

THE EFFECT OF CORPORATE GOVERNANCE ON ORGANIZATION PERFORMANCE: IN CASE OF ZEMEN BANK S.C

A THESIS SUBMITTED TO THE COLLEGE OF BUSINESS AND ECONOMICS OF ADDIS ABEBA UNIVERSITY IN PARTIALFULFILLMENT OF THE REQUIREMENT FOR MASTER OF SCIENCE IN MAGAGEMENT

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Statement of declaration

I Gashaw Alem, hereby declare that this thesis entitled “Effect of Corporate Governance on organization Performance of Zemen Bank s.c” is my original work and that has not been submitted fully or partially by any other person for award of any degree in any other institution.

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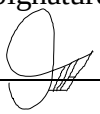
External Examiner Deribe Assefa (PhD)	Signature 	Date July 16/2026

Abstract

The main purpose of this study was to assess the influence of corporate governance practices on organizational performance.it assessed the effects of board size, composition of the board. Frequency of board meetings, and inferential design or an explanatory research design has been used, and the target population comprised all 438 employees of Zemen Bank S.C. a stratified sampling approach was employed, and data were collected through questionnaires. To be reliable 10 respondents of pilot testy at the head office were conducted. With Cranach's Alpha setup to check internal reliability.

A multiple regression model used to determine the association between dependent and independent variable .The study revealed that organization offers orientation and direction prior to board meetings members of the board received and prior to the decision made enough time allotted for discussion. The study further found that smaller boards tend to enhance firm performance, and gender-balanced boards contribute positively to organizational effectiveness. It was also established that decision-making during annual general meetings was prioritized to ensure smooth operations in the next financial year. Additionally, increases in board size, board composition quality, and meeting frequency were found to positively influence the performance of Zemen Bank S.C.

The study suggests that the chief executive officer and strategy formulation in the bank have to enhance corporate governance mechanisms and preserve the organizational performance. The study's offers significant for developing policy formulation, they serving as important information shareholders and top managers in both state owned and private commercial banks in Ethiopia. The study also provides a significant foundation for academics and researchers who fascinated in move on corporate governance theory and exploring developments in governance structures.

Key Words: Size of Board, Meeting of Board, composition of Board, Corporate governance, Organization Performance

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List of Acronyms and Abbreviations

ANOVA	ANALYSIS OF VARIANCE
BGD	BOARD GENDER DIVERSITY
BSZ	BOARD SIZE
BOW	BOARD OWNERSHIP
CAR	CAPITAL ADEQUACY RATIO
IQL	INDUSTRY RELATED QUALIFICATION
LER	LEGAL RESERVE
LEV	LEVERAGE
LIQ	LIQUIDITY RATIO
LOGBKS	LOG OF BANK SIZE
MEF	MANAGEMENT EFFICIENCY
NBC	NUMBER OF BOARD COMMITTEES
NBM	NUMBER OF BOARD MEETINGS
OECD	ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
ROA	RETURN ON ASSET
VIF	VARIANCE INFLATION FACTOR

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CHAPTER ONE

1, INTRODUCTION

1.1 Background of the Study

In the realm of today's competitive environment corporate governance become evolving concern of existing market situation which denotes to established rule and procedures as well as Enticements that company of the board directed and controlled. Corporate governance signifies the extent that organization running operation in transparent and accountable way for the general market assurance. (Gnawali, 2023) As noted by (Kumara and Walakumbura , 2020)the widespread belief that strong corporate governance enhances organizational performance and safeguards shareholder interests has drawn significant global attention. In contemporary years, both scholars and experts worldwide have shown renewed interest in the influence of robust regulatory frameworks and high-quality corporate governance systems on advancing sound managerial practices.

In Ethiopia's increasingly competitive business environment, corporate governance has become especially vibrant for medium and large organizations and has attracted significant public attention. Banks, in particular, frequently encounter uncertainties such as rapid advancements in products and processes, heightened emphasis on employee competencies, evolving service quality expectations, and workforce dynamics. To maintain strong position the market computation and familiarize the institution building strong corporate governance structure becomes essential. In every angle the action of an organization to moral conduct relating to various stakeholders determined by strong corporate governance.

The directive states corporate governance plays critical role in the financial sector mainly in the banking industry. Its serves maintain and enhance the trust worthiness, smoothly run the operational transparency, maintaining clear flow of communication across the concerned parts. Facts reflect that banking sector possess strong governance ethos(Onakoya, Ofoegbu, & Fasanya, , 2018)Among the most critical internal factors that affect the creditworthiness the bank are lack of effective governance through tackling supportive work environment that significantly affect employee engagement, According to Marcinkowska (2018), the primary objectives of corporate governance are to establish equitable, transparent and responsible business practice. The author notes that achieving this requires embracing corporate

democracy to ensure comprehensive stakeholder participation.

1.2. Statement of the Problem

Corporate governance encompasses an interface between organizational administration, board of directors, owners, as well as stakeholders. It creates arrangement that the company's objectives become clear, the strategies for realizing them are set, and performance is overseen and evaluated (Organization for Economic Cooperation and development, OECD, , 2018). Top management of financial institutions were accused to high level of failures specifically liquidity and corruption related practices (Baker & Anderson, 2019) policy and Procedures influence this bank corporate governance for the reason that regulators be concerned about business solidity; need to influence board of directors to performance to make sure that well-being besides reliability of the bank various restraints.

In the current computation of the market, with the numerous outstanding monetary and non-monetary outrages with regarding to bank board of directors and organizational performance concern, corporate governance becoming the critical and important it has become a key topic in all business forum agendas by paying high focus by paying attention and priority. In both advanced and developing country across the globe the studies of examining the relationship between corporate governance and firm performance have been conducted by many studies. (Hermuningsih, et al., , 2020)The mismanagement corporate governance particularly came from week and corruption culture that creates circumstance organizational structure.

The contests and failure of corporate governance in Ethiopia caused culture of corrupt exploitation and inadequate organizational structure to effectively build organizational norms and practice corporate governance code of conduct. Certain no of company president and CEO exploit lack of strict audit verification, engaging in misconduct since investors are excluded from governing structure. Rule and regulations designed to make sure that effective system of internal audit practice remain ignored through exemption, as is the thorough selection process for the CEO and board members.

Considering the Ethiopian perspective, practice of corporate governance become below the expected range relative to developed countries in South Asia however there are compulsory and constitutional issues enacted by governing authorities such as National Bank of Ethiopia (Banking Act Directive No.11 & 12 of 2007 & its amendments), Colombo Stock Exchange (Section 07 of Listing Rules) and Institute of Chartered Accountants in Sri Lanka (ICASL

Code of Best Practice) but, mostly suggested through voluntary practices.

Through engaging a board of directors, owners creates a governance mechanism through which they can exercise oversight of administrative behavior and confirm that the business is run aligned with their benefits. The board of directors accomplishes two key purposes: monitoring and directing. In its monitoring capability, the board oversees managerial actions to check that their decisions and behavior remain aligned with shareholder goals. In its directing capacity, the board deals informed supervision, guidance, and planned direction to management, mainly in relation to significant corporate decisions((Hann & Vlahu,)scholars employ a wide range of outside and inside corporate governance indicators to study effect on bank outcome; nevertheless results crossways findings remain unsatisfying (Ashenafi et.al.,, 2022)Whereas, prior practical research has explored relationship among corporate governance besides firm performance, substantial disagreement persists regarding the nature and extent of this effect.

As a result of this lack of consensus, multiple perspectives and differing governance mechanisms have been proposed to explain how corporate governance affects firm performance (Babatunde & Olaniran,)The findings of these studies reveal inconsistencies in both the significance and the direction of the relationships between governance proxies and bank performance. Consequently, the topic remains open for more inquiry to find the governance mechanisms which warrant particular attention.

A robust business area is essentially sustainable economic development, and sound corporate governance shows a critical importance in ensuring stability in addition to resilience of banking institutions.

As regards of the abovementioned studies, it became obvious that inadequate research has specifically studied the effect of corporate governance on organizational performance. Therefore, the thesis intentions to address this gap in the present body of understanding by evaluating the effect of corporate governance on the performance of Zemen Bank, thereby contributing further insights to the current literature .

1.3. Research Objective

1.3.1 General Objective

The main objective of the study is to investigate the effect of corporate governance on the performance of Zemen Bank s.c.

1.3.2. Specific Objective

- To assess the impact of board size on the performance of Zemen Bank S.C.
- To examine the influence of board composition on the organizational performance of the bank.
- To evaluate the effect of board meeting frequency on the organizational performance of Zemen Bank S.C.

1.4 Research Hypotheses

This study is guided by the following hypotheses:

H_{01}: There is no significant relationship between board size and the organizational performance of Zemen Bank S.C.

H_{02}: There is no significant relationship between board composition and the organizational performance of Zemen Bank S.C.

H_{03}: There is no significant relationship between the frequency of board meetings and the organizational performance of Zemen Bank S.C.

1.5. Significance of the Study

This study is expected to contribute significantly to both academic research and practical governance practices in the banking sector. First, it will serve as a valuable reference for future researchers by providing additional empirical evidence and insights into corporate governance practices and their impact on organizational performance in the Ethiopian banking industry. The findings will enrich the existing body of knowledge and support further studies in related fields.

Second, the study will help Zemen Bank S.C. better understand how board practices and governance mechanisms influence financial and operational performance. The results may assist the board of directors and top management in identifying areas that require improvement and in implementing appropriate corrective measures to strengthen the bank's governance framework and overall performance.

Third, the study will be beneficial to a wide range of stakeholders, including government authorities, regulatory bodies, investors, managers, employees, customers, business partners, and the general public. The findings may provide useful insights into the importance of effective corporate governance in enhancing organizational performance, promoting

accountability, and ensuring the long-term sustainability of banking institutions.

1.6. Limitation and Delimitation

Even though more than 30 private and state owned banks found in the country, study was confined in terms of geography, concept, and methodology. Geographically, the study is delimited to Zemen Bank s.c in Ethiopia that has been in operation. Conceptually, this study delimited to how organization performance is affected by corporate governance with specific core variables of board size, board meeting and board composition.

In cases such as in Ethiopia where there is no capital market even when it begins in the present year, the impact of the market for corporate control on corporate governance could be insignificant (Ashenafi et al. 2013), and thus, the study employed return on asset (ROA), a financial performance variable, which can limit the results of the research. Return on asset has been used as it reflects on profitability or earning power, and this is due to the fact that ROA reflects earnings for all providers of capital per dollar of total assets, total assets being equal to the sum of total liabilities plus stockholders' equity.

