate governance in today's business environment is extremely large because it has a direct effect on the problems associated with the financial crisis of the company. Because of this the significance of corporate governance around the world has attracted the attention of regulators, academician and practitioners due to the widely held belief that profitability of a firm has been influenced by corporate governance (Cornett, et.al., 2006), and also good corporate governance enhances investor goodwill and confidence and boosting the economic health of the corporation's (Coleman, 2006). Good corporate governance adds significant value to firm performance. On the other hand, weak corporate governance structure affect the performance of the firm and also major cause of failure of many well performing companies such as Enron, WorldCom, and Tyco International etc. Good governance assures the integrity of financial reports and has long term reputational effect.

Banks are especially important institutions in any economy; they are an important source of finance to businesses. Their role becomes more important to new and existing businesses. Financial resource like any other economic resources is believed to be the critical input in any country's development endeavor (Jonathan R. and Maureen O"Hara 2003). The financial sector especially the banking sector is highly vulnerable to governance problem. So that sound corporate governance system is essential for a healthy operation of the banking system and the integrity of financial markets as well. In general the performance, in particular the profitability of financial institutions has been highly influenced by corporate governance practices (Cornett, Gou, Akhter, 2006); weak application of corporate governance is considered to be a bad indicator of how the company is run. Therefore constantly checking the appearance of the financial institutions under corporate governance mechanism is very important and a great deal of concern of today's dynamic business environment (Cornett, et.al.,2006).

According to Basel committee on banking supervision (2015) 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 are key to financial stability, and the manner in which they conduct their business.

Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole and it enhances the confidence of investors in the companies and positively contributes towards the overall business environment (Tura, 2012). It has received new urgency because of global financial crisis and major corporate failures that shock major financial centre of the world (Imam and Malik, 2007).Nowadays corporate governance becomes a serious issue for an organization mainly for financial sectors. Because Banks are one of the major components of financial sectors, and sensitive than other financial institution, they need proper corporate governance.

The aim of this study is generally to assess the corporate governance practices of DBE. The study organized to achieve the main objectives and to answer the research questions using descriptive method research approach. In order to fit the study objectives, major issues like board issues, concerns related to management of the bank.

1.2. BACKGROUND OF DEVELOPMENT BANK OF ETHIOPIA

The modern Banking practices were started during the regime of Emperor Menelik II in 1905. Bank of Abyssinia was the first to be established. Now, the number of banks operating in the country reached 18, of which sixteen are private commercial banks and the remaining two are state-owned.

Development Bank of Ethiopia (DBE) is one of the financial institutions engaged in providing short, medium and long term development credits. DBE's distinguishes feature is its "project" based lending tradition. The Bank's area of focus is lending to viable projects in line with government priority areas. The very purpose of the Bank is to promote the national development agenda by mobilizing fund from internal and external sources. Project financed by the Bank are carefully selected and prepared through appraised, closely supervised and systematically evaluated.

Since its establishment in 1909, the bank has been playing a significant role in promoting overall economic development of the country.

The history of Development Bank of Ethiopia goes back to 1909 when the first attempts of its kind known as The Societe Narionale d' Ethiopia Pour le Development de l' agriculture et de Commerce (The Society for the promotion of Agriculture and Trade) was established in the Menelik II era. Since then the Bank has taken different names at different times although its mission and business purpose has not undergone significant changes except for occasional adjustment that were necessitated by change in economic development policies of the country.

The under listed names and periods are its predecessors since initial establishment: -

- Agricultural Bank of Ethiopia from 1945-1949
- Agricultural and Commercial Bank of Ethiopia from 1949-1951
- Development Bank of Ethiopia Share Company from 1951-1970
- Investment Bank of Ethiopia from 1964-1970
- Agricultural and Industrial Development Bank Share Company from 1970-1979
- Agricultural and Industrial Development Bank from 1979-1994
- Development Bank of Ethiopia since 1994 to present

By now, for the sake of administrative purpose the Development Bank of Ethiopia is arranged into thirteen districts.

1.3. STATEMENT OF THE PROBLEM

Banks and other financial intermediaries are at the heart of the world's recent financial crisis. The declining of their asset portfolios, largely due to misleading credit management, was one of the highest structural sources of the crisis (Uwuigbe,2011). To a large extent, this problem was the result of poor corporate governance in countries' banking institutions. Quoting Schjoedt (2000 in Uwuigbe, 2011) observed that this poor corporate governance, in turn, was very much attributable to the relationships among the government, banks and big businesses as well as the organizational structure of businesses.

The standard of corporate governance sets the nature of the relationship among shareholders, members of board of directors, managers, employees and other stakeholders with whom the company has business links. It mainly protects the rights of the company and its participant groups which are mentioned above and specifies their obligations. Therefore, corporate governance principles are important in terms of setting the rights and obligations of the said groups and ensuring investor confidence.

Poor corporate governance was identified as one of the major factors in virtually all known instances of bank distress. Weak corporate governance was seen manifesting in form of weak internal control systems, excessive risk taking, override of internal control measures, absence of or non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses and fraudulent practices remain a worrisome feature of the banking system.

In the area of corporate governance researches have been done by Yasser (2011), Al-Manaseer et al. (2012), and Kyereboah Coleman (2007) have been undertaken on big firms working within effective corporate governance mechanisms in the industrialized financial arrangement.

When we comes to the developing countries which is mainly Ethiopia research have been conducted in respect to corporate governance of private banks in respect to the specific major components of corporate governance like by board of directors, shareholders, Executive directors, supervisory organby Kalifa (2012), Kibrysfaw (2013), HlanganipaiNgirande (2014), and Ndlovu (2014), Engdawork, 2015 and Harun, 2017.Development Bank of Ethiopia is one of the financial institutions play a critical role for the growth and development of a country. It is a specialized Bank established to spur the national Development agenda. Despite such huge gap, no study has been done in the area of corporate governance on Development Bank of Ethiopia.

Academic and experimental evidences from previously done researches proved that, apart from the assumed benefits corporate governance policies would bring about to the economy in general and to shareholders and other stakeholders in particular, it is not a surprise, however, to observer various effects-either positive or negative or no effects at all- that such policies could potentially pose on the performances of corporate entities in a given economy. Therefore, the main purpose of this study is to assess the corporate governance practice of the bank by using major components like board of directors, Executive directors, supervisory organ, Disclosure and Transparency, risk management and internal control practice of the bank.

1.4. RESEARCH OBJECTIVES

1.4.1. GENERAL OBJECTIVES OF THE STUDY

The general objective of the study is to assess the level of corporate governance practices in the development bank of Ethiopia

1.4.2. SPECIFIC OBJECTIVES OF THE STUDY

- To examine the corporate governance culture of the DBE.
- To examine the role of stakeholders in the development of the bank corporate governance
- To assess corporate governance mechanisms and to identify the possible obstacles to the implementation of good corporate governance within the bank
- To assess disclosure and transparency practices of the bank.
- To evaluate the extent to which the board and the management of the bank are discharging their roles and responsibilities.

1.5. RESEARCH QUESTION

In general, taking in to consideration the aforementioned sentiments this research paper were determined to answers finally for the following research questions.

1. Does the Bank have corporate governance policy?
2. How does the bank structure itself to address its corporate governance policy?
3. What is the role of the board and senior management?
4. Does the bank present a timely disclosure of its material information?
5. How the board and management of the bank discharging their roles and responsibilities corporate governance policy?

1.6. SIGNIFICANCE OF THE STUDY

The issue of corporate governance is very critical for an organization especially service giving organizations like development bank of Ethiopia, in addition the financial sector especially the banking sector is very much exposed to governance problem, so that constructing good corporate governance practices is taking into account like constructing defense mechanism of the firm, as it is the foundation for the ongoing existence of the company and it assures sustainable development of the business as well as it foster the national economy of the country, assurance the health and the growth of the financial market, guarantee for potential investors as well as the action of the stakeholders.

Considering the abovementioned opinion conducting this research will supply clear understanding concerning factors that take part in the disturbance practice of the firm governance system and become a channel to fill the knowledge gap through providing information that assisting firms to be alert and to construct this defense mechanism in advance to maintain their progress as well as to attain their goals and objectives easily. In addition to this, the present conceptual study will attempt to contribute new knowledge to the existing literature of corporate governance and also will invite other researchers to further conduct research regarding this topic.

1.7. SCOPE OF THE STUDY

Compared with the applicability of the concepts of corporate governance, the scope of this paper is limited to Development Bank of Ethiopia excluding other non-financial institutions and Commercial banks.

1.8. ORGANIZATION OF THE STUDY

This study is organized in to five chapters. The first chapter deals with the statement of problem, the objectives, significance and scope and limitations of the study. The second chapter focuses on the literature review followed by the third chapter focus on the methodology and the variables used. The fourth chapter that deals with data presentation and analysis based on the collected data. The last chapter presents the conclusion and recommendation part of the study.

CHAPTER TWO

LITERATURE REVIEW

The literature review of the study has two parts; theoretical and empirical literature review. The theoretical review attempts to give insight about the concept, definitions and Significant of corporate governance; over view of the corporate governance theories and corporate governance in banking sector and finally internal corporate governance mechanisms. In the empirical literatures part, the study tried to show past study findings related to corporate governance mechanisms.

2.1. THEORETICAL LITERATURE REVIEW

2.1.1. CORPORATE GOVERNANCE: CONCEPT, DEFINITION AND SIGNIFICANCE

The concept of the corporate governance is wide ranging, and it goes far away from corporate administration. When we see the consideration of management, it comprises application of science to the practice of administration, development of the basic management functions and articulation and application of specific principles of management. However the idea of governance is broad and includes fair, efficient, equitable, transparent and accountable administration to meet well defined corporate objectives. It also considers structuring, operating and controlling a company with a view to achieving long term strategic goals to satisfy owners and stakeholders‟ interest and to comply with the legal and regulatory requirements.

As a consequence good quality governance is important in every area like the general community, the corporate environment and the political environment. Weak corporate governance structure affects the performance of the firm and also major cause of failure of many well performing companies. The reflection of poor governance has bouncing to a further as long as good protecting mechanisms existed. In view of the fact that the scandal with Enron, as well as fraudulent activities that occurred within WorldCom and Tyco within the United States, We have seen the collapse of the global accounting firm Anderson; and thousands of people being thrown out of work and many people losing their investments, after that corporate governance mechanism has been an important issue and become the public interest all over again. After that

Sarbanes-Oxley Act was enacted in 2002 to enhance corporate government mechanism. This Act required the top management in companies to reveal a true and fair picture of financial statements and to report on fraudulent practices and the effectiveness of internal audit as steps to ensure effective governance (Stigliano, Adria L. 2011). In addition to SOX the EEC, GATT and WTO regulations have also contributed to increasing awareness and to stick on to the good governance practices.

There is no universally held or single definition of corporate governance and certainly no definition that all countries agree on (Mayes et al. 2001). The following definition should help us to understand the concept better. Corporate governance can be defined and practiced in different way globally depending upon the relative power of owners, managers and provider of capital (Craig, 2005).Various scholars and practitioners define „corporate governance‟ differently (A. C. Fernando 2006). Economists and social scientists, for instance, tend to define it broadly as "the institutions that influence how business corporations allocate resources and returns"; and "the organizations and rules that affect expectations about the exercise of control of resources in firms" (Jeswald W. Salacuse 2004). This definition encompasses not only the formal rules and institutions of corporate governance, but also the informal practices that evolve in the absence or weakness of formal rules.

Corporate managers, investors, policy makers, and lawyers, on the other hand, tend to employ a narrower definition. For them, corporate governance is the system of rules and institutions that determines the control and direction of the corporation and that defines relations among the corporation's primary participants (Jeswald W. Salacuse, 2004). This narrower definition focuses almost exclusively on the internal structure and operation of the corporation's decision-making processes, and is central to public policy discussions about corporate governance in most countries. The Financial Reporting Council set up a committee chaired by Sir Adrian Cadbury (2003) echoed the fact that corporate governance is all about maintaining a balance between social and economic goals and is concerned with holding the balance between economic and social goals and between personal and shared goals.

The Cadbury Report 1992 provides a useful definition "Corporate Governance" and according to the committee, it means, "the system by which companies are directed and controlled." It may also be defined as a system of structuring, operating and controlling a company with the following specific aims:-

A. Fulfilling long-term strategic goals of owners;
B. Taking care of the interests of employees;
C. A consideration for the environment and local community;
D. Maintaining excellent relations with customers and suppliers;
E. Proper compliance with all the applicable legal and regulatory requirements.

Generally, corporate governance can be defined as a procedure, customs, laws, policies, and institutions that affect the way a corporation is directed, administered or controlled. It can also be the relationships between stakeholders and the goals that are already laid down for the corporation to follow, in which the principal stakeholders are the following: shareholders, management, and the board of directors. In addition, employees, customers, creditors (banks and bond- holders) are stakeholders. The important objective of corporate governance is to ensure the accountability and transparency of the organization (Wilson, Casu, Girardone, Molyneux, 2010).