1.7. Organization of the Study

The study has been entail entire of four chapters'. Chapter one covers the background of the study, followed by statement of the problem, research questions, objectives, research hypothesis, scope significance and limitation of the study. Chapter two deals with literature review of various authors. Chapter three stated about research methodology and the methods of the research analysis, the way of the research questionnaire gathered the way sample has been carefully chosen and the data collected and further the tools deployed in the study. Chapter four discussed on data presentation and analysis of qualitative and quantitative data and the last chapter deals with findings, conclusion and recommendation are presented.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

Review of related literature consists of empirical reviews and theoretic perspectives associated studies and findings. Corporate Governance denotes with the practice of better managerial methods, of the, the common sense of veneration of laws and ethical behaviors which preserve and standing for the goodness for all and, adhering laws. Not only this but also own policy and procedures, internal audit system and uniform operation implements, accordingly align moral behavior with wealth distribution and good management to all the to ethical standards for effective management and distribution of wealth to all the shareholders, and Discharge of social responsibility for sustainable development of all stakeholders in line with this participate and engage in social responsibility for a whole stakeholders in order to become sustainable development. (Gnawali, 2023)

2.1 Introduction

Corporate governance deal with the system which used to make harmonize the coordination between stakeholders as well as managing and controlling the right path of company desired outcomes. The main purpose of corporate governance obsessed in investigating the way to reliable that their planed action meets goal. A strong and dynamic economy depends on a business organization that effectively transfers moneys from individuals having deposit to those with promising investment opportunities. This system is complex in both structure and function, consisting of a wide range of institutions such as banks, indemnity companies, shared capitals, and the stock all operating under government regulation. Because banks performance a intermediary in directing funds to borrowers who can use them productively, their activities are essential for maintaining the smooth and efficient functioning of both the business organism and the broader economy (Mishkin,, 2020)

According to (Hitt, Ireland & Hoskisson, , 2017), The application of organization performance and Major long-term companies strategic direction that create circumstance of keep shining and profitabity can be determined and controlled be serious of corporate governance mechanism. The basic key points of corporate governance concentrated with finding out opportunities and cultivating in the right way to drive into the strategic decision

becomes met their goal. Not only this but also serves the bridge which shows the hierarchical orders among boards and firm administrator. So, corporate governance comprising the rules, monitor, and encouragements established to deter scam centers on managing conflicts of interest and reducing their effect.

In most corporations, it is impractical for the owners to oversee operations directly, leading to a departure between proprietorship and controller. Shareholders particularly high share value significantly influencing the company through voting their own boards.

Then the highest authority of the company concentrated on the board director and president or chief executive officer. Among the function of board of director supervise the overall company performance of the company, setting range for chief executive officer compensation and other related benefits, set up policy and check the reliability and correctness of operational guidelines. So the highest level of authority on the company concentrated on the board even the right to assign and delegate executives.

The CEO is tasked with executing the policies and directives established by the board, ensuring the corporation operates according to their guidelines. Because various stakeholders within a firm such as shareholders, managers, and employees often have differing priorities, their interests can sometimes diverge, giving rise to what are known as agency conflicts (Hitt, Ireland & Hoskisson, , 2017)

According to (Monks & Minow, 2021),A corporation is a legal entity designed to allow various parties to combine their financial resources, skills, and labor in a way that benefits everyone involved. Investors are able to share in the company's profits without being held responsible for managing its operations. Likewise, managers gain the ability to run the business without having to personally supply the capital. To make this structure work, shareholders are granted restricted accountability and limited direct engagement on the organization daily activities. Their role includes, at least in principle, choosing the board of directors and relying on both administration and member of the board to act in their best interests through their fiduciary duties.

During the time of recruitment process of boards assign manager purposefully created principal-agent dynamic. Due to these factors the manager can apply their own expertise and making such big decision in return the principal pay incentives for the return of the big decision by manager. The owner need to have closely follow up the manager ,the assistance

and support extend to the manager creates the circumstance to protect both manager and the owner interest unless and other wise if the owner have limited control and oversee the manager the outcome will be not satisfying. its important for the owner to keep eyes on the manager and trucking continued success.

When the board of directors has no strong follow up the firm administering or inadequate supervision, the chive executive officer remains work of report just to show something but in reality the practice not aligned with the objectives. Because no any part of board asking for gate room for others. On the other hand the more active participation of board of director in oversight the work of manager.

The outcome will satisfy shareholders and all concerned parts (Hitt et al., 2017).According to (John & Lemma, 2018), in the realm of current market situation someone who own and establish company may lead by the owners. It's not visible that the separation of owner from the business. The guideline in which stakeholders place liability for chief executive officers. Effective running of the board of director arose from the three significances things. The board composition, size of the board and number of board meeting. The base of board leadership came from selecting teams among the board. Based on their appointment the properly leading an organization becomes essential.

Banking industry requires sound understanding and managing all functional units through corporate governance unless it exposed to compliance issue and other kinds of exploitation. its demands professionalism and passion to administer and run the organization when their long term goal is on the right truk.good governance can guaranty stakeholders being satisfied, their employee feels belongings and emotional attachment with the bank so the engaged well, maintaining the business consistency and overall profitability Poor corporate governance can manifest as managerial recklessness, unethical conduct, insider abuses, substandard facilities, and fragile oversight mechanisms (Obeten et al.,, 2024). Although governance is a shared responsibility across the organization, the primary duty lies with the shareholder board of directors and controllers, who are tasked with offering supervision to ensure the institution achieves its objectives (Levine,, 2024).

According to (Andres and Vallelado , 2018) A study on how internal and external governance mechanisms in reality have a lot of variation when compared to the developed country even some of financial principles doesn't work in the country so it impact the

performance of selected Ethiopian banks revealed several critical roadblocks. The reason including the high level of government involvement, lack of awareness on the part of the government, lack of capital market, no national standard, and inadequate protection of minority stakeholder, solving this problem will be critical because sound corporate governance will lead an increase infirm value and financial performance and quality of corporate governance across the country.

It's obvious that when there is strong governance there will have rising the value of share of firms as well as company performance.. According to (Yenesew, 2022) Strong corporate governance is directly tied to better financial performance in banking. Profitable financial performance could be the result of direct unwavering contribution of well-established and efficient governance practice.

Through properly functioning of risk and compliance system and attached engagement of the company the out came will be attractive. Because a single bank collapse can trigger a massive economic downturn, understanding the link between governance and performance is vital. Observing the trend of this critical relationship significance for fill the gap of practical was and made improvement. When things done right the trust become building, the more transparent and trustworthy environment build so everyone gats satisfied, from small depositor up to large investor increase more engagement.

2.2 Theoretical Review

2.2.1 Agency Theory

In Agency theory, in utmost circumstance companies established to build and grow the wealth of the owner. As per the order of owner Manager properly running the business is supposed to automatically look out for the owners' best interests. However, agency theory points out the obvious truth: people naturally look out for themselves when making decisions. To fix this, the theory helps create smart contracts between owners and managers, ensuring executives actually work hard to deliver the best results for the business (Crowther & Seifi, , 2021).

The agency theory views the relationship between shareholders and managers as the classical principal-agent relationship, in which owners hire managers to run the firm in the best interests of the former, while the latter is rewarded for their effort (Jensen and Meckling,2016; Hart2014; Sappington, 2013). The effort exerted and commitment to excel

on the operation highly determines performance and the risks involved, but the efforts of the agent are not fully observable to the principal, thus information asymmetry makes it difficult for the principal to measure the efforts made by and to correspondingly compensate the agent, which implies greater reward for the risk-averse agent due to less incentive to make effort (Sappington, 2019)

During the time of Current companies formed, its comes commonly separate of owner the wealth and control of the company or manager for the seek of administration. Most owners would love to run their own companies and administer all properties, even no trust to others, but big businesses today just need too much money for one person to handle. As companies grow, they outpace what a single owner can afford or manage alone. Because of this, owners have to hire executives to run things for them, turning the owners into principals. Executives take on this role as agents because they see a great opportunity to boost their own careers and bank accounts as their wealth continues growing and enjoying the return without being existed.

According to Alchian and Demsetz (1972); if every single shareholder had a vote on every corporate decision, the bureaucratic costs would be astronomical. It would give rise to a significant problem that affect the right decision, where many investors would have little incentive to thoroughly understand the issues, believing that any financial losses from poor decisions would be dispersed among a large pool of shareholders

For successful cooperation, smaller group of team leader have to be delegated to run the operation and on overseeing operations and strategic relationships. In this structure, shareholders still retain their influence but concentrate primarily on broader, long-term objectives.

They are authorized to organize management, design the organizational structure, and make necessary changes, including decisions related to the liquidation of the business. The true essence of Alchian and Demsetz model came from the justification they provided for making shareholding the principal profit driven decision making process.thier argument was not just on the basis of ownership right but was grounded mainly on economic efficiency.

According to the model, shareholders are the group best positioned to set the firm’s goals in a way that promotes efficiency, and they also possess strong incentives to see that these goals are actually met. This suggests that firms run by managers who operate without adequate

oversight are likely to be inefficient, because managerial interests often diverge from those of shareholders who seek to maximize profits. Therefore, to support efficiency and broader economic welfare, firms must adopt mechanisms that limit managerial discretion and align managers' motivations with the objective of maximizing profits ultimately increasing the company's market value (Dignam & Galanis, 2019).

(Jensen and Meckling , 1979)Mainly refer to an agency suggestion as a deal where a boss (the principal) hires someone else (the agent) to do a job for them the manager concentrated power to decide on the managing the company as well.. When both parties are strongly interested in work in collaboration, the manager needs to capitalize the strength and maximize the interest of both agent and managers. IN order to smoothly running the agent need to spend money on satisfying and controlling the agent..

Jensen and Meckling argue that, the interaction and association among shareholder and managers under this theory reflect classical agency relationship. In corporations, ownership is separated from control, which gives rise to the broader agency problem. This problem centers on the challenge of ensuring that an agent acts in a manner that maximizes the principal's welfare, even though their interests may not naturally align.

Point out that when decision-making power is spread out, it creates agency problems. You can fix this by separating management from control. In other words, the people who propose and carry out plans shouldn't be the same people who approve and monitor them. If you don't have these checks and balances, managers will naturally start making decisions that hurt the company's actual owners. A board of directors is the ultimate governing body for any organization where managers don't bear the financial risks of their decisions. The board's presence ensures a healthy separation between who proposes actions and who approves them. Implementing this division of power across the company is the best way to curb agency problems and protect shareholder wealth (Fama and Jensen, 1983)

A central challenge in the agency perspective is finding effective ways of assigning the right representative goals with those of the principal. Additional concerns involve reducing any conflicts as quickly as possible and determining how to balance the costs and necessity of monitoring against the advantages gained from separating ownership and control (Fama and Jensen, 1983)

2.2.2 Stakeholder Theory

According to Abrams's article of 1951 (cited in Yusoff & Alhaji, 2012) this theory focuses on stakeholder dynamics within an organization. It suggests that a company have to reconcile various stakeholder interest in every group achieves a baseline level of satisfaction.

According to Freeman (1984) Managers hold a fiduciary duty to stakeholders the individuals or groups who are directly affected by, or have a right in, a company's actions. Stakeholder theory argues that corporations must be run with these diverse interests in mind, requiring directors to exercise reasonable judgment and a duty of care when managing the company's affairs. According to Freeman, stakeholders are the groups that hold a genuine claim on a company. This category spans suppliers, customers, employees, stockholders, the local community, and even the managers who look out for them. Stakeholder theory places all of these groups on a level playing field rather than prioritizing one over the rest. Ultimately, every stakeholder has a valid interest in both how a company operates and what it accomplishes.

Stakeholder theory seeks to describe and guide how corporations are structured and operate. From a managerial standpoint, the theory implies that leaders must recognize the legitimacy of the varied interests held by different stakeholders and strive to address these interests within a mutually supportive system, as doing so is a moral basis for justifying managerial authority (Donaldson & Preston, 1995). Additionally, Wang and Dewhirst (1992) argue that stakeholder theory offers the most accurate explanation of how board members consider the concerns of different corporate groups

2.2.3 Stewardship Theory

Davis, Schoolman, and Donaldson (1997) "define stewardship theory as situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals." The core them of stewardship theory are managers motivated by stewards but not just achieving individuals or manager goal instead. The stewards serve as the motivational factor for achieving the principal goals. The has to be known that the steward shall align with the principal.in this theory there will consider that there is strong relationship between the organization success and principal. Sometimes the principals may be not aligned with the staward.during this steward place good value on

cooperation. And need to be achieving the common goal. Under this theory, the steward represents manager who works hard and tried to place the organization in good position as the shareholders have interest in supporting them. The trade of between organizational goal achievement and personal goal depends on steward.