2.1.2. OVER VIEW OF THE CORPORATE GOVERNANCE THEORIES

Corporate governance is an important factor affecting the firm performance. Several corporate governance theories exist that attempt to highlight the objective of the firm and how the firm should be responsible in meeting its obligations. However it lacks any accepted theoretical base or commonly accepted pattern till date (Larcker, et.al. 2004; Parum, 2005). This study looked at three main theories that have influenced corporate governance development. Moreover most of the researchers support their studies by using these prominent theories to further explain the determinants of corporate governance. These are agency, stakeholder, and stewardship theories are briefly reviewed. These theories are selected because they are powerful in explaining the relationships among corporate governance and firm performance.

I. AGENCY THEORY

Agency theory is one of the most important theories in the context of corporate governance and it is widely used as a means of explaining various corporate governance issues. As such, a large volume of studies in the literature are based on it (Filatotchev and Boyd, 2009). The essence of the theory is based on the existence of separation of ownership and control in large corporations. The agency contract has been described by Jensen and Meckling (1976) as a contractual agreement between owners (principals) and managers (agents) to operate the firm in the interests of shareholders. This, however, does not suggest that Jensen and Meckling (1976) were the first to develop agency theory or suggest the possibility of agency conflicts between corporate owners and managers.

On the other hand, conflict of interest between the agent and the principal inevitably occurs when the agent fails to act in the best interest of the principal, and instead act to maximize their own value. Such conflict of interest occurs due to difference in their preferred level of managerial effort, their attitude towards risk, and their time horizons, which in turn may lead to divergence in the goals of managers and shareholders (Bozec & Bozec,2007). Consequently, different control mechanisms either internal or external to the firm should be put in place in order to align the interests of managers and shareholders (Bozec & Bozec, 2007).

On the other hand, Davis & Donaldson, (1997) argue that, assumptions made in agency theory about individualistic utility motivation resulting in principal-agent interest divergence may not hold for all managers; therefore, exclusive reliance on agency theory is undesirable, because the theory ignores the complexities of organizational life. As a result, agency theory suggests that corporate governance mechanisms can be introduced to mitigate managerial opportunism, thereby minimizing agency costs (Haniffa and Hudaib, 2006; Solomon, 2010). Specially, agency theory describes construction an organization of governance structure through the establishment of a set of legal contracts by shareholders to monitor managers. Primaryly, it recommends a reduction in the number of executive board members; which could enhance the board‟s independence (Berle and Means, 1932; Solomon, 2010; Chen, 2011; Al-Janadi et al., 2013). Also, this may help shareholders hold board members to account (Fama 1980; Bebchuk and Weisbach, 2010; Conyon and He, 2011).

II. STAKEHOLDER THEORY

The other popular theory of corporate governance is the Stakeholder theory. The stakeholder theory originated from the management discipline and gradually developed to include corporate accountability to a broad range of stakeholders (Abdullah & Valentine, 2009). Stakeholder theory maintains that managers in organizations are not only responsible for the interests of shareholders but also for a network of relationships to serve which includes the suppliers, employees and business partners (Abdullah & Valentine, 2009). According to stakeholder theory decisions made regarding the company affect and affected by different parties in addition to stockholders of the company. Hence, the managers should on the one hand manage the company to benefit its stakeholders in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group (Fontaine, C, Haarman, A and Schmid, S, 2006). As a result, according to Macey, M & O' Hara, JR (2003) the major debate in corporate governance focuses on whether corporate governance should focus exclusively on protecting the interests of equity holders in the corporation, or should expand its focus to deal with the problems of other stakeholders

III. STEWARDSHIP THEORY

The other popular theory of corporate governance is the stewardship theory. It originates from sociology and psychology. The stewardship theory maintain that managers are not motivated by individual goals but rather they are stewards, whose motives are aligned with the objectives of their principals shareholders (Davis, et.al., 1997); as opposed to the agency theory which claims that conflict of interest between managers and shareholders is inevitable unless appropriate structures of control are put in place to align the interests of managers and shareholders (Jensen & Meckling, 1976).

The stewardship viewpoint suggests that managers are satisfied and motivated when organizational success is attained even at the expense of the stewards‟ personal goals (Abdullah, & Valentine, 2009). Furthermore, while the agency theory suggests that shareholder interests will be protected by separating the posts of board chair and CEO, the stewardship theory argues that shareholder interests will be maximized by assigning the same person to the posts of board chair and CEO to give more responsibility and autonomy to the CEO as a steward in the organization (Donaldson, L & Davis, H, 1991).

2.1.3. CORPORATE GOVERNANCE PRINCIPLES

2.1.3.1. *BASEL COMMITTEE ON BANKING SUPERVISION- PRINCIPLES*

The Basel Committee on Banking Supervision(The Basel Committee) published guidance in 1999 to assist banking supervisors in promoting the adoption of sound corporate governance practices by banking organizations in their countries, and revised it in 2006, and prepared a consulting document on Enhancing Corporate governance for Banking Organizations. The following are the principles put forward in that document;

Principle 1.Establishing strategic objectives and a set of corporate values that are communicated throughout the banking organizations.

The board should establish the strategic objectives and ethical standards that will direct the ongoing activities of the bank, taking into account the interests of stakeholders. The board should take the lead in establishing the "tone at the top" and approving ethical standards and corporate values for itself, senior management and other employees. It is especially important that the standards address corruption (including bribery), self-dealing and other unethical or illegal behavior in banks' internal and external activities.

Principle 2. Setting and enforcing clear lines of responsibility and accountability throughout the organization.

Effective BODs clearly define the authorities and key responsibilities for themselves, as well as for senior management. They also recognize that unspecified line of accountability or confusing, multiple lines of responsibility may aggravate a problem through slow or diluted response. The

BODs is responsible for overseeing management's actions and consistency with board polices as part of the checks and balances embodies in sound corporate governance.

Principle 3. Ensuring that board members are qualified for their positions have a clear understanding of their role in corporate governance and are able to exercise sound independent judgment about the affairs of the bank.

The board of directors is ultimately responsible for the operations and financial soundness of the bank. BODs and their individual members add strength to the corporate governance of a bank when they understand their oversight role and their fiduciary "duty of loyalty" and "duty of care", avoid conflicts of interest, are able to commit sufficient time and energy to fulfilling their responsibilities.

Principle 4. Ensuring that there is appropriate oversight by senior management

Senior management consists of a core group of individuals (for example, the chief financial officer and division heads) responsible, under the guidance of the board of directors, for the day-to-day management of the bank such as the establishment of effective system of internal controls. These individual should have the necessary skills to manage the business under their supervision as well as have appropriate control over the key individual in these areas.

Principle 5. Effectively utilizing the work conducted by internal and external auditors, as well as other control functions, in recognition or their critical contribution to sound corporate governance.

The role of independent, competent and qualified auditors and other control functions (including the compliance and legal functions) is vital to the corporate governance process in order to achieve a number of important objectives. It is a sound practice to consider direct reporting of the internal audit function to the board of directors through and audit committee as well as direct (but not exclusive) reporting from the compliance and legal staff to the boards, It may be beneficial for independent directors to meet in the absence of bank management at least annually with the external auditor and the head of the internal audit, compliance and legal functions. This can strengthen the ability of a bank's BODs to oversee management's implementation of the board's policies and to ensure that a bank's business strategies and risk exposures are consistent with risk parameters established by the bank's board of directors.

Principle 6.Ensuring that compensation policies and practices are consistent with the bank's ethical values, objectives, strategy and control environment

The board of directors should determine or approve, where appropriate subject to prior shareholders' approval, the compensation of members of the board, senior management and other key personnel, and should ensure that such compensation is consistent with the bank's culture, control environment, and long-term objectives and strategy.

Principle 7. Conducting corporate governance in a transparent manner

Transparency is essential for sound and effective corporate governance. It is difficult for shareholders, other stakeholders and market participants to effectively monitor and properly held accountable the BODs and senior management when there is a lack to transparency. That is when stakeholders do not receive sufficient information on the structure and objectives of the bank to judge the effectiveness of the board and senior management in governing the bank. Both publicly-traded and privately-traded and privately-held banks should be required to provide full, accurate and timely discourse of material information to investors, supervisors, and as appropriate under national law, to other stakeholders.

Principle 8. Maintaining and understanding of the bank's operational structure including operating jurisdictions, or through structures, that impede transparency (i.e "know-your-structure").

Corporate governance challenges arise where bank operate through structures that lack or impair transparency. Banks may choose to operate in a particular jurisdiction or may establish complex structures e.g. special purpose vehicles or corporate trusts, often for legitimate and appropriate business purposes. Operating in such jurisdictions or through such structures may, however, pose financial, legal, and reputational risks to the banking organization, impede the ability of the board of directors and senior management to conduct appropriate business oversight; and hinder effective banking supervision.

Consequently, banks' board of directors should have in place policies and procedures to ensure that such structures or activities comply with relevant law and regulations, that the board considers appropriate.

2.1.3.2. OECD PRINCIPLES OF CORPORATE GOVERNANCE

The organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance were originally developed in response to a call by OECD Ministers in 1999 to develop a set of corporate governance standards and guidelines. Since then become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. The principles are intended to assists governments in their effort to evaluate and improve the legal, institutional and regulatory framework in their countries. "The OECD has identified the following corporate governance principles built on some common elements.

I. Ensuring the Basis for an Effective Corporate Governance Framework

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and efficient markets.

II. The Rights of Shareholders and Key ownership Functions

The corporate governance framework should protect and facilitate the exercise of shareholders' basic rights. Equity investors have certain property rights such as to sell, buy or transfer an equity share in a publicly traded company. Shareholders are also entitled to participate in the profits of the corporation, with liability limited to the amount of the investment. They should have the opportunity to participate effectively and vote in shareholders general meetings and should be informed of the rule, including voting procedures that govern the general shareholder meetings. In addition, all shareholders including institutional investors have to exercise their ownership right to influence the corporation and its management.

III. The Equitable Treatment of Shareholders.

The corporate governance framework should 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. All shareholders of the same series of a class should be treated equally. Investors' confidence that the capital they provide will be protected from misuse or misappropriation by corporate managers, board members or controlling shareholders is important factor in the capital markets. Corporate boards, managers and controlling shareholders may have the opportunity to engage activities that may advance their own interests at the expense of non-controlling shareholders like insider trading.

IV. 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. It is, therefore, in the long-term interest of corporations to foster wealth-creating cooperation among stakeholders. The governance framework should recognize that the interests of the corporation are served by recognizing the interests of stakeholders and their contribution to the long-term success of the corporation.

V. Disclosure and Transparency

This principle supports the development of high internationally recognized accounting standards. This stipulates that all the material matters regarding the governance and performance of the corporation be disclosed. This also underscores the importance of applying high quality standards of accounting, disclosure and auditing. Disclosure should include, but not limited to, material information: The financial and operating results of the company, Company objectives; Major share ownership and voting rights; Members of the board and key executives and their remuneration; and Governance structure and policies information should be prepared, audited and disclosed in accordance with high quality standards, while the channels for disseminating information should be fair, timely and cost-effective.

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. Public disclosure is considered as a minimum requirement at certain intervals preferably on an annual basis. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure. An annual audit should be conducted by an independent, competent and qualified, auditor 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. A strong disclosure system that promotes high transparency is basic characteristic of market-based monitoring of companies and is central to shareholders; ability to exercise their ownership rights on an informed basis.

VI. The Responsibilities of the Board

The traditional view of directors is that they serve primarily to monitor management. However, there is an emerging school of thought that directors can and should add value to the enterprise (Fredrick, 1999). The principle, which reflects the value-added approach, suggests that directors are responsible for the strategic guidance of the enterprise in addition to monitoring management. Thus, the board has a definite function to perform to ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the corporation and Shareholders. In doing this, board members should: Ensure the independence of the board; Act on a fully informed basis and in good faith, with due diligence and care, and in the best interest of all stakeholders; Treat all shareholders fairly, particularly in decisions that affect different shareholder groups; and Ensure compliance with applicable laws **O**ther principles of corporate governance include Honesty, Trust**,** Transparency**,** Performance Orientation**,** Integrity**,** Responsibility**,** Accountability**,** Mutual Respect**,** Commitment to the Organization. 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.

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 fulfill certain key functions, including reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments (if any). The board is also responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation. In order for boards to effectively fulfill their responsibilities they must be able to exercise objective and independent judgment.

2.1.4. PILLARS OF CORPORATE GOVERNANCE

In all fields of human Endeavour, good corporate governance is founded upon the attitudes and practices of the society. According to Kwakwa and Nzekwe (2003), these values centre on the: Accountability of power, based on the fundamental belief that power should be exercised to promote human well-being; Democratic values, which relate to the sharing of power, representation and participation; The sense of right and wrong; Efficient and effective use of resources; Protection of human rights and freedoms, and the maintenance of law and order and security of life and property; Recognition of the government as the only entity that can use force to maintain public order and national security; and Attitude towards the generation and accumulation of wealth by hard work. The above attributes have been reduced to four pillars on which governance is framed. These pillars encompass; Effective body responsible for governance, separate and independent of management, An approach to governance that recognized and protects the rights of members and all stakeholders Institutions to be governed and managed in accordance with its mandate; and An enabling environment within which the institutions' human resources could contribute and bring to bear their full creative powers.

The Business Roundtable (2002) supports the following guiding principles of corporate governance;

1. The paramount duty of the board of directors of public corporation is to select a Chief Executive Officer and to oversee the CEO and other senior management in the competent and ethical operation of the corporation on a daily basis.

2. It is the responsibility of the management to operate the corporation in an effective and ethical manner in order to produce value for shareholders. Senior management should know how the corporation earns its income and what risk the corporation is undertaking in the course of carrying out its business. Management should never put personal interest ahead of or in conflict with the interest of the corporation.

3. The management, under the oversight of the board and its audit committee, should produce financial statements that fairly present the financial condition and result of operation of the corporation and make the timely disclosure investors need to permit them to assess the financial and business soundness and risks of the corporation.

4. It is the responsibility of the board and its audit committee to engage an independent accounting firm to audit the financial statement prepared by management and to issue an opinion on those statements based on Generally Accepted Accounting Principles.

5. The independent accounting firm is responsible to ensure that it is in fact independent, is without Conflicts of interest, employs highly competent staff and carries out its work in accordance with Generally Acceptable Auditing Standards. It is also the responsibility of the independent accounting firm to inform the board, through the audit committee, of any concerns the auditor may have about the appropriateness of quality of significant accounting treatments, business transactions that affects the fair presentation of the corporation's financial condition and result of operation, and weakness in internal control systems.

6. The corporation has the responsibility to deal with its employee in a fair and equitable manner

2.1.5. CORPORATE GOVERNANCE IN BANKING SECTOR

Previously the study has reviewed the various paradigms of corporate governance and now we turn to our central issue: the nature of bank corporate governance. Academics in both law and economics have also been intensely focused on corporate governance (Hermalin and Weisbach, 2003). The general focus on this paper is, make clear the role that corporate governance in corporate performance. So that commercial banks pose unique corporate governance problems for managers and regulators, as well as for claimants on the firms" cash flows such as investors and depositors. A bank's failure to follow good practices in corporate governance and the lack of effective governance are among the most important internal factors which may endanger the solvency of a bank (Llewellyn 2002, Miller 1996). Corporate governance in banks differs from the standard (typical for other companies), which is due to several issues (Llewellyn (2002),Marcinkowska (2009) , Cincanelli, Reyes-Gonzalez (2000) :

- Banks are subject to special regulations and supervision by state agencies (monitoring activities of the bank are therefore mirrored); supervision of banks is also exercised by the purchasers of securities issued by banks and depositors ("market discipline", "private monitoring");
- The bankruptcy of a bank raises social costs, which does not happen in the case of other kinds of entities" collapse; this affects the behavior of other banks and regulators;
- Regulations and measures of safety net substantially change the behavior of owners, managers and customers of the banks; rules can be counterproductive, leading to undesirable behavior management (take increased risk) which expose well-being of stakeholders of the bank (in particular the depositors and owners);
- Between the bank and its clients there are fiduciary relationships raising additional relationships and agency costs;
- Problem principal-agent is more complex in banks, among others due to the asymmetry of information not only between owners and managers, but also between owners, borrowers, depositors, managers and supervisors;

2.1.6. LAWS AND DIRECTIVES OF CORPORATE GOVERNANCE IN ETHIOPIA.

The Commercial Code of Ethiopia (1960) has relevant provisions on corporate governance application. The part which is related to share companies is Articles 304-428, where shares and rights and duties of shareholders, directors, auditors and shareholder meetings are clearly stipulated. Summary of the provision may include the following

- According to Article 347, a company shall have not less than three or more than twelve directors who shall form a board of directors. Appointment of directors

- (Art.351) - The first directors may be appointed under a memorandum of association and submitted to the meeting of subscribers for confirmation. Subsequent directors shall be appointed by a general meeting. Directors may not be appointed for more than three years.
- According to Art14, a Director shall be of a person with honesty, integrity, diligence and reputation to the satisfaction of NBE. The appointment of any director, CEO, senior executive officer of a bank may not be valid unless a written approval is granted by NBE. The NBE may issue directives on qualification of competency, minimum number of directors, duties, responsibilities and good corporate governance of the bank, the maximum number of years a director may serve and condition for his re-election, and maximum number the employees that may serve on the board.
- As per Art.15 persons convicted of any offence involving breach of trust or fraud is prohibited from getting appointed as directors and officers.
- Remuneration (Art.353) - Directors may receive fixed annual remunerations, or share in the net profit (not exceeding 10 %.) the amount of which shall be determined by a general meeting and charged against general expenses.
- Removal, Powers and Decisions of board of directors – according to (Art.358) No decision may be taken by the board of directors unless a majority of directors is present. Voting may be by proxy. As per (Art.363) - The directors shall have such powers as are given to them by law, the memorandum or articles of association and resolutions passed at meetings of share holders. Regarding removal (Art354) says that, notwithstanding any provision to the contrary, directors may be removed at any time by a general meeting, provided that a director who was removed without good cause may claim compensation.
- Nomination and Appointment of Auditors (Atr368 &369) - Auditors shall be elected by the meeting of subscribers and thereafter by the annual general meeting.

2.1.7. DETERMINANTS OF INTERNAL CORPORATE GOVERNANCE MECHANISMS

A. THE BOARD OF DIRECTORS

The board of directors is the first level of supervision over the activities of the bank and its management. The board is ultimately responsible for the activities and results of the bank, for the maintenance of stability and financial soundness. The powers and rules of the board are specified in the law and the statute of a bank. The mode of operation should be specified in the rules of procedure of the board (Al-Matari et al., 2012). The core competences of the board forming the foundations of the bank activities include: approving and overseeing the strategic objectives of the bank and its corporate values, overseeing the work of the management board and the determination of the scope of the obligations and liability of the management members, the establishment of guidelines for the acceptable level of risk, overseeing the introduction of the management system (consisting at least of the system of risk management and internal control system), and assessment of the adequacy and effectiveness of the system (BCBS, 2006).

B. SIZE OF THE BOARD OF DIRECTORS

The two most important functions of the board of directors are those of advising and monitoring (Raheja, 2005; Adams & Ferriera, 2007). Zahra and Pearce (1989) classified two main roles of the board: it should control the operations of the firm and the activities of the CEO; and it should enhance the image of the firm and sustain a good relationship between the stakeholders and firm management to encourage the organization culture. This shows that these board functions could develop the performance of a firm. Small board size was favored to promote critical, genuine and intellectual deliberation and involvement among members, which presumably might lead to effective corporate decision-making, monitoring and improved performance (Lawal, 2012).

C. BOARD MEETING

The board meeting is a way of exchanging information between board members and the company representatives in order to perform their basic activities of leadership and supervision. Effective board meetings provide useful information in a timely manner which is critical for any boards' effectiveness (Arguden, 2009). To this effect, the boards of directors will be informed in advance of the meetings to be held at specific times, at least before the quarterly release of financial information to the users (Tonello, 2010). According to Vafeas (1999), an increase in the level of board activity through board meetings following poor firm performance, and this subsequently leads to an improvement in the firm's performance. Nevertheless, the frequency of meeting to be held by the board depends on the size and volatility nature of the businesses. Firms with small size and stable environment are expected to have less number of meetings than large and risky businesses (Colley, et al., 2005).

D. COMPOSITION OF THE BOARD OF DIRECTORS

The board of directors plays an important role in corporate governance practices because it is responsible for planning and monitoring company's objectives (Bhagat & Bolton, 2008; Haniffa & Cooke, 2002). Therefore, an effective board with an appropriate composition of directors is important in order to help the board accomplish its aim and ensure the success of the company (Al-Matari et al., 2012). The composition of the board has a direct effect on the company's activities (Klein, 1998). Generally, the composition of the board refers to the proportion of inside and outside directors serving on the board. The Cadbury Report (1992) indicates that the presence of non-executives should be effective in enhancing board independence and firm performance. The Code of Best Practice recommended that the board of directors include non-executive directors of sufficient number and caliber in order to give non-executive directors an important influence on the board's decisions.

F. AUDIT COMMITTEE

The audit committee is a subcomponent of the main board which is responsible for overseeing the company's financial reporting process. According to the best practice set by SOX, the audit committee is required to be composed of more than three members, of which at least two third from outside directors and at least one being financial expert. This committee ensures that accounting policies are sound and financial statements are properly prepared and audited (Green, 2005). The existence of these experts in the firm will create a transparent and credible environment between management, external auditors and the board members.

F. BOARD AND SENIOR MANAGEMENT SUPERVISION

A bank's board of directors and senior management are ultimately responsible for the performance of the bank. As such, supervisors typically check to ensure that a bank is being properly governed and bring to management's attention any problems that they detect through their supervisory efforts.

Supervisors should be attentive to any warning signs of deterioration in the management of the bank's activities. They should consider issuing guidance to banks on sound corporate governance and the pro-active practices that need to be in place. They should also take account of corporate governance issues in issuing guidance on other topics (Basel, 1999).

2.2. EMPIRICAL LITERATURE REVIEW

2.2.1. INTERNATIONAL EXPERIENCE

Conducted researches in foreign countries indicate that various indexes such assess the level of corporate governance practices in banks. A sum of their findings can be explained in the following manner:

Good governance reduces the waste of resources and improves firm performance. Jensen and Meckling (1976) define the value decreasing activities as managers‟ perquisites consumptions, stealing of corporate resources and inefficient investment. Corporate governance plays an important role in enhancing firm value by reducing such activities.

Shleifer and Vishny (1997) show that better-governed firms are more likely to invest in profitable projects, resulting in more efficient operations and higher expected future cash flows. The theory predicts that better-governed firms deliver higher shareholder value. Many recent empirical works employ firm value (usually proxied by Tobin‟s Q or market-to-book value), operating performance (usually proxied by ROA), or stock returns as the measure of firm performance. These findings are generally consistent with the prediction of a positive association between corporate governance and firm performance.

On the other hand a great number of studies reviewed the relation between corporate governance variables and performance of firms in various economic contexts, but the results from these studies have been found to be inconsistent. In spite of the generally accepted notion that effective corporate governance enhances firm performance, other studies have reported negative relationship between corporate governance and firm performance (Bathala and Rao, 1995; Hutchinson, 2002) or have not found any relationship (Park and Shin, 2003; Prevost *et al.* 2002; Singh and Davidson, 2003; Young, 2003).

To address some of the aforementioned problems, it is recommended that to look at corporate governance and its correlation with firm performance. So that from these studies, conceptual and empirical evidences that deal with the corporate governance mechanisms such as board size, board meetings, audit committee, board composition, and board compensation are summarized in relation to firm performance, and discussed below.

Chan and Li (2008) find a significant positive relationship between Tobin"s Q and audit committee independence.

Hamdan, Sarea and Reyad (2013) examine the relationship between audit committee independence and firm performance of 106 financial firms listed on the Amman Stock Exchange Market from 2008 to 2009, finding that audit committee independence has a significant influence on firm performance.

Al-Matari et al. (2012) argue that although a positive relationship between audit committee independence and firm performance is expected, and that an independent audit committee can reduce agency problems, there is no relationship between audit committee independence and marketing performance. The results reveal that audit committee composition has no effect on firm performance in the selected sample.

Lipton and Lorsch (1992) suggest that "the most widely shared problem directors face is lack of time to carry out their duties".
In a similar argument, Conger et al (1998) suggest that board meeting time is an important resource for improving the effectiveness of a corporate board.
Ntim and Osei (2011) found that there is significant and positive association between the frequency of corporate board meetings and corporate performance, implying that boards that meet more frequently tend to generate higher financial performance. By contrast According to an early empirical investigation on board meeting by Vafeas (1999), he found an increase in the

level of board activity through board meetings following poor firm performance, and this subsequently leads to an improvement in the firm's performance.

Fama and Jensen, (1983) pointed that a board is also a control system in a business board of directors supervising management decisions in an efficient manner will improve firm's performance. The board members are educationally qualified and very well experienced. Doing so requires each board member to be fully equipped with management knowledge such as finance, accounting, marketing, information systems, legal issues and other related areas to the decision making process.

This requirement implies that the quality of each board member will contribute significantly and positively to management decisions which is then translated into the firm's performance (Nicholson and Kiel, 2004; Fairchild and Li, 2005; Adams and Ferreira, 2007).