In the theory, the model of man is based on a steward whose behavior is ordered such that pro-organizational, collectivistic behaviors have higher utility than individualistic, self-serving behaviors. Where the interests of the steward and the principal are not aligned, the steward places higher value on cooperation and seek to attain the objectives of the organization. This behavior in turn will benefit principals. Stewardship theorists assume a strong relationship between the success of the organization and the principal's satisfaction.

Main statement of this theory exists executives behave in ways that support and align with the interests of the principals. As a result, proponents of the theory emphasize organizational structures that enable and empower managers rather than those focused on oversight and governor. During the manager and owner/principal) commit to a stewardship relationship, it creates a genuine partnership aimed at maximizing the overall outcome of the team.

2.2.4 Resource Dependency Theory

This theory concentration is on how manager secure vital assets for company by aligning their network outside of the organization .required and essential resources directly pooled by the board of directors such as new expertise, managers ,policy makers, lawers,community advocacy team, new industry insight(Abdullah & Valentine,, 2009)

Pfeffer and Salancik (2003) believed as company naturally backed by external environment and mandatory to manage and utilize their resource efficiently. Along these lines, Pfeffer (1972) notes so as to minimalizing resistance by outsiders and mobilizing the necessary resource the board play significant role. e. Pfeffer (1972) finds that a firm's environmental needs directly reflects, board size noting that companies facing greater external interdependence require a higher ratio of outside directors. He concludes that "board size and composition are not random or independent factors, but are, rather, rational organizational responses to the conditions of the external environment." Building on this, Pfeffer and Salancik (1978) assert that boards

are actively structured to manage environmental dependencies and should mirror those external demands. According to Pfeffer and Salancik (1978, cited in Hillman et al., 2009), board of directors offers basically four primary objectives. First, they provide guidance. Second, communication path created by Finally, approve resource to access and lend it 5legitimacy.

2.2.5. Transaction Cost Theory

For studying corporate governance transaction cost economics is useful because it gives us a solid framework to examine contract disputes—like the ongoing friction between managers and shareholders. At its core, this theory focuses entirely on the "transaction." When we factor human nature into these deals, the theory assumes that managers will act opportunistically, designing company transactions to serve their own hidden agendas. (Williamson 1996, cited in Abdullah & Valentine, 2009).With regarding to the theory there are three core characteristics.

Equity governance structure among them residential claiming status belongs to the shareholder, corporation will have lifetime contract duration. And the third one the equity holder gates safer in the form of created and awarded by directors. According to this view, regarding to the company's investment policies board's primary role is to monitor management and review executive choices (Williamson, 1988, cited in Saravia & Chen, 2008).

According to the theory, bounded rationality ensures that whole multifaceted agreements will inevitably remain imperfect. Williamson's framework of A central component system that combines maintains such as a board of directors to curb opportunistic behavior. Implementation of such contractual safeguarding decrease the risk premium associated with any construction issue. Hence, an effective governance system reduces the cost of capital and ensures that the company finances its growth. These measures are essential in protecting shareholders' investments from potential expropriation.

Williamson defines opportunism as the pursuit of self-interest through deceptive practices, including deliberate attempts to mislead, manipulate, or create confusion This view suggests that we can expect managers to act opportunistically the moment a company's governance structure lets its guard down. Ultimately, this self-serving behavior is exactly what derails the goal of maximizing shareholder wealth, making it a serious component of entire theory

(Williamson, 1996, cited in Saravia & Chen, 2018)

2.3 Corporate Governance Mechanisms

In most scenarios commonly denotes any institutions or organization are ruled and managed by a serious of methods in order to attain their strategic and long term goals in the manner of preserving shareholder and other stakeholder's interest.

There two spectrums of corporate governance those are internal organization and external organization corporate governance. Internal corporate governance refers protecting and aligning with the public at large, clients interest, employees and management interest .whereas external corporate governance denotes the national bank mechanisms which control the overall

Commercial banks and regulate new directives the have sound financial system (Ben, Patrick & Caleb, , 2015). When corporate governance mechanisms are poorly designed or inadequately implemented, a firm's financial performance can be severely harmed. Agency theory offers a foundation for governing organizations by introducing both internal and external control mechanisms. These governance mechanisms are designed to ensure that the interests of owners and managers are aligned, reduce the chances of managerial self-interest, and protect shareholders' rights, thereby helping to address the agency problem Stronger financial performance typically translates from improved corporate governance (Manini & Abdillahi, 2015). These structures serve as essential oversight tools, aligning the goals of owners and managers while keeping a tight lid on agency costs. In the end, they make sure that management considers the interest of the stockholders first and foremost (Gebba, 2015).

Corporate governance can be divided into two categories; namely internal corporate governance and external corporate governance. These are the five important elements; namely role of board commissioners, executive compensations, capital structure and internal control policies discussed in Gillan (2006). Corporate governance is also influenced from the external environment, which includes factors like legislation, regulations, markets, accounting systems and other external controls. (cited in Dharmastuti & Wahyudi, 2013).

In the financial sector, governance mechanisms refer to the way a bank's internal systems, processes, and day-to-day operations are supervised and managed. According to Al-Amarneh (2014), Effective governance involves managing assets and resources in a way that not only enhances shareholder value and satisfaction, but also promotes strong accountability,

efficient allocation of resources, and transparency in administration.

2.3.1 Internal Governance Mechanisms

Effective governance relies on maintaining a proper balance among the three key parties: shareholders, board members, and management. At the same time, the company must honor its financial promises and wider responsibilities to all of its stakeholders. Ultimately, while the board of directors is elected to look out for shareholder interests, various legal mandates and voluntary guidelines mean they often have a duty to other stakeholder groups as well. Sound governance depends on its directors fulfilling of statutory obligation to supervise executive administration, protect shareholder interests, and ensure regulatory compliance (Salim et al., 2016). A board's underlying motivation and capacity to guide managers are often shaped by its specific characteristics, such as size, composition, and general functioning. Ultimately, banks with highly effective oversight and advisory structures are better governed, which directly translates into greater long-term stakeholder worth (Andres & Vallelado, , 2008)

Though contributing specialized knowledge plus expertise, the board plays a pivotal role in shaping and executing corporate approach. Additionally, directors fulfill an essential monitoring function by requiring management to justify its proposed actions and provide data-driven rationales for its strategic choices (Fernandes et al., 2017).(According to Madhani , 2017)The ultimate objectives of outperforming governance are an held responsible board that keeps investors' interests from being compromised. Frequently described as the backbone of corporate governance, the board is the most vital internal tool shareholders have to keep tabs on management.

By overseeing and incentivizing top executives, directors help cut down on agency costs and keep the company focused on building shareholder wealth. Researchers widely recognize four primary board responsibilities: control, strategy, resource provision, and advisory support. The control function entails the board's legal duty to oversee ongoing and preventive operations, which involves monitoring key business decisions, corporate planning, and executive performance. In its strategic capacity, the board guides and supports management in achieving organizational goals by contributing to strategic planning, in enhancing deliberations and sharpening decision making process. Processing the role of resource

provision relates more to securing some very important network and resource, managing relationship among stakeholders and helping to meet conflicts between different parties.

The agency theory proposes that the manager self-interests can prevail by being irresponsible, pursuing benefits, and taking actions that do not reflect the maximization of company values as suggested by fama(1980,cited in salimet al.,2016). The solution to this problem involves supervision and management of managers by board of director in order to reconcile their objective with the interest of shareholder. various system can be used for safeguarding stakeholder interest such as number of board members, gender composition of the board, and educational level of director (Stephen et al.,2015).These are some important aspects chosen as they play an instrumental role in supervising and advising corporation heads to lead corporations for shareholder benefit (Akpan & Amran, 2014).

As per Puni, 2015, "corporate governance entails the role of the board of directors, and such has a legal obligation to ensure protection of the rights of shareholders."

The board does this by making decisions regarding the strategic planning of an organization and developing effective control structures through the use of expertise of all its members. Nonetheless, the efficiency of a particular board depends significantly on the dynamics within the structure in terms of the size, diversity, composition, and performance of committees within the board (Uadiale, 2010, as cited in Stephen et al., 2015).The Corporate Mechanism which is to be explained further in the following paragraphs rests on the basis of the significance of, considering the theoretical context of the financial sector of the country, through empirical studies conducted not only in Ethiopia but also across other nations globally. In order to protect the financial system from being unstable, the National Bank of Ethiopia issued Directive No. SBB/62/2015.

2.3.1.1 Board Size

Board size refers to the total number of directors on a board. Although increasing the number of members improves the ability of the board to monitor, this advantage may be outweighed by inefficient communication and slow decision-making in large boards (John & Senbet, 1998).). Consequently, oversized boards can become unproductive and prone to communication breakdowns, leading to a "free-rider" problem among directors (Alam & Akhter, 2017). Jensen (1993, as cited in Liang et al., 2013) This is reiterated further in that it

claims that large boards face coordination and control problems, which result in inflexibility and give too much power to the CEO..

Board size may affect firm performance in both positive and negative ways. For example, a large board will always face issues related to poor coordination and communication, leading to agency problems and negatively affecting firm performance. On the other hand, a board's increased size will bring diverse experts in different areas according to the resource dependence theory, which will eventually result in good governance (Eisenberg et al., 1998; Kiel & Nicholson, 2003 as cited in Salim et al., 2016).

According to Lipton & Lorsch (1992 as cited in Uwuigbe & Fakile, 2012), small boards perform better than large boards, which face difficulties in coordinating. They argue for a maximum of ten board members in order to be effective with eight or nine being the perfect number. Though it recognizes that more board members would make for better monitoring opportunities, they state that such a number results in slow decisions and evaluation, as well as poor risk-taking.

2.3.1.2 Board Gender Diversity

Several theoretical perspectives state that through the process of involvement, new ideas, insights, and holistic approaches can be gained to ensure that the strategy formulation is free from biases. Through this, the whole strategic planning process is expected to achieve its intended goals. According to (Low et al. (2015) and Adams and Ferreira (2009) cited in Agyemang-Mintah and Schadewitz , 2018)) “Gender diversity strengthens board oversight by bringing in fresh perspectives.

When women join a board, they often introduce new viewpoints that challenge the status quo and push back against conventional management practices. Stakeholder theory suggests that companies thrive when they look out for all their stakeholders, not just shareholders. Diversifying the boardroom to include female directors ensures the leadership team actually reflects and respects those broader expectations”.

According to (Daily & Dalton (2003) and Julizaerma and Sori, (2012) cited in Wagana and Nzulwa (2016),, 2016) women bring distinct perspectives, experiences, and working styles that significantly enrich boardroom deliberations. When paired with strong communication and listening skills, these unique attributes drive stronger organizational performance. Supporting this view, Bart and McQueen (2013) found that female directors enhance overall

decision-making quality, ultimately leading to higher financial returns, good compliance handling, and minimum bankruptcy rates.

According to (Daily & Dalton (2003) and Julizaerma and Sori, (2012) cited in Wagana and Nzulwa, 2016) cooperate. They argue that the friction arising from a gender-diverse board can slow down decision-making, as processing diverse viewpoints and resolving disagreements requires significant time and effort. Furthermore, increased boardroom diversity may elevate the risk of misunderstandings, ambiguities, and strategic errors during the decision-making process.

2.3.1.3 Industry Related Qualification of Board

When bank directors directors possess advanced educational possess advanced educational qualification, it is advantage for all the member of organization. This will ensure that they will be more receptive of innovative and intelligence decision when it comes to strategies. In the end high qualified leaders continue to the performance of the bank by improving its reputation and credibility

(Olani & Berhanu, , 2015)

The board is highly significant when it comes to determine implementing an effective business strategy since the board member contributes their unique business knowledge and experience. Whereas qualification came from writing essays; Experience can be achieved through means as well.in order to ensure that the board is consistently with the company strategy, the board should consist of different director who have extensive background in business (Madden,2017).