2.2.2. ETHIOPIA'S EXPERIENCE

Conducted researches in Ethiopia indicate that various indexes such assess the level of corporate governance practices in banks. A sum of their findings can be explained in the following manner:

Some scholarly works have been published recently on company law in general and corporate governance in particular by Ethiopian academics. Minga Negash (2008) observes that the status of corporate governance in Ethiopia is disappointing and notes that "the Commercial Code of 1960 does not provide adequate legislative response to complex governance issues of the day, and the new draft corporate law has not yet been finalized;" and he further states that "key international conventions, codes and standards are not ratified or adequately incorporated in the Proclamations" and that "the Decrees and Directives lack coherence and foresights, and at times suffer from poor drafting."

Fekadu Petros (2010) underlines the growing separation between ownership and control in Ethiopia, and he submits some empirical evidence in this regard. Relying on the data and literature on corporate governance, he shows the deficiency of the Commercial Code in protecting the rights of minority shareholders in the context of publicly held companies. He raises crucial issues such as: "what powers does the board have? Who is it accountable to? How is it organized? What are its standards of liability?” among others. In his book titled ‘Ethiopian Company Law’ (2011), Fekadu further addresses most of the issues in corporate governance related to board of directors.

Tewodros Meheret (2011) discusses the legal regime applicable to governance of share companies in Ethiopia. He explores the theoretical background and legal framework of corporate governance and examines the rules of governance in light of available standards. In particular, he discusses the structural choice, appointment and removal, powers, duties and responsibilities, remuneration, and the working methods and mechanism for controlling the boards of directors. Tewodros states that “a share company is managed by its board which is composed of directors appointed by the general meeting of shareholders.”

The study conducted by the Addis Ababa and Ethiopia Chambers of Commerce and Sect oral Associations on corporate governance in Ethiopia suggests the introduction of a voluntary code of corporate governance in the country. It recommends that “corporate governance law reform should consider key development policy aspects which match with the country’s plans for poverty reduction and wealth creation.

2.3 RESEARCH GAP

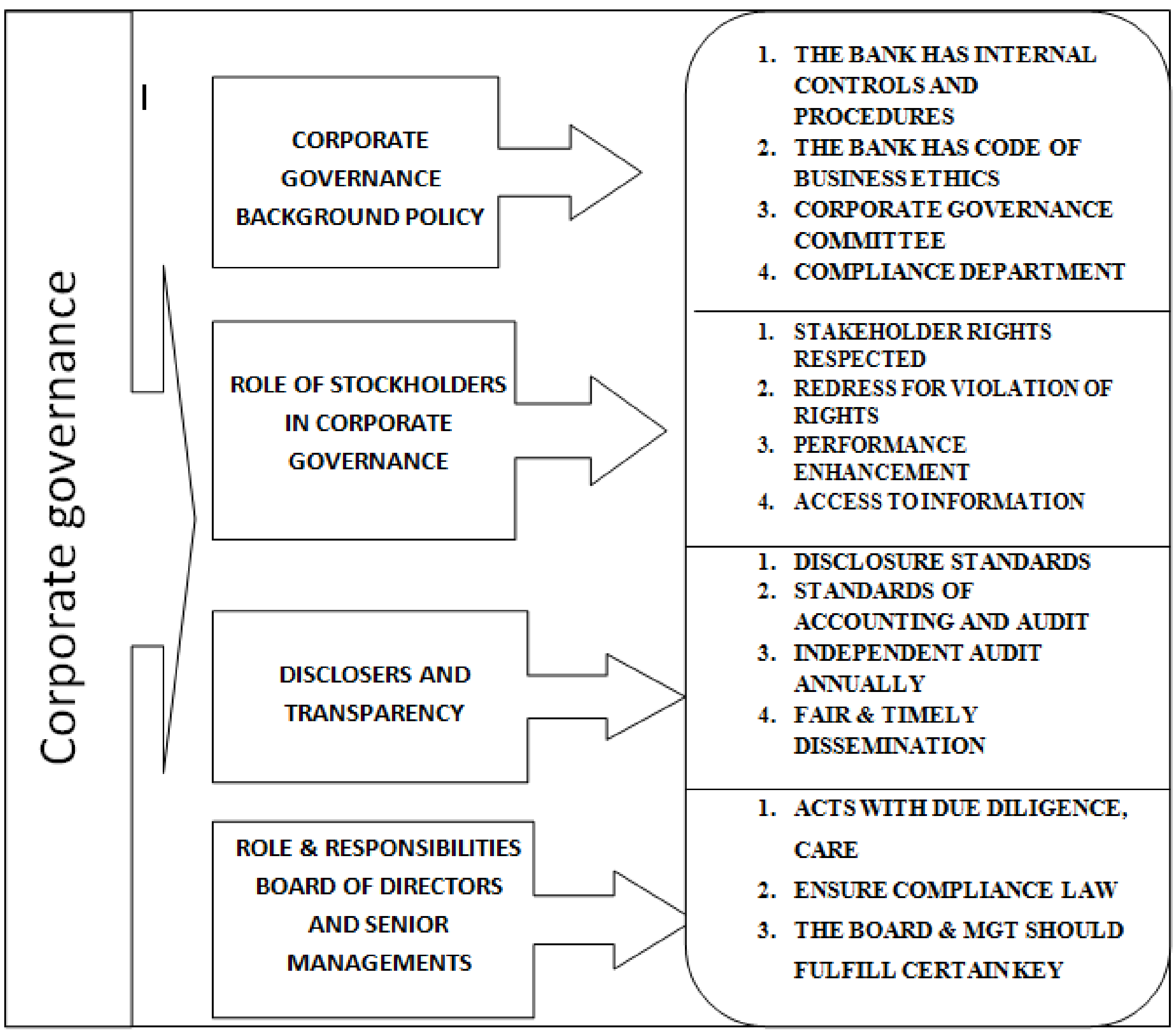
When we comes to the developing countries which is mainly Ethiopia research have been conducted in respect to corporate governance of private banks in respect to the specific major components of corporate governance like by board of directors, shareholders, executive directors, supervisory organ by Kalifa (2012), Kibrysfaw (2013), HlanganipaiNgirande (2014), and Godfrey Ndlovu (2014), Engdawork, 2015 and Harun, 2017.

Development Bank of Ethiopia is one of the financial institutions play a critical role for the growth and development of a country and specialized Bank established to spur the national Development agenda. Despite such huge gap, no study has been done in the area of corporate governance on Development bank of Ethiopia.

2.4. CONCEPTUAL FRAMEWORK DEVELOPMENT

The purpose of this study is to examine corporate governance practice and explain the implications of this practice on DBE. The conceptual framework (see Figure 2.1) illustrates the link between the theoretical framework discussed above and the corporate governance variables investigated in this study. The conceptual framework entails corporate governance mechanisms as autonomous consistent identified in the corporate governance literature to evaluate the practice of the bank.

Figure 2.1 Conceptual Framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

There are different ways of obtaining knowledge and/or Wisdom. However, science presents a specific methodology for obtaining knowledge. The use of the scientific method is more efficient and reliable than any other source of knowledge. Scientific methods consist of systematic observation, classification and interpretation of data (Collin Fisher 2007). Although when we engaging in such process the difference between generalization and the conclusions usually recognized as scientific method and lies in the degree of formality, rigorousness, verifiability and general validity of latter (Zigmund et al 2009). In general this section of the paper provides information on the type of research design that was adopted for this study. It gives the population and sample selected for the study. It also show which sample were used in the current research.
Furthermore it discusses the data collection, analysis and presentation techniques that will use in the study.

3.2. RESEARCH DESIGN

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The research design is the conceptual structure within which the research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data and outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data. (Kothari,2004). Research design should indicate the various approaches to be used in solving the research problem, sources and information related to the problem and, time frame and the cost budget. (Rajasekar, 2013)

Thus, the choice of the descriptive study design was be based on the fact that a descriptive study determines and reports the way things are. In addition, in order to achieve the intended objective, the quantitative methods were chosen. The main focus of this study is quantitative. However some qualitative approaches were use in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

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. Finally the collected data was analyzed using descriptive statistics by the help of SPSS statistical software. The descriptive statistics were used to quantitatively describe the important features of the variables using mean, maximum, minimum and standard deviations.

3.3. RESEARCH APPROACH

Under this research mixed approach (the combination of both qualitative and quantitative approach) is used to provide detail information about the current status of corporate governance practice. Mixed methods research can provide better inferences. Therefore, by using a mixed approach it is able to capitalize the strength of quantitative and qualitative approach and remove any biases that exist in any single research method (Creswell, 2003).

3.4. DATA TYPE AND SOURCE

Identifying an appropriate source of data is the main determinant of carrying a successful research. Basically there are two sources of data that can be used to make a research which are primary sources of data and secondary sources of data (Kothari, 2004). The study was conducted using primary data. Data concerning board structure and corporate reporting are collected using a simple questionnaire designed for the purpose. The primary data has been used to answer main objectives stated under this research paper while Secondary information has been collected from NBE publications, Magazines issued by banks, websites of the bank, others various research papers, articles and journals issued by researchers, proclamations and directives. This secondary data has been used to address the role of regulatory and supervisory bodies on corporate governance practice of DBE.

3.5. TARGET POPULATION AND SAMPLE SIZE

The targets population of the study is all branches of Development Bank of Ethiopia in Ethiopia and the sample size of this study is only DBE of head office in Addis Ababa. The sampling method or the cutoff the researcher to use is purposive sampling.

In order to determine the sample size, Yemaneh's formula, a well known and widely used formula especially in social science academic research to determine representative sample size, is used. Therefore, the sample size is determined as follows;

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

Where N is target population

n= Sample size

e=precision level

$$n = \frac{1000}{1 + 1000(0.05)2} = 285.7 \ = 286$$

According to the data obtained from the bank, the bank has 1,000 staff in Development Bank of Ethiopia in Head office. So the total population is 1,000 and the sample size will be 286 according to Yemaneh's formula.

3.6. VALIDITY OF INSTRUMENTS

According to Kothari (2004) validity is the degree by which the sample of the test items represents the content the test is designed to measure. The questionnaire in this research went through a number of developmental stages before final distribution. The study questionnaire is examined for content validity by expert in business research and to check for grammar, the wording, sequence and structure of the questionnaire. The suggestions on the content and structure were included to improve the final draft of the instrument.

3.7. RELIABILITY ANALYSIS

In this research, the reliability measure to be used to focus on the internal consistency of the set of statements. The researcher should use 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 reflect the same underlying construct (Cooper & Schindler, 2006). Cronbach alpha to be calculated by application of SPSS for reliability analysis.

3.8. METHOD OF DATA ANALYSIS AND PRESENTATION

After the raw data is 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).

CHAPTER FOUR

RESULTS AND DISCUSSION

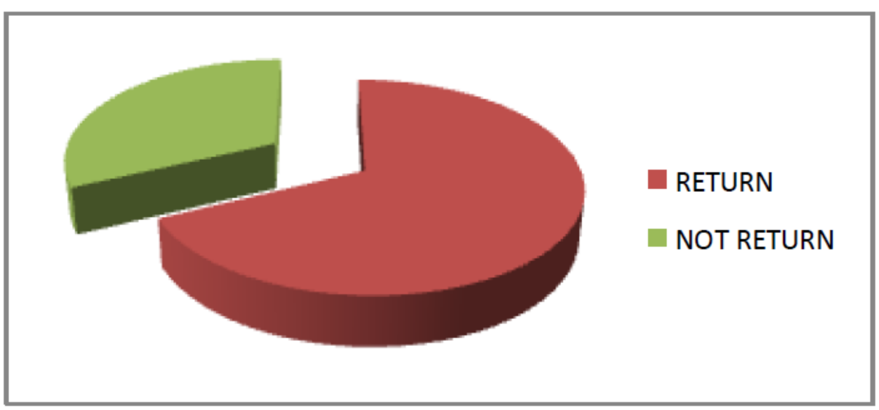
4.1. QUESTIONNAIRE SURVEY RESULTS AND DISCUSSION

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 actively participated in the study, analysis of the response rate was conducted as shown in the figure was sent to 298 employees. However, out of the 298 questionnaires sent, only 286 questionnaires were received back fully completed making a response rate of 95.97%. This is in agreement with wit and Schindler (2003) who indicated that a response rate of 80% of the total sample size can be generalized to represent the opinion of the entire population.

Figure 4.1: Response rate



Source: Computation from SPSS analysis

4.1.2. GENERAL BACKGROUND OF THE RESPONDENTS

4.1.2.1. SEX

Table 4.1 illustrates the distribution of respondents based on sex. The results show that 67.5% of those surveyed were male, while 32.5% of the respondents were female.