It's evident from the resource dependency theory, which point out the significance of board members securing vital resource for the company. (Hillman, Cannella, & Paetzold, 2000, as cited in Abdullah & Valentine, , 2009)

2.3.1.4 Board Ownership

Concentrated ownership is effective in closing the agency gap between owner and managers. Through such a move, interest is aligned, and there is need for extra resource to be spent in monitoring which lead to better performance and productivity. (Al-Amarneh, 2014).Levine 2004, 2004)Notes determined possession is an integral aspect of corporate governance that helps align the interests of the leader to reflect the objectives of the stakeholders. Since major investors have great deal of stakes involved. They are quite determined to collect relevant

information about the performance of the company the activities undertaken by the management.

They are well placed to have their own people sit the board since they have enough votes to achieve that and this way neutralizing any attempts by the management to exercise unilateral control (Jensen and Meckling 1978, 1978). Indicate that outside investors are well aware of the fact that manager will sometimes consider their personal interests. So they have to such risk factors into consideration while setting the price of stocks. Therefore, willing to pay less as they expect to bear future adding expenses and consequence of self-interest of the management.as noted by.

(Jensen and Meckling 1978, 1978)Their research work, the important contribution of Berle and Means (1933) and Shleifer and Vishny (1986) highlighted one significance drawback of diffuse ownership. Such form of organization seriously hampers the power of stakeholders to exert control over decision made by the executive committee.at the same time; they proposed the superior model of monitoring through concentrated ownership. In such situation, while block holders provide protection for minority equity holder, excessive ownership can also cause very negative effect of expropriating minority stockholders. (Elbannan and Elbannan, 2014)

2.3.1.5 Number of Board Meetings

As per agency theory, board activity level measured by the number of meeting held by the director is considered an effective proxy for monitoring intensity. holding regular suggestive of active monitoring an impacts of effective corporate governance that subsequently affect the performance of companies Berle and Means (1933) and Shleifer and Vishny (1986).meeting are considered collaborative platform where director discuss matters, strategize common objective, oversee the activity of the executive management.

According to this perspective, having regular meeting lead to the emergency of an active and proactive board which helps in exercising better control over managers and offering effective advice to them. Resulting in better performance of bans.

On the other hand, holding frequent meeting may imply a reactive board which holds urgent meetings to sort out any problem that has emerged within the firm or to improve its declining performance.in either case, what really determined if the board activity is cause for performance or failure is yet to be empirically proven (Andres & Vallelado, , 2008) (Jensen

(1993) cited in (Salim et al., 2016).there also another school of thought which says that frequent meeting are not all the beneficiary due to the fact that tight directors no time to indulge in discussion among each other and also with in the management.

Jeson also support this view and states that since the CEO decide the agenda, most meetings end up being busy with routine work leaving little scope for the director to indulge in effective monitoring of the CEO and his dicision.it is thus evident from this discussion that most of the time the board of directors keep responding to various issues rather than participating in them.

2.3.1.6 Number of Board Committees

(Fama and Jensen , 1983)) proposing that specialized committees are formed to address any conflict of interest between the agencies and assess policy issues at a reduced cost compared to that incurred through the involvement of the entire board. It is worth noting that the effectiveness of a board, in general, lies in the ability of these sub-committees. In the case of banks, the need for such committees becomes even more pronounced due to the dual effect of regulation and complexity of operations.

The real strength of these committees lies in their ability to exercise influence because they are the main source of driving decisions made by the board members and managers. (Salim et al.,, 2016) Through the formation of specialized committees, it becomes easier to evaluate significant capital allocations while at the same time monitoring executive performance. (John & Lemma, , 1998).

According to (Klein (1995, as cited in John & Lemma, , 1998)), It is for this reason that delegating specific roles to the subcommittees works to improve efficiency in terms of the dual responsibilities held by the board in the form of advisory and oversight. For this to be done successfully there needs to be clarity in terms of the different responsibilities held by the separate committees. Overall, board effectiveness depends highly on internal processes such as this.. (Puni, , 2015)

2.3.1.7 Management Efficiency

Effective leadership is essential to the performance of banks. Effectively, managerial effectiveness measures how well the administration manages the dynamic environment, creates opportunities, and defends profitability. The bottom line here is that it comes down to performance. It all comes down to whether an executive team can extract the most from

revenue opportunities and cut costs like nobody's business. Understanding what makes an institution successful and being able to identify the root cause of such success becomes one of the main concerns of managers.

Therefore, determining the reasons behind better business performance and applying corresponding strategies to management becomes essential. The success of any team's decision-making is highly dependent on the data that the organization uses, and the best way to obtain such data is to create performance measures. (Ishaq, Karim, Ahmed, & Zaheer, , 2016) Within the efficient- Structure framework, the X-efficiency hypothesis posits that superior managerial quality and optimized internal practices enable banks to strictly minimize costs and maximize revenue.

By driving operational waste out of the system, effective management pushes the institution closer to the frontier of the best-practice, lower-bound cost curve. (Jeon & Miller, 2005). Broadly defined, management efficiency encompasses a bank's capacity to maintain regulatory compliance, navigate shifting economic landscapes, and deploy robust leadership capabilities across its operations. (Misra & Aspal, 2013).

Jensen and Meckling (1976) operational costs and perks enjoyed by the management team. The essence of this typical agency problem is that managers tend to use business funds for their own benefits rather than generating value for the stockholders. Under transaction cost theory, the board has a review and control relationship with the firm's managers because they are opportunistic and structure firm dealings in their favor. Williamson (1988) cited in Saravia and Chen (2008).

Management efficiency serves as a primary metric for evaluating leadership quality, specifically analyzing an administration's capacity to drive revenue growth and optimize profitability. In financial institutions, a elevated cost-to-income ratio indicates a fundamental breakdown in this efficiency, serving as a direct indicator of weak productivity and operational strain. (Ishaq et al. 2016).

2.3.2 External Governance Mechanisms

Mandatory statutory requirements and regulations act as an external system of governance and serve to make competing firms function in line with the same level of fairness, transparency, and accountability. As opposed to relying on luck when conducting business,

such regulations offer protection to various stakeholders ranging from investors and customers to labor and environmental issues. A well-defined legal and regulatory system successfully controls the entire life cycle of organizations – from entering to exiting the market. (Babatunde & Olaniran,, 2009).

An effective management is very important for achieving good performance levels from banks because it ensures their stability. Efficient management is indicated by the extent to which the administration of a particular organization responds to changes in their environments and proves that they can make profits from their activities. An efficient management implies a capability of a bank to achieve either higher profits or lower costs. The major problem for managers is to understand what makes good performance

It is imperative to know where superior results emanate from and implement appropriate management techniques. The effectiveness of performance management rests to a great extent on the reliability of information available, since measuring performance gives an indication of areas that need to be improved. (Fama and Jensen, 1983, 1983)

Although central banks and financial regulatory authorities allocate considerable resources for systemic monitoring, internal controls alone cannot guarantee good corporate governance. Internal controls need to be complemented with external oversight systems that are very important in dealing with agency problems within the banking system. The inherent dangers associated with the banking system necessitate a regulatory system aimed at protecting deposits and ensuring public confidence. For emerging nations such as Ethiopia, where there is no active capital market, this market for corporate control can no longer function as an effective discipline for corporate governance purposes.

Thus, external governance will necessarily have to come from regulation by the state through central banks..

As such, through public supervision, as an outside corporate governance approach, state bodies are enabled to regulate banking through the use of legislations. This is achieved through the use of central banks which monitor a set of prudential ratios in each individual bank. (Fama and Jensen, 1983, 1983)

The core of financial supervisor issue is become Bank examination. Solidity of financial operation running should be assessed; rule and regulation of the central bank have to be adhered. This supervisory oversight spans a broad regulatory spectrum, dictating everything

from internal corporate governance frameworks and risk management protocols to strict capital and reserve adequacy benchmarks. From a regulatory perspective, these capital mandates serve as a vital buffer to absorb unexpected institutional shocks. “For a central bank, capital requirements (the minimum capital that each bank needs to have to buffer against unexpected losses) and reserve requirements (the minimum reserves that each bank needs to hold against deposits to meet liquidity demand) are among the key regulations it can use to ensure the safety and soundness of commercial banks’ operations’’ (Moenjak, , 2014)

2.3.2.1 Capital Adequacy Ratio

Basically the flow of information across all functional units, Varity of selection, and ethical hazard are factors why governments choose the form of banking regulation. Moral threat in equity contracts is known as the principal–agent problem, because managers (the agents) have less incentive to maximize profits than stockholders (the principals). “Bank regulations that restrict bank capital requirements are directed at minimizing moral hazard. Risk-based capital condition is one form of bank capital requirements”((Mishkin, , 2004)" (Mishkin, , 2004) Capital adequacy, often framed as regulatory capital, dictates the capacity of a commercial bank to maintain an equity buffer proportional to its risk exposure.

Rather than matching total assets dollar-for-dollar, these regulatory reserves are calibrated to absorb unexpected operational losses and insulate the institution from insolvency. Finally, tracking these metrics allows oversight authorities to gauge whether a bank is maintaining a prudent risk profile or engaging in speculative investments that increase default risk. (Yonas, Hamdu, & W/Michael, 2015).Capital adequacy, often framed as regulatory capital, dictates the capacity of a commercial bank to maintain an equity buffer proportional to its risk exposure. Rather than matching total assets dollar-for-dollar, these regulatory reserves are calibrated to absorb unexpected operational losses and insulate the institution from insolvency.

Ultimately, tracking these metrics allows oversight authorities to gauge whether a bank is maintaining a prudent risk profile or engaging in speculative investments that increase default risk.(Echekoba, Egbunike, & Ezu,, 2014). Capital adequacy, often framed as regulatory capital, dictates the capacity of a commercial bank to maintain an equity buffer proportional to its risk exposure. Rather than matching total assets dollar-for-dollar, these

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2.3.2.2 Liquidity

Capital adequacy, often framed as regulatory capital, dictates the capacity of a commercial bank to maintain an equity buffer proportional to its risk exposure. Rather than matching total assets dollar-for-dollar, these regulatory reserves are calibrated to absorb unexpected operational losses and insulate the institution from insolvency. Ultimately, tracking these metrics allows oversight authorities to gauge whether a bank is maintaining a prudent risk profile or engaging in speculative investments that increase default risk. (Somashekar, , 2009)

The recent worldwide financial crisis was an eye-opener to the fact that bad liquidity management could cause a lot of harm to a bank. Although the recent crisis has brought the importance of liquidity into sharp focus, it has also been a reminder of the age-old problem in banking where a surplus of cash could deprive a bank of making better profits elsewhere. This means that the banks always have a difficult balancing act because they need to keep some liquid assets to ensure their safety at the same time as ensuring profitability to guarantee survival. Here, the bank needs to find the right point between safety and efficiency to ensure success (Marozva, , 2015) As per asset management theory, the most important goal of any bank is to earn profits and reduce risks. However, what makes it difficult for banks to accomplish these objectives is the conflict among the three. It has been seen that liquid assets tend to be unprofitable investments, thereby forcing the banks to incur losses in case a lot of capital is invested in such assets. The ability of a bank to discharge its short-term

financial liabilities can be achieved if there is sufficient liquidity in the banking system. But, under trade-off theory, banks never hold excess cash; instead, they aim at achieving a threshold of liquidity that strikes a balance between risks and costs.