Table 4.1 Gender of respondents

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	193	67.5	67.5	67.5
	Female	93	32.5	32.5	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.2.2. MARITAL STATUS

Table 4.2 illustrates the distribution of respondents based marital status. The results show that 55.6% of those surveyed were married, while 44.4% of the respondents were single

Table 4.2 Marital Status of Respondents

Marital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	single	159	55.6	55.6	55.6
	Married	127	44.4	44.4	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.2.3. AGE

Table 4.3 illustrates the distribution of respondents based on age. The results show that 26.2% of those surveyed were less than 30 years old, while 48.3% and 16.8% of the respondents were aged 31–40 and 41–50 years old, respectively. 8.7% of respondents were aged 51–60. Overall, 74.5% were below 41 years old, 25.5% were more than 40 years old, and three- fourth of the participants was more than 40 years old.

Table 4.3 Ages of Respondents

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30 YEARS OR LESS	75	26.2	26.2	26.2
	31-40	138	48.3	48.3	74.5
	41-50	48	16.8	16.8	91.3
	51-60	25	8.7	8.7	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.2.4. JOB POSITION

Table 4.4 shows the distribution of the respondents by job position. The lowest percentage is that of members of directors (4.2%), followed by members of internal auditors (5.9 %), team leaders (23.8%) and SR accountant (66.1%).

Table 4.4 Job position of Respondents

Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	internal auditors	17	5.9	5.9	5.9
	SR accountant	189	66.1	66.1	72.0
	Team Manger	68	23.8	23.8	95.8
	Director	12	4.2	4.2	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.2.5. EDUCATION BACKGROUND

Table 4.5 presents the highest academic qualification for the five groups of respondents. The majority (81.8%) of participants had completed their bachelor's degree or higher. 18.2% participants had a master's degree. This reflects the high education level of the survey participants.

Table 4.5 Educational Qualification of Respondents

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BA	234	81.8	81.8	81.8
	MASTER	52	18.2	18.2	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.2.6. WORK EXPERIENCE

Table 4.6 shows that 15 % of the respondents had less than five years of work experience. 28.3% had 5–10 years of work experience. Those with work experience of 11–15 years comprised 25.5% of the sample, while respondents with 16–20 years and more than 20 years of work experience comprised 5.6 % and 25.5% of the sample, respectively

Table 4.6 Work Experience

Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 5 YEARS	43	15.0	15.0	15.0
	5 to 10	81	28.3	28.3	43.4
	11 to 15	73	25.5	25.5	68.9
	16-20	16	5.6	5.6	74.5
	More than 20 years	73	25.5	25.5	100.0
	Total	286	100.0	100.0	

Source: Computation from SPSS analysis

4.1.3. CONCEPT OF CORPORATE GOVERNANCE

In this section, the second part of the questionnaire, which deals with the major objective of the research was analyzed and presented using SPSS (Version 20) software.

4.1.3.1. THE CORPORATE GOVERNANCE BACK GROUND OF THE BANK.

This sub section examines respondents‟ perceptions regarding the governance background of the bank. These questions were used to addressee research question number one and two. The first questions 1.1.1 related to internal controls and procedures, ranked first with a mean score 3.8637 and Std. deviation 0.70 (see Table 4.7). Statement 1.1.4 related to Compliance Department of the bank ranked second position with mean score 4.05 and Std. deviation 0.57. In relation to question 1.1.2 concerning Code of Business Ethics ranked third place with a mean score 3.38. On the other hand, Statement 1.1.3 which is related to Corporate Governance Committee of the bank ranked fourth with mean score 3.43. In relation to statement 1.1.5 which is related to corporate governance awareness program of the bank ranked fourth with a mean score 3.4.

Overall in the foregoing findings, the majority of participants agreed with statements recorded mean scores between 3.38 and 4.05. The findings of this study have pointed out the bank construct internal controls procedures, risk and compliance supervision and code of business ethics to govern the work and the activities of its entire department. As a result, agency theory suggests that in order to minimize conflicts between corporate owners and managers an effective internal control system is fundamental. It contributes to safeguard the company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the compliance with laws and regulations. The internal controls system should be periodically evaluated and updated so that it continues to be effective in a changing environment. The existence of compliance department in any organization allows investors and other stakeholders‟ greater access to information about the corporation and is to be encouraged.

Table 4.7 Frequency (F), Mean, Standard Deviation values of Corporate Governance background of the bank

	N	Minimum	Maximum	Mean	Std. Deviation
-The bank establishes internal controls and procedures to govern the work and behaviour of all its departments	286	2.00	5.00	3.8636	.70507
-The bank has a Code of Business Ethics which all employees are required to sign when they join the bank.	286	1.00	5.00	3.3811	1.33962
-The board creates a "Corporate Governance Committee," whose mandate includes monitoring whether the bank is fulfilling its commitments to good governance.	286	1.00	5.00	3.4336	1.13977
-The bank have a formal "Compliance Department" with a mission to ensure that employees understand and implement the bank's internal procedures and play their part in discharging the bank's external obligations	286	2.00	5.00	4.0594	.57427
-The bank has an on-going program to raise employee awareness of corporate governance issues and the role which every employee can play in strengthening governance within the bank	286	1.00	5.00	3.3951	1.14915

Source: Computation from SPSS analysis

4.1.3.2. THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE SYSTEM

In this sub section we can observe respondents‟ view regarding the role of stakeholders in the development of corporate governance system with the bank. Particularly these statements were used to address research question number one. The study found that majority of the respondents rated the following to a very great extent, in relation to statement 1.2.1 which is related to caring stakeholders right ranked first with a mean score 3.81and Std. deviation 0.79. above Half of the respondents provide support and show their agreement with the statement.

From the findings, in relation to statement 1.2.2 concerning performance enhancement mechanism of the bank ranked second with a mean score 3.73 and Std. deviation 0.79. Above half of the respondents provide support and show their agreement with the statement.1.2.2. Statement 1.2.4 is related to presentation of sufficient and reliable information to stakeholders on a timely basis ranked third with mean score 3.95 and Std. deviation 0.83. Similarly statement 1.2.5 was request stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board ranked fifth with mean score 3.7 and Std. deviation 0.97. Statement 1.2.3 is related to the opportunity to obtain effective redress for violate on of their rights with mean score 3.69 and Std. deviation 0.99. More than half of the respondents verify their agreement.

Overall in the foregoing findings, the majority of participants agreed with Stakeholder rights that are established by law are respected by the company. This indicate that even if the bank respect Stakeholder rights that are established by law most important things unnoticed, considering such items will help to carrying out of good corporate governance without trouble. According to stakeholder theory decisions made regarding the company concern may affected by different parties in addition to stockholders of the company. Hence, the managers should on the one hand manage the company to benefit its stakeholders in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group (Fontaine, C, Haarman, A and Schmid, S, 2006).

According to the study results major issues like Performance enhancing mechanisms for employee, effective redress for violation of rights, providing sufficient and reliable information on timely basis and arranging complimentary communication between board and stakeholder special concerns about illegal or unethical practices unnoticed. Boards and managers have to have a relationship with the stakeholders, and it is argued that this group of network is important and requiring management's attention. Stakeholder theory maintains that managers in organizations are not only responsible for the interests of shareholders but also employees and business partners. A company should be operating by making helpful contributions and by encouraging its directors, managers and employees to form good relationships with each other's. It also should be active in promoting the company wellbeing, stakeholders" safety and business issues, including any issues that relate to the specific types of business in which the corporation is engaged.

Table 4.8 Mean and Standard Deviation (SD) of values of the role of stakeholders in corporate governance of the bank

	N	Minimum	Maximum	Mean	Std. Deviation
-Stakeholder rights that are established by law are respected by the company	286	2.00	5.00	3.8182	.79150
-Performance-enhancing mechanisms for employee participation are permitted to develop.	286	1.00	5.00	3.7343	.79429
-Stakeholders have the opportunity to obtain effective redress for violate on of their rights.	286	1.00	5.00	3.6399	.99102
-Stakeholders have the right to obtain sufficient and reliable information on timely basis	286	2.00	5.00	3.9545	.83015
-Stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board	286	1.00	5.00	3.7797	.97535

Source: Computation from SPSS analysis

4.1.3.3. DISCLOSURE AND TRANSPARENCY

This section aims to investigate responses concerning the implementation of the disclosure and transparency principle. Table 4.9 shows that statement 1.3.3 which is „Information is prepared and disclosed in accordance with International Accounting Standards‟ faild on agreement side and a mean score 4.15 and Std. deviation 0.36 ranked first. In relation to statement 1.3.4 which is related to annual audit of the company registered mean score of 4.45 and Std. deviation 0.72. Similarly, responses for Statement 1.3.8 which is related to "The bank publishes an account of its business objectives and its organizational and governance structure" registered fail on agreement side and the mean score of 4.10 and Std. deviation 0.6. Related to Statement 1.3.2 the mean score is 4.00 and std. deviation 0.52which is related to the dissemination of information registered and related to the financial and operating results of the company are timely disclosed fail on agree side and the mean score is 4.08 and std. deviation 0.27.Statement 1.3.5 which is related to plan for human resource development and training registered seventh positions with level of agreement 83% by mean score of 3.67 and Std. deviation 0.74.

On the other hand, in relation to Statement 1.3.6 which is related to the bank's annual reports explain the incentive structure and remuneration practices for senior management, as well as the actual amounts paid to directors. The mean score fail on 3.35 and Std. deviation 1.22. Statement 1.3.9 which is related to reports on activities of the board place with the level of agreement 54.9% by mean score of 3.67 and Std. deviation 1.12. Finally, Statement 1.3.7 which is related to disclosing risk exposures and strategy for managing risk registered ninth place with the level of mean score of 3.2 and Std. deviation 1.17.

Overall in the foregoing findings, the majority of participants agreed with statements recorded mean scores between 4.45 and 3.67. Application of corporate governance principles provide a control mechanism of the company operations and thus encourage the managers to be more successful and promote the company's performance with long term strategies.

The result from the analysis of the secondary data (from the annual report) also revealed that the bank's annual report includes a section risk management disclosure, explaining its risk and its measurement and managing risk, also the bank's annual report does not explain the incentive structure and remuneration practices for senior management as well and this was also indicated by the interview result that the risk exposures of the bank and the strategies used to manage them are not explained in the bank's annual report. In addition, the information acquired from the interview session and analysis of the secondary data shows as the bank publishes an account of its business objectives and its organizational and governance structure.

As set out in the Basel Committee's paper Enhancing bank transparency, it is difficult to hold the board of directors and senior management properly accountable for their actions and performance when there is a lack of transparency. This happens in situations where the stakeholders, market participants and general public do not receive sufficient information on the structure and objectives of the bank with which to judge the effectiveness of the board and senior management in governing the bank. Transparency can reinforce sound corporate governance. Therefore, public disclosures desirable in the following areas: Board structure (size, membership, qualifications and committees); Senior management structure (responsibilities, reporting lines, qualifications and experience);Basic organizational structure (line of business structure, legal entity structure);

Table 4.9 Responses towards disclosure and transparency

	N	Minimum	Maximum	Mean	Std. Deviation
-The financial and operating results of the company are timely disclosed.	286	4.00	5.00	4.0839	.27775
-Channels for the dissemination of information on a timely basis to relevant users are provided.	286	2.00	5.00	4.0000	.52315
-Information is prepared and disclosed in accordance with International Accounting Standards.	286	4.00	5.00	4.1538	.36143
-An annual audit of the company is conducted by an independent auditor.	286	2.00	5.00	4.4510	.72260
-Issues regarding employees and other stakeholders, such as programs for human resource development and training, are disclosed.	286	2.00	4.00	3.6713	.74246
-The bank's annual reports explain the incentive structure and remuneration practices for senior management, as well as the actual amounts paid to directors.	286	1.00	5.00	3.3566	1.22778
-The bank's annual report includes a section explaining its risk exposures and its strategy for managing risk.	286	1.00	5.00	3.2832	1.17288
-The bank publishes an account of its business objectives and its organizational and governance structure.	286	2.00	5.00	4.1014	.60425
-The bank's annual report contains a short report on the activities of the board committees	286	1.00	5.00	3.6713	1.12563

Source: Computation from SPSS analysis

4.1.3.4. BOARD ISSUES

This part examines respondents‟ perceptions regarding the board of directors of the bank. The board is ultimately responsible for the activities and results of the bank, for the maintenance of stability and financial soundness. These questions were used to addressee research question and to achieve the research objective; the participants were provided with a list of topic and asked to rate the extent to which they thought this subject might affect the development of corporate governance in DBE.

4.1.3.5. *BOARD ACTIVITY INTENSITY*

In this sub section the study examines respondent's response in relation to the activity of a board. The analysis of the respondent's response in relation to board activity intensity helps to answer the research question three and four and to achieve the third research objective. Besides it is a key indicator to reach a certain conclusion how firm performance affected by board activity as well as it is important resource for improving the effectiveness of a board.

The results in Table 4.10 show that in overall most of the respondents agreed with the items listed towards board activity intensity. Statement 2.1.2 which is "Board meeting time is an important resource for improving the effectiveness of a corporate board" registered first place with higher level agreement response 77.6%, by mean score of 3.98 and Std. deviation 0.95. Statement 2.1.4 which is "Increasing the level of board activity through board meetings leads to good firm performance" level agreement 86%, by mean score of 3.87 and Std. deviation 0.95. Statement 2.1.3 which is "Boards that meet more frequently tend to generate higher financial performance" registered third position with level agreement (72%) by mean score of 3.98 and Std. deviation 0.83. statement number 2.1.1 which is "Effective board meetings provide useful information in a timely manner which is critical for any board's effectiveness" registered fourth place with the smallest level agreement mean score of 3.65 and Std. deviation 1.06.

In overall we can recognize from the foregoing findings, the majority of participants agreed with statements recorded mean scores between 3.65and 3.98. The activity of a board yields either proactive or reactive results. A well-trained, professional, and dedicated board is the most effective means to ensure sound bank governance. It is also broadly accepted that a professional board can be a key contributor to bank performance. Sufficient guidance on board practices should be available. Minimum standards are typically set in law, while best practices are generally set in voluntary codes. Boards should inform themselves and be aware of what is expected of them and what standards they are expected to comply with.

According to an early empirical investigation on board meeting by Vafeas (1999), he found an increase in the level of board activity through board meetings. Lipton and Lorsch (1992) also suggest that "the most widely shared problem directors face is lack of time to carry out their duties". In a similar argument, Conger et al (1998) suggest that board meeting time is an important resource for improving the effectiveness of a corporate board. Ntim and Osei (2011) found that there is significant and positive association between the frequency of corporate board meetings and corporate performance. So that the current study results are consistence with former research findings. The Basel committee for Banking Supervision (2006) recommends that having sufficient knowledge about board activity and the company is a very important element of the good corporate governance. Being knowledge full is an indicator that the board members can undertake their functions properly.

Table 4.10 Responses towards board activity intensity

	N	Minimum	Maximum	Mean	Std. Deviation
-Effective board meetings provide useful information in a timely manner which is critical for any board's effectiveness.	286	1.00	5.00	3.6503	1.06134
-Board meeting time is an important resource for improving the effectiveness of a corporate board.	286	1.00	5.00	3.9825	.95313
-Boards that meet more frequently tend to generate higher financial performance.	286	1.00	5.00	3.9825	.83543
-Increasing the level of board activity through board meetings lead to good firm performance.	286	1.00	5.00	3.8706	.95185

Source: Computation from SPSS analysis

4.1.3.6. ROLE AND RESPONSIBILITY OF BOARD DIRECTORS

This section aims to investigate responses concerning the roles and responsibilities of the board of directors of the bank. Table 4.11 illustrates the respondents‟ views concerning roles and responsibilities of the board of directors. Statement 2.2.7 brings out the respondents‟ opinion which is "The board has approved a strategic plan for the company". This statement acquire the highest level of agreement with a mean score 4.02 and Std. deviation 0.72 ranked first. In relation to statement 2.2.9 which is "The Board maintains a direct communications channel with internal and external auditors." with mean score of 3.41 and Std. deviation 1.2. Statement 2.2.4 which is inquired about board the board controls the operations of the firm and the activities of the CEO resistance to this statement mean score of 3.86 and Std. deviation 0.9. Similarly, Statement 2.2.1 brings out the respondents‟ opinion on whether Board members act in the best interests of the company resistance to this statement mean score mean score of 3.4and Std. deviation 1.03.

Conversely responses for statement 2.2.6 which is "The board supervises the process of disclosure and communication resistance to this statement means score mean score of 3.76 and Std. deviation 0.85. Statement 2.2.3 which is inquired about "The board monitors the effectiveness of the company's governance practices" registered resistance to this statement means score mean score of 3.8 and Std. deviation 0.77. Statement 2.2.8 which was inquired "Board members are able to devote sufficient time to their responsibilities" resistance to this statement means score mean score of 3.77 and Std. deviation 1.07. Statement 2.2.5 which was requested "The board monitors and manages potential conflicts of interest of managements" resistance to this statement means score mean score of 3.87 and Std. deviation 0.91. Finally, Statement 2.2.2 which was requested "The board takes stakeholders‟ interests into account" resistance to this statement means score mean score of 3.71 and Std. deviation 0.92.

In overall we can recognize from the foregoing findings, the majority of participants agreed with statements recorded mean scores between 3.41 and 4.02. It is important that members of the board should perform their duties with engagement. It is necessary to keep formal rigorous assessments of the board and its members, and the report of the assessment should be available (some codes of governance are explicitly the requirement for such assessments at least once a year). This is to ensure that the board (and its individual members) fulfils its task due, and it includes the persons characterized by professionalism, meeting the specific requirements of the supervised company (BCBS, 2006).

Table 4.11 Responses on role and responsibility the board

	N	Minimum	Maximum	Mean	Std. Deviation
-Board members act in the best interests of the company and the owners.	286	1.00	5.00	3.4615	1.03123
-The board takes stakeholders‟ interests into account.	286	1.00	5.00	3.7168	.92539
-The board monitors the effectiveness of the company's governance practices.	286	1.00	5.00	3.8811	.77676
-The board controls the operations of the firm and the activities of the CEO.	286	1.00	5.00	3.8601	.91077
-The board monitors and manages potential conflicts of interest of managements.	286	1.00	5.00	3.8706	.91807
-The board supervises the process of disclosure and communication.	286	1.00	5.00	3.7692	.85177
-The board has approved a strategic plan for the company.	286	1.00	5.00	4.0280	.94363
-Board members are able to devote sufficient time to their responsibilities	286	1.00	5.00	3.7797	1.07788
-The Board maintains a direct communications channel with internal and external auditors.	286	1.00	5.00	3.4126	1.23589

Source: Computation from SPSS analysis

4.1.3.7. EFFICIENCY AND EFFECTIVENESS OF THE BOARD

This section aims to investigate responses concerning the efficiency and effectiveness of the board of directors of the bank. Table 4.12 illustrates the respondents‟ views concerning efficiency and effectiveness of the board of directors. In response to statement number 2.3.1 as shown in the table below which deals with „The board members are educationally qualified and very well experienced‟, can acquire the highest level of agreement (80%) with a mean score 4.09 and Std. deviation 0.5t. Statement 2.3.4 which is inquired about "boards have sufficient information and time that enables them to give strategic guidance of the bank" registered fourth place with the level of disagreement (54.6%) by mean score of 3.7 and Std. deviation 0.9.

On the contrary, Statement 2.3.5 which is regarding the board knowledge of the bank and the board functions registered third position; and acquire the level of agreement (38.4%) with mean score of 3.02 and Std. deviation 1.06. A response for statement 2.3.3 brings out the respondents‟ opinion on whether the board carries out annual evaluation of itself, its committees and its members. It is registered forth position with the level of agreement (54.6%) by mean score of 3.15 and Std. deviation 0.97. Similarly, Statement 2.3.2 which was requested "The bank has a formal orientation program for new board members, and organize training sessions for existing board members" registered fifth place with the higher level of disagreement (80.7%) and with mean score of 3.5 and Std. deviation 1.80. Organizations should become up to date with new directors that include materials and meetings with key management designed to familiarize new directors with the Company's business, operations, finances, and governance practices. Organizations should develop a mechanism by which they strengthen the governance skills of their board members. The Board should encourage directors to participate in education programs to assist them in performing their responsibilities as directors. In overall we can recognize from the foregoing findings, the majority of participants agreed with statements recorded mean scores between 3.5 and 4.09.

According to the Banking Business Proclamation No. 592/2008, board members are jointly and severally liable to the bank for damage caused by their failure to properly carry out their duties although it indicates them nothing about the performance evaluation. As a result it advises that the board should have formal procedures to assess both their own collective performance and that of individual directors so that boards might usefully consider in the interest of continuous improvement. The study result indicates that the board does not carry out annual evaluation of its committees and its members. Comparative to this the bank fails to notice the corporate governance framework for the implementation of some corporate governance principles. Evaluations can be extremely useful in benchmarking the board against best practice, identifying gaps, and generating ideas for improvements. Evaluations should always culminate in plans for how to improve the bank's governance.

Table 4.12 Responses on efficiency and effectiveness of the board

	N	Minimum	Maximum	Mean	Std. Deviation
-The board members are educationally qualified and very well experienced	286	2.00	5.00	4.0909	.50135
-The bank has a formal orientation program for new board members, and does it organize formal training sessions for existing board members	286	1.00	5.00	3.5210	1.08801
-The board carries out annual evaluation of itself, its committees and its members	286	1.00	5.00	3.7727	.81698
-All members of the board have sufficient information and time that enables them to give strategic guidance of the bank	286	1.00	5.00	3.7098	.90788
-the board has adequate knowledge of the bank and the board functions	286	1.00	5.00	3.6783	.94851

4.1.3.8. AUDIT COMMITTEE OF THE BOARD

This section deals with the presentation and analysis of the findings of the study regarding audit committees of the board. Table 4.14 illustrates the respondents‟ views concerning audit committees of the board. Out of the total number of questions raised in this sub section respondents provide supportive response to all question raised, on average more than 86% of members of the respondents supported these statements and almost equivalent level supporting responses obtained from each respondent group. Statement 4.1.1 as shown in the table below which deals with "The audit committee monitors the integrity of financial statements of the bank" it is a means to improve the viability of the bank, can acquire the highest level of agreement (82.3%) ranked first with a mean score 4.07 and Std. deviation 0.71. Statement 4.1.2 which is "The audit committee reviews the work plan of the external auditors and the internal auditors, and reviews the results of their work" registered second position with the level of agreement (79.3%) with mean score of 3.9 and Std. deviation 0.76.

Similarly, responses for Statement 4.1.3 which is inquired about "Audit committee consists independent outside directors" registered third place with the level of agreement (79.7%) by mean score of 3.79 and Std. deviation 0.84.Statement 4.1.4 brings out the respondents‟ opinion on "The Audit committee devote sufficient time to their responsibilities and act in the best interests of the company" is registered forth position with the slightest level of agreement (81%) by mean score of 4.00 and Std. deviation 0.63. In the same way, Statement 4.1.5 which was requested area under discussion regarding "There is a Regulation on the Audit Committee approved by the Board" registered fifth place with the lower level of agreement (72.4%) and with mean score of 3.94and Std. deviation 0.85.

Among committees, the audit committee is primary. Each year, the board is required to provide the stakeholders with an assurance of the ongoing integrity of the bank‟s financial reporting, systems of internal control, and risk management. For this assurance, the members of the board rely on the audit committee and, through it, the internal audit department and the external auditor. Given the potential for conflict of interest, the audit committee is best staffed by independent members to exercise objective and arms-length oversight of the internal and external auditors. The audit committee reviews the work plan of the external auditors and the internal auditors, and reviews the results of their work and also the Audit committees of the bank devote sufficient time to their responsibilities and act in the best interests of the company. According to early research works of Al-Matari et al. (2012) and Chan and Li (2008) there is significant positive relationship between audit committee independence and firm performance and also that an independent audit committee can reduce agency problems.

In general we can recognize from the foregoing findings, the majority of participants agreed with the statements, this result disclose that audit committee of the bank structured very well and consists independent outside directors, and this also help to meet their responsibilities and to act in the best interests of the company to assuring the integrity of financial statements of the bank. An audit committee is important corporate governance mechanisms in firms to protect the interests of stakeholders and to oversee the financial reporting. The existence of audit committee will create a transparent and credible environment between management, external auditors and the board members. These findings are generally consistent with the prediction of a positive association between corporate governance and firm performance.

Table 4.13 Mean and Standard Deviation, towards the Audit committee of the board.

	N	Minimum	Maximum	Mean	Std. Deviation
-The audit committee monitors the integrity of financial statements.	286	1.00	5.00	4.0734	.71441
-The audit committee reviews the work plan of the external auditors and the internal auditors, and reviews the results of their work	286	1.00	5.00	3.9021	.76608
-Audit committee consists solely of independent outside directors.	286	1.00	5.00	3.7902	.84482
-Audit committee meets at least once every quarter of the year	286	1.00	5.00	4.0000	.63246
There is a Regulation on the Audit Committee approved by the Board	286	1.00	5.00	3.9406	.85837

Source: Computation from SPSS analysis

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1. SUMMARY OF MAJOR FINDINGS

- The findings of this study have pointed out the bank construct internal controls procedures, risk and compliance supervision and code of business ethics to govern the work and the activities of its entire department, however the most important activities like organizing Corporate Governance Committee and applying on-going program to raise employee awareness to strengthening governance are unnoticed. This implies that the corporate governance setting of the bank is not well-built.
- The study result indicates that the bank respect stakeholder rights that are established by law, on the other hand some important limitations are found like ineffective redress for violation of stakeholders" rights, not providing sufficient and reliable information on timely basis and unfeasible complimentary communication between board and stakeholder.
- The study result indicates that financial information's are prepared in accordance with international Accounting Standards and the management of the bank presents financial reports to external auditor to insure the reliability of the financial records of the bank.
- The study result indicates that the board does not carry out annual evaluation of its committees and its members. Relative to this the bank fails to notice the corporate governance framework for the implementation of some corporate governance principles.
- Findings also show that majority of the organization employees expressed weak legal controls and law enforcement within the industry and weak relationship between executive's managements and employees of the bank are possible barriers for the implementation of good corporate governance.
- The study results showed the management of the bank has made an arrangement for the resolution of conflicts of interest and regularly observes the implementation of policies and procedures and it takes appropriate actions when employees violate rules. However the system is not revised regularly and does not contain recommendations and suggestions of stakeholders. Although, the principle of transparency is not observed in

conveying information to stakeholders, particularly on associated with conflicts of interests.