Maintaining cash reserves provides two primary advantages to a bank. First, it minimizes the transaction costs typically incurred when selling off other assets to settle immediate payments. Second, it serves as a critical internal funding buffer, allowing the institution to finance ongoing operations and seize investment opportunities when external capital becomes either unavailable or prohibitively expensive. (Edem,, 2017)).

National Bank of Ethiopia under Under Directive No. SBB/57/2014, commercial banks are legally required to maintain a minimum liquidity ratio of 15% against their net current liabilities. This regulatory floor is designed to safeguard financial stability and uphold public trust across the banking sector.

2.3.2.3 Legal Reserve

Central bank, being the regulator, creates rules and regulations to ensure that banks do not face operational instability. One such rule created by the central bank is the reserve requirement, which requires that all commercial banks keep aside a certain proportion of their deposits in reserves. Not only does this ensure the creation of a safety net for the depositors, but it also provides the central bank with an important tool for regulating the money supply..

Due to the fact that banks historically have kept their reserves in the form of cash or balances with the central bank, these can act as a fall-back option in case there is an immediate need for funds. This approach, however, is very inefficient. Cash that remains idle earns no income, which means the bank loses on two fronts the foregone income plus the actual costs of managing cash.

Placing reserves at the central bank or storing cash in the vault gives financial organizations an immediate buffer for sudden cash flow shortages. However, even as this practice is helpful operationally, it comes with considerable costs. This is because since there is no earning interest on such idle funds, the bank loses on the opportunity of making profits from such funds as well as the cost incurred in securing the money... (Moenjak, 2014).

Apart from their defensive purposes, statutory reserve requirements have traditionally been

used as the fundamental tool of monetary control. Increasing reserve ratios decreases the amount of credit that can be extended by banks since there is less room available to issue profitable loans because the money must be kept aside. Therefore, the reduction of credit flows results in a decrease in general economic activity. However, decreasing the ceiling reserve ratio allows for more funds to be released.

National Bank of Ethiopia under its directive no. SBB/55/Under the 2013 regulatory framework, commercial banks are required to maintain a mandatory reserve balance equal to 5% of their net deposit liabilities at all times. This statutory requirement serves a dual purpose, functioning simultaneously as a monetary policy instrument and a key tool for prudential regulation.

2.4 Empirical Review

Various summaries of empirical studies presented under thesis section; the detail review is presented subsequently;

Board Size

It can be seen that various researchers, like Manini & Abdillahi (2015), Assefa & Megbaru (2014), and Ashenafi et al. (2013), have found out that an increase in the board size results in a considerable drop in the performance of banks. This relation is also evident from the study conducted by Orazalin et al. (2016), Liang et al. (2013), and Firehiwot (2015

On the other hand, there is another set of studies in which the effect of board size on ROA is shown to be negative and insignificant, as is the case with findings from Rao and Kidane (2016), Olani and Berhanu (2015), James and Joseph (2015), Kibrysfaw (2013), and Yenesew (2012). On the contrary, there is yet another stream of literature where board size leads to positive and significant results. These claims are supported by studies conducted by Abdulazeez et al. (2016), Andres and Vallelado (2008), Malik et al. (2014), Al-Amarneh (2014), and Salim et al. (2016). While the relationship between board size and performance in banking is found to be positive yet statistically insignificant by such scholars as Bussoli et al. (2015) and Elbannan & Elbannan (2014), some researchers find that the link is purely neutral. For example, in their study, Ben et al. (2015) claim that board size does not matter for bank performance at all.

Board Gender Diversity

Research findings by Stephen, Djan, Bawuah, Halidu, & Kuutol (2015); Akpan & Amran

(2014) ‘‘reveal that there is negative segneficant effect between board gender diversity and return on asset.” On the other hand, research done by Olani & Berhanu (2015); Rao & Kidane (2016); Kilic (2015); Ekadah & Mboya (2011); Liang, Xu, & Jir

Industry Related Qualification

According to Olani and Berhanu (2015), Industry-related qualifications have a positive and significant impact on bank performance. On the other hand, Pereira and Filipe (2015) discovered that there is an insignificant and negative relationship between industries related qualifications and bank performance.

Board Ownership

According to Assefa & Megbaru (2014) and Al-Amarneh (2014), the finding is "a significant and positive effect of board ownership on bank performance". However, Orazalin et al. (2016), Salim et al. (2016), and Abdurazak (2017) reported "an insignificant but positive effect". The finding from Olani & Berhanu (2015) and Elbannan & Elbannan (2014) indicates "negative and significant effect of board ownership on bank performance". According to Kibrysfaw (2013), there is "negative and insignificant effect of board ownership on bank performance"”

Number of Board Meetings

There is empirical evidence, from studies carried out by Olani & Berhanu (2015), Assefa & Megbaru (2014), and Firehiwot (2015), indicating a positive and significant relationship.

The positive correlation is also supported by the work done by Liang et al. (2013) and Salim et al. (2016). Contrary to the aforementioned studies, Andres & Vallelado (2008), as well as Abdurazak (2017), indicate that there is only a small connection between meeting frequency and performance since the relationship ends up being insignificant. On the other hand, Malik et al. (2014) show that board meeting frequency has a negative effect on performance..

Number of Board Committees

There is empirical evidence, from studies carried out by Olani & Berhanu (2015), Assefa & Megbaru (2014), and Firehiwot (2015), indicating a positive and significant relationship.

The positive correlation is also supported by the work done by Liang et al. (2013) and Salim et al. (2016). Contrary to the aforementioned studies, Andres & Vallelado (2008), as well as Abdurazak (2017), indicate that there is only a small connection between meeting frequency and performance since the relationship ends up being insignificant. On the other hand, Malik

et al. (2014) show that board meeting frequency has a negative effect on performance..

Capital Adequacy Ratio

There is a robust consensus among several scholars that the capital adequacy ratio (CAR) exerts a positive and statistically significant influence on return on assets. This positive trajectory is thoroughly documented by Ashenafi et al. (2013), Ben et al. (2015), and Elbannan and Elbannan (2014), with further empirical backing from Ongore and Gemechu (2013), Liu and Pariyaprasert (2011), and Yonas et al. (2015).

Conversely, a few researchers report a completely opposing dynamic; James and Joseph (2015) alongside Kibrysfaw (2013) establish that this relationship is actually negative and significant. Adding a final point of contrast, Echekoba et al. (2014) determine the downward impact to be statistically negligible.

Legal Reserve

Empirical findings regarding the role of legal reserves point toward a general drag on financial outcomes, though scholars disagree on its magnitude. Research by Abid and Ladhi (2015), Kibrysfaw (2013), and Abdurazak (2017) establishes a clear, negative, and significant correlation with return on assets. Conversely, Ben, Patrick, and Caleb (2015) present a much weaker connection, identifying an inverse relationship that lacks statistical significance.

Liquidity

Empirical findings regarding the influence of liquidity on banking performance remain divided. On one hand, several studies establish a clear, positive correlation with return on assets (Echekoba et al., 2014; Ferrouhi, 2014; Lukorito et al., 2014), though Ongore and Gemechu (2013) characterize this upward

trend as entirely insignificant. On the other hand, evidence of an adverse relationship exists. A significant negative effect is reported by Elbannan and Elbannan (2014), Liu and Pariyaprasert (2011), and Yonas et al. (2015). This contrasts slightly with Abdurazak (2017), who also observes a negative impact but deems it statistically insignificant.

Management Efficiency

However, the empirical evidence concerning the impact of legal reserves indicates a universal detrimental influence, despite disagreements concerning its degree among academic researchers. According to the works of Abid and Ladhi (2015), Kibrysfaw (2013),

and Abdurazak (2017), the effect is evidently negative and statistically significant when measuring the return on assets. In contrast, Ben, Patrick, and Caleb (2015) show a rather insignificant link between the two factors

Empirical Review in Detail

Focusing on an environment lacking an organized stock exchange, Ashenafi (2013) investigated how inside and outside corporate governance mechanisms influence commercial bank performance. To analyze the data, the researchers applied a multivariate random effects regression model to a seven-year dataset spanning nine Ethiopian banks, comprising seven private and two state-owned institutions

Financial performance was measured using (ROA) and (ROE) as primary dependent variables. Conversely, the model's independent variables comprised board size, the presence of an audit committee, capital adequacy ratio (CAR), loan loss provision, capital ratio, loan-to-deposit ratio, and the square of the capital adequacy ratio.

The empirical findings reveal that the capital adequacy ratio exerts a positive and statistically significant influence on ROA. Significant at the 5% level. Furthermore, both board size and the presence of an audit committee are statistically significant at 5%, exerting an adverse impact on ROA. Conversely, neither the loan loss provision nor the loan-to-deposit ratio appears to have a meaningful influence on overall banking performance. Notably, the squared term of the capital adequacy ratio is highly significant at the 1% level, displaying an inverse relationship with ROA.

(Abdulazeez, Ndibe and Mercy , 2016) This paper examines the effects of governance structures on the performance of banks in Nigeria. Using data obtained from fifteen sample banks within a seven-year period, the research adopts the method of regression analysis in assessing some important independent variables such as board size, board structure (which is evaluated using the number of non-executive directors...and other related measures like CEO duality and the existence of an dependent variable.

The regression results indicate that board composition has a negative and statistically insignificant association with bank performance, whereas the audit committee demonstrates a positive yet insignificant relationship. In contrast, board size exhibits a positive and statistically significant impact at the 5% level, suggesting that larger boards contribute meaningfully to improved performance among the sampled banks

(Manini and Abdillahi , 2015) Investigated how corporate governance mechanisms influence profitability across a cross-sectional sample of 42 banks over a one-year period. Utilizing multiple regression analysis, the study evaluated the relationship between return on assets (ROA) as the dependent variable and three core independent measures: board size, board gender diversity, and audit committee size.

The regression analysis indicates that neither board gender diversity nor audit committee characteristics share a statistically significant relationship with bank profitability.. The empirical results reveal an inverse and statistically significant linear relationship between board size and banking performance. Conversely, while board gender diversity also shares a negative linear trajectory with financial outcomes, this correlation is ultimately statistically insignificant.

(Bussoli, Gigante, and Tritto , 2015)Investigated how corporate governance affects bank performance and loan quality across a sample of 48 Italian banks over a three-year period. Utilizing a multivariate ordinary least squares (OLS) regression model, the study evaluated return on assets (ROA), return on equity (ROE),

and the non-performing loan (NPL) ratio as dependent metrics. These were tested against a set of independent controls, including board size, the presence of female directors, and the total number of board committees.

The empirical results indicate that neither committee volume nor overall board size exerts a meaningful influence on banking outcomes. Specifically, the relationship between the number of committees and bank performance is negative but statistically insignificant, while board size shares an equally insignificant but positive trajectory with performance metrics. The empirical results indicate a positive but statistically insignificant relationship between the presence of female directors and bank performance. Conversely, bank size which was incorporated into the model as a control variable demonstrates a statistically significant, negative correlation with return on assets.

Olani and Berhanu (2015) investigated the core determinants of financial performance among Ethiopian commercial banks, focusing specifically on internal corporate governance practices. A six-year dataset from 10 sample banks (eight private and two state-owned) was compiled for the study.

The regression models test two dependent performance metrics return on assets and return on equity against a diverse block of independent variables. These independent measures consist of board size, meeting frequency, the ratio of female directors, directors' qualifications in business or banking, CEO pay, shareholder volume, ownership dispersion, and the presence of dedicated audit and risk committees. The models also control for leverage and ownership type.