- Findings also show that decisions are made visibly within processes at various levels within the organization, the management of the bank is not ready to do quick response to every issue regarding the bank; there is no enthusiasm at all and also existence of hidden career paths development shown from the result, As a result employees are not stimulated to perform their duties effectively. This also have an adverse effect on bank performance.
- The board committee of the bank is structured very well, which means the audit committee of the bank consists independent outside directors, the risk committee of the board advises the board on potential risks matters and risk management, and also the remuneration committee of the bank ensures that the executive directors and key management of the bank are fairly rewarded. This indicates that the board committee acts in the best interests of the company with the purpose of assuring the integrity, effectiveness and long-term well-being the bank.

5.2. CONCLUSIONS

Good corporate governance system assists firms to construct sustainable economic development along with strong performance and competitive capacity. Good corporate governance is a foundation to build long term viable and smooth relationship with the stakeholders of the firm and the corporate governors. It assists to create transparent, equitable, accountable and effective business developments. Building strong corporate governance mechanisms assist firms to throw away their challenges that disturb the sound wellbeing and existence of the firm by sweeping the road to reach the desired destination. In this respect, from the study finding we can conclude that the setting of corporate governance in DBE still has a setback and need improvement with regard to ensuring the efficiency and effectiveness of the board and management, organizing Corporate Governance Committee, effective redress for violation of rights, providing sufficient and reliable information to users on timely basis and facilitation complimentary communication between board and stakeholder.

Concerning the implementation of the roles and responsibilities of the board and the management of the bank, the finding of the study disclosed that the board and management of the bank not completely effective in discharging their roles and responsibilities. As a good side, the current board and board committee of the bank structured very well, maintain useful relations with internal and external auditors. However, the board and the management show inefficient effort to supervise the implementation of strategic policies, the bank performance and governance system of the bank. Such unconcerned activities have an adverse effect on the current bank performance, so that the Board and the management of the bank should understand the risks which the bank is taking at present and must be anxious to watch over the opportunities to increase the performance of the bank. Overall the study primary data analysis results indicate that the corporate governance of the bank has a consequence on the existing performance. In general this study supports the argument that when firms implement good corporate governance, the result is improved firm performance.

5.3. RECOMMENDATION

Based on the major findings of the study and the conclusions drawn, the researcher suggested the following recommendations.

- The bank should create formal program to raise employee awareness in governance practice of the bank. An awareness program should be available to enable employees to gain an understanding of the company's financial, strategic, and operational and risk management position, and help employees to know their rights, duties and their responsibilities.
- The bank must qualify its directors and managements with training in accordance with the Corporate Governance. These programs help to shape their integrity, to create effective management and to get advice on how to enhance corporate governance quality in its own company. In addition, these programs should contain efforts to overcome potential obstacles and enable corporate governance implementation.
- The Boards should encourage the management of the bank to participate in education programs to assist them in performing their responsibilities and to increase individual performance and the bank performance as well.
- The board members should examine and acquire sufficient information and provide sufficient time to give strategic guidance to the bank. These in turn help them effectively carry out their duties and responsibility effectively and in turn they can improve the performance and governance mechanism of the bank as well.

- Transparency is essential for sound and effective corporate governance. Lack of transparency, It is difficult for stakeholders to effectively monitor the activities of the board of directors and senior management. With this intention the management of the bank made an arrangement for the resolution of conflicts of interest without impediment and improves the system regularly through taking recommendations and suggestions from stakeholders when it is necessary.
- The performance of the board and the senior management of the bank should be evaluated annually, and also the performance of board committees. The board annual self evaluations is important to determine whether it and its committees are following the procedures necessary to function effectively in order to determine whether the organization is going in the right direction or not and to measure its performance.
- The bank senior management should construct possible relationship with the board and between the board and the employees of the bank through arranging different mechanisms like by inviting directors at get together ceremony of the bank, inviting directors in annual employee meeting, arranging trainings and inviting directors etc., these manners actively take part in establishing feasible relationship between the board and the employees of the bank and this also have a possession in order to earn better and increase bank performance.
- The management of the bank should always be ready to make quick response to every issue regarding the bank; further more enthusiastically performance standards should be assessed, improved and communicated to the employees. This will help employees to improve their attitudes and achieve the standards and perform well.
- DBE shall create supplementary performance enhancement mechanisms to its employees just like job participation that will help for employee's empowerment. This will enable it to increase employee's attitude towards their job and job performance.
- DBE shall make continuous assessment and receiving of feedback from its employees, such feedbacks will serves as a moral boost that the employee is contributing positively to the organization and an input for the future the bank performance management plan.
- The National Bank of Ethiopia should encourage banks to implement good corporate governance practices through enacting rules and regulations.

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APPENDIX 1: QUESTIONAIRESE

Addis Ababa University

School of Post Graduate Studies

MBA in banking Program

Questionnaire for Final Research Paper

Dear Respondent,

This study will assess “The assessment of Corporate Governance practices in the development bank of Ethiopia. The aim of this research is to investigate and explore the insight concerning internal corporate governance mechanisms and its effect on firm performance from a theoretical and practical perspective. The information gathered will be analyzed and prepare in the form of research paper. Respondents are humbly requested to provide information honestly. The purpose of this questionnaire is purely academic, and hence will result in no negative consequences in your present status. Responses/information given will be used solely for this research paper. I would like to express my heartfelt appreciation in advance for the Volunteer employees who are attempting to answer these questions.

Kind regards.

PART I: General Information Concerning the Respondents

The following questions concern about your personal information. Please place a tick in the appropriate box in each of these questions.

1. Your sex,	Male		Female			
2. Your marital status	Married		Single		Other	
3. Your age group	30 years or less		31–40 years		41–50 years	
	51–60 years		More than 60			

		☐	years	☐	
4. Highest level of education qualification	PhD ☐	Master ☐	Bachelor ☐		
	Diploma ☐	Other ☐			
5. Your current position	______________________				
6. Your work experience	Less than 5 years ☐	5–10 years ☐	11–15 years ☐		
	16-20 years ☐	More than 20 years ☐			

Part II - Questions concerning concept of corporate governance

Please put a tick **(√)** sign to appropriate space of particular score, which is suitable to your agreement about the following statements.

1. Questions concerning corporate governance system of the bank

The following is a list of items relating to the governance practice of the bank. Please state the extent to which you agree/disagree with the following items as they exist in your company.

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

1.1. Developing a culture of good governance throughout the bank

statements	1	2	3	4	5
The bank establishes internal controls and procedures to govern the work and behavior of all its departments					
The bank has a Code of Business Ethics which all employees are required to sign when they join the bank.					
The board creates a "Corporate Governance Committee," whose mandate includes monitoring whether the bank is fulfilling its commitments to good governance.					

The bank have a formal “Compliance Department” with a mission to ensure that employees understand and implement the bank’s internal procedures and play their part in discharging the bank’s external obligations					
The bank has an on-going program to raise employee awareness of corporate governance issues and the role which every employee can play in strengthening governance within the bank					

1.2. The role of stakeholders in the development of the bank corporate governance.

Statements	1	2	3	4	5
Stakeholder rights that are established by law are respected by the company					
Performance-enhancing mechanisms for employee participation are permitted to develop.					
Stakeholders have the opportunity to obtain effective redress for violate on of their rights.					
Stakeholders have the right to obtain sufficient and reliable information on timely basis					
Stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board					

1.3. Disclosure and transparency

Statements	1	2	3	4	5
The financial and operating results of the company are timely disclosed.					
Channels for the dissemination of information on a timely basis to relevant users are provided.					
Information is prepared and disclosed in accordance with International Accounting Standards.					

An annual audit of the company is conducted by an independent auditor.					
Issues regarding employees and other stakeholders, such as programs for human resource development and training, are disclosed.					
The bank's annual reports explain the incentive structure and remuneration practices for senior management, as well as the actual amounts paid to directors.					
The bank's annual report includes a section explaining its risk exposures and its strategy for managing risk.					
The bank publishes an account of its business objectives and its organizational and governance structure.					
The bank's annual report contains a short report on the activities of the board committees					

2. Board issues:-The following is a list of items relating to the board concern. Please state the extent to which you agree/disagree with the following items as they exist in your company

2.1. Board activity intensity:

Statements	**1**	**2**	**3**	**4**	**5**
Effective board meetings provide useful information in a timely manner which is critical for any board's effectiveness.					
Board meeting time is an important resource for improving the effectiveness of a corporate board.					
Boards that meet more frequently tend to generate higher financial performance.					
Increasing the level of board activity through board meetings lead to good firm performance.					

2.2. The role and responsibility of board directors:

Statements	**1**	**2**	**3**	**4**	**5**
Board members act in the best interests of the company and the owners.					
The board takes stakeholders‟ interests into account.					
The board monitors the effectiveness of the company's governance practices.					
The board controls the operations of the firm and the activities of the CEO.					
The board monitors and manages potential conflicts of interest of managements.					
The board supervises the process of disclosure and communication.					
The board has approved a strategic plan for the company.					
Board members are able to devote sufficient time to their responsibilities					
The Board maintains a direct communications channel with internal and external auditors.					

2.3. Efficiency and effectiveness of the board

Statements	**1**	**2**	**3**	**4**	**5**
The board members are educationally qualified and very well experienced					
The bank has a formal orientation program for new board members, and does it organize formal training sessions for existing board members					

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					
the board has adequate knowledge of the bank and the board functions					

3. Questions regarding management supervision:

Statements	**1**	**2**	**3**	**4**	**5**
The bank management submits its annual financial records to an external audit					
The principle of transparency is observed by conveying all information to stakeholders, particularly on associated operations and conflicts of interest					
Systems have been set up for the resolution of conflicts of interest					
The code is revised regularly and contains recommendations and suggestions.					
The management of the bank motivates employees to perform their duties at their highest capabilities.					
The management of the bank provides alert response to every issue.					
The management of the bank develops individual values, institutional values and behavioral expectations to support the implementation of the goals, strategies and plans that are established for appropriate processes					
The management of the bank regularly observes the implementation of policies and procedures and takes appropriate actions when employees break rules					

The management of the bank develops clear and flexible career paths and focus on career development and retention.					
It is clear when, how and by whom decisions are to be made within appropriate processes at various levels in the organization					
Key executives of the bank disclose material interests in any transaction or matter directly affecting the company.					

4. Questions regarding committees of the board

4.1. Audit committee of the board.

Statements	**1**	**2**	**3**	**4**	**5**
The audit committee monitors the integrity of financial statements.					
The audit committee reviews the work plan of the external auditors and the internal auditors, and reviews the results of their work					
Audit committee consists solely of independent outside directors.					
Audit committee meets at least once every quarter of the year					
There is a Regulation on the Audit Committee approved by the Board					

Thank you once again for your co-operation in completing this questionnaire. Your efforts are deeply appreciated. If you have any comments, please state them in the space provided below.