The study applied multiple linear regression analysis to the panel data. Based on the parameter coefficients, return on assets (ROA) is positively and significantly influenced by the frequency of board meetings, the proportion of directors with prior banking experience, the existence of a risk management committee, and bank leverage. Furthermore, directors' qualifications yield a significant positive relationship with overall financial performance, whereas ownership dispersion demonstrates a significant negative association. In contrast, board size, female board representation, and the presence of an audit committee fail to reach statistical significance, displaying negative, positive, and negative trajectories respectively

(Ben, Patrick and Caleb , 2015) Evaluated the impact of corporate governance and operational metrics on the performance of Nigerian deposit money banks over an eight-year timeframe. In the regression approach, return on assets was treated as the dependent variable while the independent variable matrix included the size of the board, audit committee, capital adequacy ratio, loans-to-deposits ratio, non-performing loans ratio, liquidity ratio, rate of commercial loans by deposit money banks, and cash reserve ratio.

Regression analysis was conducted using OLS method for the pooled panel data. It can be observed from the above table that capital adequacy ratio and the rates at which deposit money banks lend are significant determinants of their performance since they have positive influence on ROA. The other determinants of performance which are not statistically significant include the loan to deposit ratio and cash reserve ratio since they have negative influences. Further, it can be seen that the size of the board does not affect the performance while the presence of audit committee influences the performance positively.

The investigation was conducted to understand the influence of composition of boards in the Portuguese banking industry. With an analysis of 32 banks within a period of five years, the effects of educational qualifications of the board members were analyzed to see whether these affected financial performance measures such as ROA and ROE (Pereira and Filipe,

2015).

However, according to regression results, there was no significant effect of education on ROA for the banks. This suggests that a board's collective education level does not meaningfully drive asset profitability. The coefficient for the variable is however significant and influences the banks' return on equity. In a study conducted by Rao and Kidane (2016), the authors explored... According to a 2016 study by Rao and Kidane..Assefa and Megbaru (2014)

Studied that the bank financial performance have been significantly affected by the governance mechanism, of corporates and they tend to categorize various factors that affect bank performance as well. The information gathered from respective 8 banks for the period of 8 year for the purposed of conducting this study the dependent variable of panel data has been pooled from the panel data. ROA; ROE and, Profit margin operating and .tracking the independent variables of board size, board independence, meeting frequency, audit committee presence, and board ownership. The regression coefficients indicate that a bank's financial performance is negatively and significantly related to its total number of board members. Conversely, the frequency of board meetings shares a significant positive association with, and actively drives, return on assets (ROA). Furthermore, audit committee oversight exerts a positive influence on commercial bank performance, while board ownership is found to be positively and significantly affiliated with ROA metrics.

(Andres and Vallelado , 2008) Investigated how board of directors has been effective and efficient in properly follow-up and counseling administration in the financial industry. For the seek of conducting the study around 69 banks were sampled in countries covering ten years duration. Market to book value, return on asset,SMR, taken as the dependent variable whereas board size, outside director, meeting per year were analyzed through OLS and the Results indicate that appointment of new directors show a positive and significant relation with ROA although the increase in performance shows a diminishing marginal growth. There is positive and insignificant relation between the number of board meetings and bank performance.

Kilic(2015) " tries to investigate the effect of board diversity on performance of 26 sample banks in Turkey covering a period of 5 years. Return on assets and return on equity were the dependent variables, percentage of women and foreign directors were the independent

variables. Random effects model reveals that WOMAN have a negative insignificant effect on ROA suggesting that women directors on the board lead to lower performance in the banking industry.''

Ekadah and Mboya (2011) "analyzed the effect of board gender diversity on the performance of 44 commercial banks in Kenya covering a12-year period. Stepwise regression model was used to study the

dependent variable of ROA and proportion of female directors as independent variable. Results indicate that board gender diversity has no significant effect on the performance of banks. This is shown by a statistically insignificant and negative relationship between board gender diversity and bank performance. "James and Joseph (2015) foreign ownership, board independence and board size have no significant but negative relationship with ROA.

Malik, Wan, Ahmad, Naseem, & Rehman (2014) examined the relationship between board size and firm performance of 14 sample banks in Pakistan covering a 5-year period. Dependent variables of return on asset, return on equity, and earning per share and independent variables of board size, number of meetings, size of audit committee were tested through linear regression models. Results indicate that both board size and the number of meetings are significantly positively and negatively associated with return on asset respectively.

Elbannan and Elbannan (2014) "examines the association between governance quality and performance by estimating OLS regression models with pooled observation to test this relation. The study covered 48 sample banks in Egypt with a 10-year data. Dependent variables of return on asset, deposit market share, operating efficiency, and employee productivity; independent variables of board size, board composition (proportion of non-executive directors), CEO duality, ownership concentration, foreign ownership, institutional ownership and control variables of liquidity, capital adequacy, credit risk, real GDP growth, inflation rate (CPI), time effect, global financial crisis, bank size, management efficiency, fee income were used for the study.

Results indicate ROA is significantly positively related to capital adequacy and management efficiency while it is significantly negatively related to liquidity. Board composition is marginally significantly negative, while ownership concentration is highly significantly negative, board size is found to be insignificant but positive determinant for bank

performance".Halidu and Kuutol (2015) (Orazalin, Mohmood, and Jung Lee , 2016)This study examined how various facets of corporate governance impact the operating performance of 30 Russian banks over a nine-year period.

The research analyzed the influence of ownership structures, corporate disclosure habits, and CEO education, alongside core board characteristics like size, composition, and committee structures. The thesis tailored adverse set of dependent and independent variables through deploying random effect framework particular annual asset growth, capital reverse, net interest income and loan to deposit and total loan ratio, alongside standard performance benchmarks like ROA and ROE. The data reveals that corporate board attributes actually exert a meaningful downward pressure on ROA.

On the other hand, the setup of company ownership correlates positively with both ROA and ROE, though this connection failed to reach statistical significance. Interestingly, the analysis also points to a clear, positive link between a CEO's educational attainment and improved ROA metrics.

According to (Ongore and Gemechu , 2013) "examined the effects of bank specific and macroeconomic factors on the performance of 37 sampled commercial banks in Kenya. 10 years' panel data was analyzed using linear multiple regression model. Dependent variables used were return on asset, return on equity, and net interest margin. Capital adequacy, asset quality, management efficiency, liquidity management, GDP, and inflation were the independent variables of the study. Result of the study indicates that there is significant effect of capital adequacy, asset quality, and management efficiency on the financial performance of commercial banks. The relationship between bank performance and capital adequacy and management efficiency was found to be significant and positive and for asset quality the relationship was negative. However, the liquidity variable which is positively related with bank performance has no significant effect on the financial performance of commercial banks in Kenya."

According to (Echekoba, Egbunike, and Ezu , 2014) , determined the effect of CAMEL on the profitability of banks in Nigeria. Time series data is used and the period covered in the study is 2001 to 2010 using ordinary least square method. The profitability ratio return on asset is assumed as the dependent variable while capital adequacy ratio, non-performing loan ratio, credit –to-deposit ratio, earnings ratio and liquidity ratio are assumed as the

independent variables. Findings indicate that liquidity has a significant and positive effect on the profitability of banks in Nigeria while capital adequacy and management efficiency have insignificant and negative effect on the profitability of banks in Nigeria.

Liang, Xu, & Jiraporn (2013) This empirical investigation explored how different board characteristics influence banking performance. The study utilized an eight-year panel dataset tracking 52 Chinese banks, analyzing the data via ordinary least squares (OLS) regression. Performance was measured through an array of dependent metrics, including ROA, ROE, pre-provision profit ratios, and various credit risk indicators (NPL stock, NPL ratio, net charge-offs, and net charge-off ratios). These were weighed against independent governance factors such as board size, meeting frequency, CEO duality, and director demographics (independent, political, busy, foreign, older, and female board members). The empirical results demonstrate that while larger board sizes significantly hinder ROA, a higher frequency of board meetings acts as a significantly positive driver for it.

Furthermore, the presence of a greater proportion of independent directors yielded a positive and statistically significant coefficient. There are no significant relationships between ROA and other director characteristics variables. Control variable of bank size has a significant and negative effect on return on asset.Liu and Pariyaprasert (2011), examined the effect of independent variables from CAMEL model on bank performance in 13 sample Chinese banks listed in Shanghai Stock Exchange and Shenzhen Stock Exchange from 2008 to 2011. Independent variables were the capital adequacy ratio, asset quality, management efficiency, earnings, and liquidity, while return on asset and return on equity were the dependent variables.

The fixed effects multiple linear regression model was adopted for the study. Results show that capital adequacy and management efficiency ratios have a significant positive effect on ROA. However, as liquidity ratio decreases, ROA increases and the relation is significant.

Al-Amarneh (2014) Focusing on the Jordanian banking sector, this study examined how corporate governance and ownership structures affect institutional performance. The researchers tracked a sample of 13 banks between 2000 and 2012, modeling return on assets (ROA) and operating efficiency as the primary dependent variables. The analysis accounted for bank risk and size as control factors, while evaluating independent variables like board size, CEO duality, ownership concentration, and the presence of foreign or institutional

shareholders. The empirical evidence reveals that both board size and concentrated ownership hold a statistically significant, positive relationship with ROA. Interestingly, among the control metrics, larger bank size was found to exert a significant negative impact on asset returns. Ferrouhi (2014) "analyzed determinants of bank performance of 8 commercial banks in Morocco during the period 2001-2012. Independent variables used were liquidity ratios, bank size, bank size squared, bank capital to total asset, external funding to total liability, equity to total asset, unemployment rate, foreign direct investment, gross domestic product, realization of financial crisis. The dependent variables of the study were return on asset, return on equity, and net interest margin. Results indicate that liquidity ratio measured by liquid asset to deposit has a positive and significant effect on return on asset."

Salim, Arjomandi, & Seufert (2016) This study examined the performance of Australian bank over 15 years spaning 1999upto 213 and corporate governance mechanism. To assess financial outcomes, return on assets (ROA) served as the primary dependent variable. This metric was evaluated against a series of independent governance indicators, including board size, the frequency of both full board and committee meetings, ownership concentration, and the proportion of independent, non-executive directors on the board.

The study accounted for institutional differences by utilizing capital strength, liquidity, and bank size as control variables. According to the data, a higher number of committee meetings and larger board sizes are significantly and positively tied to better bank outcomes. Meanwhile, routine board meeting frequency shows no real statistical consequence, and the concentration of the largest individual shareholdings has a positive yet minor, insignificant effect. Interestingly, bank size as a control variable behaves inversely, significantly dragging down the return on asset ratio.

Stephen, Djan, Bawuah, Halidu, and Kuutol (2015) " examined the effect of corporate governance mechansims on financial performance using 5 year data from 2008-2012 with sample of nine Ghanaian commercial banks. Panel data set was used to examine relationship three performance variables were used namely, return on asset, return on equity and cost-income Ratio. Independent variables of the study were audit committee size, board size, business management experience, industry specific experience, board gender diversity, and educational qualification. Bank size, leverage, and bank growth were the control variables. Result reveals that board gender diversity has a significant and negative relationship with

return on asset."

Akpan and Amran (2014) examined the relationship between board characteristics and company performance for the period 2010-2012.Independent variables of board size, board independence, board age, board education, board women, board equity were used. Results reveal that board gender diversity has a significant and negative effect on performance.

Abid and Ladhi (2015) examined the effect of reserve requirement on banks profitability in Pakistan. 10 year data for the independent variable of cash reserve ratio and dependent variables of return on asset and return on equity was used. Results indicate a negative and significant effect of the ratio on return on asset.

Yonas, Hamdu, and W/Micheal (2015) investigated the soundness of Ethiopian banks for the study period 2003-2013. The dependent variables were return on asset and return on equity while the independent variables were capital adequacy, management efficiency, liquidity, asset and earning quality. Results show that capital adequacy ratio and earning ability affect profitability positively but asset quality, management efficiency and liquidity position affect profitability measured by return on asset negatively.

Lukorito, Muturi, Nyang'au, and Nyamasege (2014) "assessed the effect of liquidity on profitability of commercial banks in Kenya. Data for the period 2009-2013 for all 43 commercial banks in the country were considered.

Independent variable of liquidity and dependent variable of return on asset were analyzed. Results indicate a significant and positive effect of the variable on return on asset".

Belhaj and Mateus (2016) This empirical study examined the impact of corporate governance on the performance of European banking institutions, utilizing a sample of 73 banks across 11 countries from 2002 to 2011. The independent predictor was board size, board composition, ceo dulity, and gender diversity employed as analytical framework for this study. Proxies such as ROA, ROE,Tobin's Q, have been deployed to evaluate the financial performance and market evaluation ,while banksize,financial leverage and liquidity serve as controlling variables.

The empirical findings reveal that greater gender diversity shares a statistically significant, positive relationship with banking outcomes. Conversely, the control metric for bank size was found to exert a significant negative influence on performance.Yenesew (2012) "investigated the effect of corporate governance mechanisms on firms' financial performance

using five year data from the year 2007 to 2011 with a sample of eight Ethiopian state and private commercial banks.

Financial performance indicators such as return on asset, return on equity and net Interest margin were used. Corporate governance mechanisms considered included board size, board gender diversity, board members educational qualification, board members business management and industry specific experience, and audit committee size. The study controls the effect of size, leverage and growth of banks." Results show that board size has a negative and insignificant relation with return on asset. The relationship between board gender diversity and return on asset is positive and insignificant. Board members educational qualification has a positive and significant effect on return on asset. Business management and industry specific experience both have positive effect on return on asset but with insignificant and significant levels respectively. Audit committee size has a negative and significant effect on the return on asset. Bank size has negative and insignificant effect on the return on asset. Leverage has positive and significant effect on return on asset. Kibrysfaw (2013) examined the effect of corporate governance mechanism on performance of Ethiopian commercial banks.

The study included 9 state and private commercial banks in Ethiopia covering the period 2005-2012. The independent variables of the study are board size, board composition of independent non-executive directors, availability of audit committee, board ownership, capital adequacy ratio, legal reserve, liquidity ratio, depositors' effect, ownership structure. Control variables of bank size, and income diversification and dependent variable of return on asset were analyzed using panel data framework.

Results indicate that availability of audit committee on the board had positive effect on banks performance and it is statistically significant at 10% significant level. Board composition showed negative relationship and it is significant at 5% level. Board size and board ownership on bank performance was insignificant and negative. Capital adequacy ratio is negative and statistically significant at 10% to return on asset. The effect of reserve ratio on bank performance is negative and significant. Bank liquidity which is measured in terms of liquid asset to total asset does not have any significant effect and the parameter is negative. Bank size had statistically significant positive effect on bank performance.

Firehiwot (2015) "examined the effect of corporate governance in firms' financial

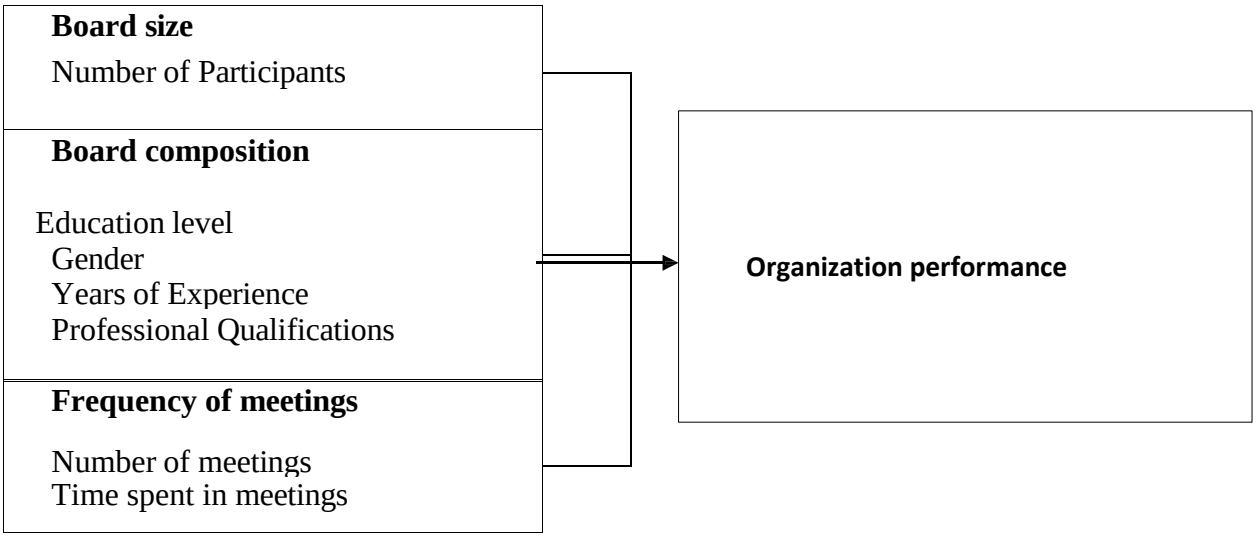
performance using ten years data from the year 2005 to 2014 with a sample of nine Ethiopian state and private commercial banks. Dependent variable of return on asset and independent variables of board size, board member gender diversity, board members educational qualification, board members industry specific experience, size of audit committee, and frequency of board meeting were used. Bank size and age are the control variables."

The empirical results indicate that both board size and audit committee size exert a significant negative impact on return on assets (ROA).whereas, the experience of board member in the industry and female director involvement provides positive but insignificant association when we see it from statically.in the above respondent information educational qualification and frequency of board meeting serve as facilitation, reflecting statically positive significant on ROA. The control metrics, bank size was statically negative significant on the effect on performance.Abdurazak (2017) "studied effect of corporate governance mechanism on performance of Ethiopian private commercial banks. Panel data covering 11 years 2005-2015 for selected 8 private banks was used".

2.5 Conceptual Framework

In relation to the literature review carried out earlier, the conceptual framework is founded on the notion that the governance process has a substantial effect on a bank's performance in terms of finance, although the connection is influenced by some control variables. This means that the model contains a variety of independent and structural variables such as board size, gender diversity, specialization in the industry, ownership, meetings, and committee participation of the directors as well as financial factors, including capital adequacy, reserves, liquidity, and effectiveness of management. The above-listed independent variables have been chosen due to their empirical significance in the area; in other words, the model is congruent with corporate governance theories.

FIGURE 2.1: CONCEPTUAL FRAMEWORK



Independent Variable Dependent Variable Figure 1: conceptual framework *Source*: Author, 2026

2.6 Research Gap

Concerning with the existing review of literature, the conceptual framework operates on the premise that corporate governance mechanisms significantly shape a bank's financial outcomes, though this relationship is mediated by specific control variables. To capture these governance dynamics, the model incorporates a diverse set of independent and structural factors including board size, gender diversity, industry-specific qualifications, director ownership, meeting frequency, and the number of active board committees alongside operational indicators like capital adequacy, legal reserves, liquidity, and management efficiency. These specific proxies were selected because they represent established empirical benchmarks in the field, ensuring the model remains highly congruent with foundational corporate governance theories as well as examine the conditions under which these parties should be treated as stakeholders.

Rao & Kidane, 2016; Olani & Berhanu, 2015; Ashenafi et al. 2013; Assefa & Megbaru, 2014; Yenesew 2012; Kibrysfaw 2013; Firehiwot 2015; Abdurazak 2017 Previous empirical research has focused on the Ethiopian banking sector; however, with the notable exception of Abdurazak (2017), these studies typically include state-owned banks in their datasets. Consequently, their findings are often skewed by blending institutions operating under

fundamentally different business models and regulatory expectations. Furthermore, past research has suffered from restricted sample sizes and limited observation windows. Prior literature also relies heavily on narrow internal governance metrics rather than exploring a more diverse and comprehensive matrix of proxies.

By addressing these gaps, this study offers vital insights that can help regulatory bodies refine, amend, and draft corporate governance policies that more effectively supervise, protect, and guide banking operations for the benefit of all stakeholders.

CHAPTER THREE
Research Methodology

3.1 Introduction

This chapter comprehends of the research Philosophy, Research approach, Research methodology. Research design. It also has presenting the, technique of sampling used population and , variables of study and their measurements, data sources and methods of collection , ways of analysis of data and specification of model .

3.2 Research Philosophy

Myers (2021, cited Knight and Cross, 2020) acknowledge the philosophy research as a rational steps deployed by researcher to investigate the way actual practice follows and involving where shows the world really works and philosophical beliefs of the world to a bigger level, associated with the consequence and normality. Keightley (2020) states the major emphasis of philosophy of the research essential to become authenticity and equally added that the central focus of the research philosophy is basically to deal with the nature and development of source understanding. This helps the researcher to gate strategies to choose the right data collection and analysis of the process.

This study deployed positivism research philosophy that assure significantly on quantitative data which can be statistically tested and analyzed. As a result, it will ensure that the research is carried out to further eliminate the possibility of the researcher's bias during the data collection and analysis stage. This philosophy also guarantees that the research outcomes are concrete and well detailed, rather than based on assumption. In addition, the researcher able to see insights the effect of corporate governance on organizational performance through concentrating their focus on directors of the board of the bank

3.2. Research Approach

According to Saunders et al, Research approach shields the next stage of the research onion as proposed, and this involves of the inductive and deductive method. In order to conduct this study deducted method was selected. The deductive approach was chosen due to its potential to contribute establishing causal link between corporate governance and financial performance within the context of the Zemen bank in Ethiopia. The results will be assessed against existing knowledge in the corporate governance.

3.3 Research Design

The Ultimate objective of this study is to determine effect of corporate governance on organizational overall performance. This study employs both descriptive and an explanatory design to investigate causal relationships between variables. As highlighted by Adams et al. (2007), this approach goes beyond observation to determine the underlying reasons for specific behaviors and phenomena

3.4 Population and Sample

The study's target population comprised all 438 Zemen Bank S.C. personnel. A sample of 80 respondents was chosen through stratified random sampling. Both qualitative and quantitative data were collected via structured questionnaires and secondary records. Participants received and returned these forms using a standard drop-and-pick method

3.5 Source of Data and Collection Method

The source of data ultimately defines validity of the research. Both Primary and secondary data were employed. Questionnaires distributed to board secretaries and finance managers have been sources of primary data. Some independent variables like board ownership, industry qualification; number of meeting was gathered from primary data. In addition, The secondary data gathered from zemen bank annual financial reports.

3.6 Method of Data Analysis

The study employs both descriptive and inferential data analysis to describe the phenomena of the variables using, mean and standard deviation. To evaluate how variables interact, a Pearson correlation test was initially conducted. This measures how strongly continuous factors scale together. Next, regression frameworks were applied to build predictive, linear models mapping out how changes in the independent factors affect the target metric. Because our study relied on longitudinal time-series data, a multiple linear regression approach was best suited for inferential testing. This modeling framework supports formal hypothesis evaluation, enabling the prediction of bank performance outcomes based on specific corporate governance indicators. All computational procedures and hypothesis tests were processed using SPSS 26

3.7 Variables and Measurement

Based on theoretical review and empirical literature, the selection of variables is taken as base to study the effect of corporate governance on bank performance. Operational

explanations of the constructs have been included.