Thank you very much for your interest

APPENDIX 2: FREQUENCY TABLES

The bank establishes internal controls and procedures to govern the work and behavior of all its departments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	31	10.8	10.8	10.8
	agree	232	81.1	81.1	92.0
	strongly agree	23	8.0	8.0	100.0
	Total	286	100.0	100.0	

The bank has a Code of Business Ethics which all employees are required to sign when they join the bank.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	50	17.5	17.5	17.5
	disagree	33	11.5	11.5	29.0
	agree	164	57.3	57.3	86.4
	strongly agree	39	13.6	13.6	100.0
	Total	286	100.0	100.0	

The board creates a "Corporate Governance Committee," whose mandate includes monitoring whether the bank is fulfilling its commitments to good governance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	18	6.3	6.3	6.3
	disagree	68	23.8	23.8	30.1
	agree	172	60.1	60.1	90.2
	strongly agree	28	9.8	9.8	100.0
	Total	286	100.0	100.0	

The bank have a formal "Compliance Department" with a mission to ensure that employees understand and implement the bank's internal procedures and play their part in discharging the bank's external obligations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	13	4.5	4.5	4.5
	agree	230	80.4	80.4	85.0
	strongly agree	43	15.0	15.0	100.0

	Total	286	100.0	100.0	

The bank has an on-going program to raise employee awareness of corporate governance issues and the role which every employee can play in strengthening governance within the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	30	10.5	10.5	10.5
	disagree	49	17.1	17.1	27.6
	agree	192	67.1	67.1	94.8
	strongly agree	15	5.2	5.2	100.0
	Total	286	100.0	100.0	

Stakeholder rights that are established by law are respected by the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	40	14.0	14.0	14.0
	agree	218	76.2	76.2	90.2
	strongly agree	28	9.8	9.8	100.0
	Total	286	100.0	100.0	

Performance-enhancing mechanisms for employee participation are permitted to develop.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	1	.3	.3	.3
	disagree	44	15.4	15.4	15.7
	agree	226	79.0	79.0	94.8
	strongly agree	15	5.2	5.2	100.0
	Total	286	100.0	100.0	

Stakeholders have the opportunity to obtain effective redress for violate on of their rights.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.4	2.4	2.4
	disagree	56	19.6	19.6	22.0
	agree	193	67.5	67.5	89.5
	strongly agree	30	10.5	10.5	100.0

		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	286	100.0	100.0	

Stakeholders have the right to obtain sufficient and reliable information on timely basis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	35	12.2	12.2	12.2
	agree	194	67.8	67.8	80.1
	strongly agree	57	19.9	19.9	100.0
	Total	286	100.0	100.0	

Stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	1	.3	.3	.3
	disagree	56	19.6	19.6	19.9
	agree	177	61.9	61.9	81.8
	strongly agree	52	18.2	18.2	100.0
	Total	286	100.0	100.0	

The financial and operating results of the company are timely disclosed.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	agree	262	91.6	91.6	91.6
	strongly agree	24	8.4	8.4	100.0
	Total	286	100.0	100.0	

Channels for the dissemination of information on a timely basis to relevant users are provided.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	13	4.5	4.5	4.5
	agree	247	86.4	86.4	90.9
	strongly agree	26	9.1	9.1	100.0
	Total	286	100.0	100.0	

Information is prepared and disclosed in accordance with International Accounting Standards.

		Frequency	Percent	Valid Percent	Cumulative Percent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	agree	242	84.6	84.6	84.6
	strongly agree	44	15.4	15.4	100.0
	Total	286	100.0	100.0	

An annual audit of the company is conducted by an independent auditor.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	13	4.5	4.5	4.5
	agree	118	41.3	41.3	45.8
	strongly agree	155	54.2	54.2	100.0
	Total	286	100.0	100.0	

Issues regarding employees and other stakeholders, such as programs for human resource development and training, are disclosed.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	47	16.4	16.4	16.4
	agree	239	83.6	83.6	100.0
	Total	286	100.0	100.0	

The bank's annual reports explain the incentive structure and remuneration practices for senior management, as well as the actual amounts paid to directors.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	42	14.7	14.7	14.7
	disagree	38	13.3	13.3	28.0
	agree	188	65.7	65.7	93.7
	strongly agree	18	6.3	6.3	100.0
	Total	286	100.0	100.0	

The bank's annual report includes a section explaining its risk exposures and its strategy for managing risk.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	28	9.8	9.8	9.8
	disagree	68	23.8	23.8	33.6
	agree	175	61.2	61.2	94.8
	strongly agree	15	5.2	5.2	100.0

	Total	286	100.0	100.0	

The bank publishes an account of its business objectives and its organizational and governance structure.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	13	4.5	4.5	4.5
	agree	218	76.2	76.2	80.8
	strongly agree	55	19.2	19.2	100.0
	Total	286	100.0	100.0	

The bank's annual report contains a short report on the activities of the board committees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	3.5	3.5	3.5
	disagree	61	21.3	21.3	24.8
	agree	157	54.9	54.9	79.7
	strongly agree	58	20.3	20.3	100.0
	Total	286	100.0	100.0	

Effective board meetings provide useful information in a timely manner which is critical for any board's effectiveness.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	12	4.2	4.2	4.2
	disagree	52	18.2	18.2	22.4
	agree	182	63.6	63.6	86.0
	strongly agree	40	14.0	14.0	100.0
	Total	286	100.0	100.0	

Board meeting time is an important resource for improving the effectiveness of a corporate board.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	3.5	3.5	3.5
	disagree	24	8.4	8.4	11.9
	agree	179	62.6	62.6	74.5
	strongly agree	73	25.5	25.5	100.0

	Total	286	100.0	100.0	

Boards that meet more frequently tend to generate higher financial performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	8	2.8	2.8	2.8
	disagree	18	6.3	6.3	9.1
	agree	205	71.7	71.7	80.8
	strongly agree	55	19.2	19.2	100.0
	Total	286	100.0	100.0	

Increasing the level of board activity through board meetings lead to good firm performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	3.5	3.5	3.5
	disagree	30	10.5	10.5	14.0
	agree	193	67.5	67.5	81.5
	strongly agree	53	18.5	18.5	100.0
	Total	286	100.0	100.0	

Board members act in the best interests of the company and the owners.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	20	7.0	7.0	7.0
	disagree	50	17.5	17.5	24.5
	agree	210	73.4	73.4	97.9
	strongly agree	6	2.1	2.1	100.0
	Total	286	100.0	100.0	

The board takes stakeholders" interests into account.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	18	6.3	6.3	6.3
	disagree	22	7.7	7.7	14.0
	agree	229	80.1	80.1	94.1

	strongly agree	17	5.9	5.9	100.0
	Total	286	100.0	100.0	

The board monitors the effectiveness of the company's governance practices.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	12	4.2	4.2	4.2
	disagree	11	3.8	3.8	8.0
	agree	239	83.6	83.6	91.6
	strongly agree	24	8.4	8.4	100.0
	Total	286	100.0	100.0	

The board controls the operations of the firm and the activities of the CEO.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	3.5	3.5	3.5
	disagree	27	9.4	9.4	12.9
	agree	205	71.7	71.7	84.6
	strongly agree	44	15.4	15.4	100.0
	Total	286	100.0	100.0	

The board monitors and manages potential conflicts of interest of managements.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	18	6.3	6.3	6.3
	disagree	11	3.8	3.8	10.1
	agree	218	76.2	76.2	86.4
	strongly agree	39	13.6	13.6	100.0
	Total	286	100.0	100.0	

The board supervises the process of disclosure and communication.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	2	.7	.7	.7
	disagree	44	15.4	15.4	16.1
	agree	212	74.1	74.1	90.2
	strongly agree	28	9.8	9.8	100.0
	Total	286	100.0	100.0	

The board has approved a strategic plan for the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.4	2.4	2.4
	disagree	27	9.4	9.4	11.9
	agree	169	59.1	59.1	71.0
	strongly agree	83	29.0	29.0	100.0
	Total	286	100.0	100.0	

Board members are able to devote sufficient time to their responsibilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	33	11.5	11.5	11.5
	disagree	2	.7	.7	12.2
	agree	211	73.8	73.8	86.0
	strongly agree	40	14.0	14.0	100.0
	Total	286	100.0	100.0	

The Board maintains a direct communications channel with internal and external auditors.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	34	11.9	11.9	11.9
	disagree	49	17.1	17.1	29.0
	agree	171	59.8	59.8	88.8
	strongly agree	32	11.2	11.2	100.0
	Total	286	100.0	100.0	

The board members are educationally qualified and very well experienced

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	8	2.8	2.8	2.8
	agree	236	82.5	82.5	85.3
	strongly agree	42	14.7	14.7	100.0
	Total	286	100.0	100.0	

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

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	23	8.0	8.0	8.0
	disagree	44	15.4	15.4	23.4
	agree	199	69.6	69.6	93.0
	strongly agree	20	7.0	7.0	100.0
	Total	286	100.0	100.0	

The board carries out annual evaluation of itself, its committees and its members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.4	2.4	2.4
	disagree	31	10.8	10.8	13.3
	agree	230	80.4	80.4	93.7
	strongly agree	18	6.3	6.3	100.0
	Total	286	100.0	100.0	

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

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	5	1.7	1.7	1.7
	disagree	47	16.4	16.4	18.2
	agree	208	72.7	72.7	90.9
	strongly agree	26	9.1	9.1	100.0
	Total	286	100.0	100.0	

the board has adequate knowledge of the bank and the board functions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	8	2.8	2.8	2.8
	disagree	47	16.4	16.4	19.2
	agree	205	71.7	71.7	90.9
	strongly agree	26	9.1	9.1	100.0
	Total	286	100.0	100.0	

The bank management submits its annual financial records to an external audit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	3	1.0	1.0	1.0
	disagree	11	3.8	3.8	4.9
	agree	157	54.9	54.9	59.8
	strongly agree	115	40.2	40.2	100.0
	Total	286	100.0	100.0	

The principle of transparency is observed by conveying all information to stakeholders, particularly on associated operations and conflicts of interest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	20	7.0	7.0	7.0
	agree	214	74.8	74.8	81.8
	strongly agree	52	18.2	18.2	100.0
	Total	286	100.0	100.0	

Systems have been set up for the resolution of conflicts of interest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	21	7.3	7.3	7.3
	disagree	79	27.6	27.6	35.0
	agree	153	53.5	53.5	88.5
	strongly agree	33	11.5	11.5	100.0
	Total	286	100.0	100.0	

The code is revised regularly and contains recommendations and suggestions.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	13	4.5	4.5	4.5
	disagree	82	28.7	28.7	33.2
	agree	162	56.6	56.6	89.9
	strongly agree	29	10.1	10.1	100.0
	Total	286	100.0	100.0	

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

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	40	14.0	14.0	14.0
	disagree	78	27.3	27.3	41.3
	agree	116	40.6	40.6	81.8
	strongly agree	52	18.2	18.2	100.0
	Total	286	100.0	100.0	

The management of the bank provides alert response to every issue.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	29	10.1	10.1	10.1
	disagree	66	23.1	23.1	33.2
	agree	162	56.6	56.6	89.9
	strongly agree	29	10.1	10.1	100.0
	Total	286	100.0	100.0	

The management of the bank develops individual values, institutional values and behavioral expectations to support the implementation of the goals, strategies and plans that are established for appropriate processes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	37	12.9	12.9	12.9
	disagree	93	32.5	32.5	45.5
	agree	131	45.8	45.8	91.3
	strongly agree	25	8.7	8.7	100.0

	Total	286	100.0	100.0	

The management of the bank regularly observes the implementation of policies and procedures and takes appropriate actions when employees break rules

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	11	3.8	3.8	3.8
	disagree	101	35.3	35.3	39.2
	agree	153	53.5	53.5	92.7
	strongly agree	21	7.3	7.3	100.0
	Total	286	100.0	100.0	

The management of the bank develops clear and flexible career paths and focus on career development and retention.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	42	14.7	14.7	14.7
	disagree	78	27.3	27.3	42.0
	agree	140	49.0	49.0	90.9
	strongly agree	26	9.1	9.1	100.0
	Total	286	100.0	100.0	

It is clear when, how and by whom decisions are to be made within appropriate processes at various levels in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	72	25.2	25.2	25.2
	disagree	37	12.9	12.9	38.1
	agree	158	55.2	55.2	93.4
	strongly agree	19	6.6	6.6	100.0
	Total	286	100.0	100.0	

Key executives of the bank disclose material interests in any transaction or matter directly affecting the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	4	1.4	1.4	1.4
	disagree	88	30.8	30.8	32.2
	agree	169	59.1	59.1	91.3

		Frequency	Percent	Valid Percent	Cumulative Percent
	strongly agree	25	8.7	8.7	100.0
	Total	286	100.0	100.0	

The audit committee monitors the integrity of financial statements.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.4	2.4	2.4
	disagree	7	2.4	2.4	4.9
	agree	216	75.5	75.5	80.4
	strongly agree	56	19.6	19.6	100.0
	Total	286	100.0	100.0	

The audit committee reviews the work plan of the external auditors and the internal auditors, and reviews the results of their work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.4	2.4	2.4
	disagree	19	6.6	6.6	9.1
	agree	229	80.1	80.1	89.2
	strongly agree	31	10.8	10.8	100.0
	Total	286	100.0	100.0	

Audit committee consists solely of independent outside directors.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	9	3.1	3.1	3.1
	disagree	28	9.8	9.8	12.9
	agree	226	79.0	79.0	92.0
	strongly agree	23	8.0	8.0	100.0
	Total	286	100.0	100.0	

Audit committee meets at least once every quarter of the year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	2	.7	.7	.7
	disagree	15	5.2	5.2	5.9

	agree	233	81.5	81.5	87.4
	strongly agree	36	12.6	12.6	100.0
	Total	286	100.0	100.0	

There is a Regulation on the Audit Committee approved by the Board

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	9	3.1	3.1	3.1
	disagree	20	7.0	7.0	10.1
	agree	207	72.4	72.4	82.5
	strongly agree	50	17.5	17.5	100.0
	Total	286	100.0	100.0	