Various theories like Agency theory, stakeholder theory, resource dependency theory, and transaction cost theory are used as base to select the variables. Moreover, empirical studies reviewed have used the variables as proxies for governance mechanism. Ashenafi et al. (2013); Manini and Abdillahi (2015); Bussoli et al. (2015); Olani and Berhanu (2015); Ben et al. (2015); Rao and Kidane (2016); Assefa and Megbaru (2014); Andres and Vallelado (2008); Kilic (2015); Halidu and Kuutol (2015); Salim et al. (2016); Yonas et al. (2015) are to site few of the reviewed empirical literature that have used the variables as proxies for corporate governance

Dependen Variable

Return on Assets (RoA)

Return on asset serving as a major measurement of banking efficiency. This variable reflect management's capacity to extract profit from the bank asset base .it expressed as

Return on asset (RoA) = Net income X100

Average total assets

IndependentVariable Board Size

This expressed the total numbers members of working as board director

Board Gender Diversity

Board Ownership

Ratio of influential board members to total board members. Influential board member is a member who directly or indirectly holds 2% or more of the total subscribed capital of the bank.

Number of Board Meetings

The count of total board committee and full board meetings held in a year.

Number of Board Committees

Measured as the count of the total number of board sub-committees within the banks

Chapter Four

Data presentation and analysis

This chapter outlines the study's empirical results and subsequent analysis. Out of the 80 questionnaires distributed to participants, 72 completed copies were successfully recovered for data processing. This translates to a 90% response rate. According to Mugenda and Mugenda (2003), a return rate of this magnitude is considered outstanding and entirely viable for drawing academic conclusions.

4.1. Demographic Analysis

Table 1: Demographic Profile of Respondents

Respondent profile	**Frequencies**	**Percent**
Gender		
Male	43	60
Female	29	40
Marital Status		
Unmarried	33	45
Married	39	54
Age Group		
20-24	26	36
25-29	29	43
30-34	8	10
Above 30	9	11
Work Experience		
1-3	21	29
4-6	35	49
7-9	16	22.
Above 10		
Total	330	100

Source: Field Survey 2026

Out of 72 people surveyed in the table 1, 43 were male and 29 were female. That means about 60 percent were male and the remaining 40 percent were female.so more guys participated in the questioners. It’s not perfectly even number are close to enough that we can probably apply these result to both genders. When we take a look at marital status of respondent, 46 percent were unmarried and 54 were married. The questionnaire was distributed to a diverse group of employees. Respondents age range from 20 to 48 years. They also varied in their years of work experience in the banking sector.

The distribution of work experience is detailed in the table: 29.1 percent of respondents had less than 3 years of experience, 48 percent had 6 year of experience and the remaining 22.4 percent fell into other categories.

4.2 Descriptive analysis

Table 2: Opinions relating to statements on board size

Code	**Opinion statement on board size**	**SD** %	**D** %	**N** %	**A** %	**SA** %	**Mean** %	**SD** %
BSZ1	Smaller boards reduce bureaucratic tendencies while making organization decision therefore refining organization performance.	2.2	5.3	14.7	51.4	26.4	3.94	0.906
BSZ2	A large number of board of directors poses complications while dealing with conflicts among board members, henceforth having difficulties attainment agreement	2.5	8.1	18.3	48.6	22.5	3.81	0.959
BSZ3	A larger board size is more practiced at provided resources for the reason that they own assorted professional know-hows, experiences and networks.	4.2	11.4	18.9	41.4	24.2	3.70	1.084
BS4	A larger board size benefits a firms by providing effective oversight of management and necessary resources hence improving performance of an organization	0.6	9.7	11.4	49.2	29.2	3.97	0.920
BSZ5	Large board size increase board performance by decreasing CEO supremacy of the board in every undertakings relating to decision of the company	4.3	14.9	20.6	44.0	16.3	3.53	1.064
BSZ6	A larger board size will convey supplementary proficiency and understanding to the board	0.6	8.7	13.4	41.9	35.5	4.03	0.942
	Average						**3.80**	**0.302**

Sources: Field survey 2026

The researcher sought to whether larger boards benefited firms by providing effective oversight of management and necessary resource, thereby improving organizational performance, enhancing board performance by reducing CEO domination , bringing more expertise and experience to board. The table indicates that observer believe that smaller boards improve firm performance (mean=3.94, sd=0.906) with 51.4 % agreeing, Respondents further suggested that large boards may experience more conflict among members, making it difficult to reach a consensus (mean=3.81,sd=0.959);48.6% agreed and 22.5% strongly agreed with this statement. Additionally, 41.4% of respondents agreed that larger boards are more adept at providing resources.

The respondents generally agreed with the statement (mean=3.70,sd=1.084).Specifically, participants agreed that larger boards benefit firms by providing effective oversight of management and necessary resource , which can improve organizational performance(mean=3.97, sd=0.920) A majority also large boars enhance board performance by reducing CEO domination mean=3.53, sd = 1.064). There was narrow variation in these responses, with 44.0% and 16.3% strongly agreeing. Finally, the results, showed that respondents agreed that a larger boards bring more expertise and experience (Mean=4.03, sd=0.942) with (41.9%) agreeing and (35.5%) Strongly agreeing. Based on the aggregated value, the study established that respondents agreed to corporate governance practices in their organization. This was evidenced by the narrow variation in their responses (M= 3.80, SD = 0.302).

The respondents generally agreed with the statement (mean=3.70,sd=1.084).Specifically, participants agreed that larger boards benefit firms by providing effective oversight of management and necessary resource , which can improve organizational performance(mean=3.97, sd=0.920) A majority also large boars enhance board performance by reducing CEO domination mean=3.53, sd = 1.064). There was narrow variation in these responses, with 44.0% and 16.3% strongly agreeing. Finally, the results, showed that respondents agreed that a larger boards bring more expertise and experience (Mean=4.03, sd=0.942) with (41.9%) agreeing and (35.5%) Strongly agreeing. Based on the aggregated value, the study established that respondents agreed to corporate governance practices in their organization

Table 3: Descriptive analysis on board composition

Code	Opinion statement on board size	SD %	D %	N %	A %	SA %	Mean %	SD %
BSZ1	Gender balance is considered in the board members selection and Composition	2.2	7.5	19.6	45.8	24.9	3.84	.960
BSZ2	Some of the board members are employees of the organization	4.5	3.1	13.7	41.2	37.5	4.40 4	1.020
BSZ3	The organization has two-third or more of board members	2.5	13.9	15.6	44.7	23.3	3.72	1.047
BS4	Current board members have the required qualification and Skills] necessary to improve the organization's performance	1.4	10.3	14.2	48.6	25.3	3.87	0.958
BSZ5	New board members are nominated by independent Board nomination committee	4.2	12.4	14.6	49.9	18.9	3.67	112.4
BSZ6	When selecting board members their level of professional	1.1	24.2	46.9	18.9	3.74	3.74	0.905
BSZ7	The company has a predetermined plan secession of each	6.9	25.1	18.3	33.7	16.0	3.27	1.198
BSZ8	The age and duration of each board member affects the performance	1.1	14.0	8.0	61.4	15.4	3.760	0.918
	Aggregated score						**3.75**	**0.307**

Sources: Field survey 2026

Decades of empirical research reveal that there is no one size fit all blueprint instead the relation depends close on how different board attitudes balance oversight with organization performance.From regarding the first aspect, the result show that most respondents (45.8%) agreed that gender balance is considered in the selection and composition of zemen bank's board members. This was followed by 24.9% who strongly agreed, 19.6% who remained neutral, 7.5% who disagreed and 2.2 who strongly disagreed. On average the respondents agreed with this statement.

The second aspect investigated whether some board members are employee's affiliates of the organization. Majority of respondents agreed 41.2% or strongly agreed 13.7%. %). On average, the respondents indicated that some board members are employees or affiliates of the

organization (M= 4.04, SD = 1.020).

The third aspect examined whether the organizations board comprised two-third or more independent non-executive directors. Most respondents agreed (44.7%) followed by 23.3% who strongly agreed, Asmaller proration remained neutral (15.6%), while 13.9% disagreed and 2.5% strongly disagreed. On average, respondents indicated that their organization met this criterion (M= 3.72, SD = 1.047).

The fourth aspect investigated whether current board members possessed the necessary qualification and skills to enhance organization's performance. The majority of the respondents agreed (48.6%) with 25.6% strongly agreeing, neutral respondents accounted for 14.2%, while 10.3% disagreed and 1.4% strongly disagreed. The average, response indicated agreement that current board member had the requisite qualification and skills (M= 3.87, SD = 1.323) indicating that the current board members have the required qualification and skills necessary to improve the organization's performance.

The fifth aspect explored whether new board members were nominated by an independent board nomination committee. The majority of the respondents agreed (49.9%).. On average, respondents agreed that an independent board nomination committee (M= 3.67, SD = 1.051)

The sixth item the importance of professional qualifications in selecting board members and the consideration of skill deficiencies among board members. The respondents generally agreed with a mean value of 3.74 and SD= 0.905. Specifically, 46.9% agreed and 18.9% strongly agreed.

The seventh item sought to find out whether the company had a predetermined successful for each board member and executive director. While (33.7%) and 16% strongly agreed. neutral 18.3%, disagreed 25.1% while strongly disagreed 6.9%. On average respondents remained neutral on this aspect (M= 3.27, SD = 1.198) suggesting neither agreed nor disagreed.

Finally, the last aspect investigated whether the age and duration that each board member affects the financial the firm financial performance. Respondents generally agreeing (M= 3.76, SD = 0.918) with (61.4%) agreeing and 15.4% who strongly agreeing. Based on the aggregated score, the study conclude that the respondents generally agreed to board composition and their responses showed limited variability (M= 3.75, SD= 0.307). Board composition does not have simple or linear relationship with performance. Instead, it is balancing act between effective oversight and strategic guidance. The overall impact depends on how well the board attribute match the firm specific industry.

Table 4: Descriptive analysis for organizational performance

Code	Performance items	SA %	A %	N %	D %	SD	Mean	Std.d
ORP1	Our organization has experienced operational cost reduction due to strategic changes over the last one year	41.0	42.6	6.6	9.8	0.0	4.15	.928
ORP2	Our organization is operational cost sensitive	32.8	39.3	9.8	18.0	0.0	3.87	1.072
ORP3	Our organization is keen on reducing cost of operations going forward	41.0	49.2	9.8	0.0	0.0	4.31	.647
ORP4	Our organization has reduced humanitarian response time in the recent past	34.4	41.0	9.8	14.8	0.0	3.95	1.023
ORP5	Our organization hopes to further reduce humanitarian response time in future	0	42.6	8.2	14.8	1.6	0	0
ORP6	Our organization has reduced the completion time for most projects recently	27.9	50.8	16.4	4.9	0	4.02	.806
ORP7	Our organization looks forward to reduce further project completion time in future	16.4	54.1	13.1	13.1	3.3	3.67	1.012
ORP8	Our organization has increased the number of beneficiaries to Humanitarian aid in the recent past	24.6	41.0	8.2	16.4	9.8	3.86	1.298

Sources: Field survey 2026

Operational cost was one indicator of performance, measured by three items. Result showed that respondents on average agreed their organization had experienced operational cost reduction dueto strategic changes over the year (mean=4.15 and SD= 0.928.specifically, 42.6% agreed and 41.0% strongly agreed. Regarding their organization was operational cost sensitive, respondents also agreed (mean= 3.87 and SD= 1.072. with 39.3% agreeing and 32.8% strongly agreeing.

Finally, respondents agreed their organization is committed to reduce operational cost going foreward (mean= 4.31 and sd= 0.647. with 49.2% of the respondents agreeing and 41.0% strongly agreeing. Response time, the second performance indicator, was measured by two aspects. whether their organization had recently reduced humanitarian response time in the recent past and if their organization hoped to further reduce humanitarian response time and if

they hoped to further reduced in the future. The majority of respondent agreed with both aspects (mean= 3.95 and, SD=1.023 and mean=3.90,SD=1.076 respectively

Project completion period was the third the third performance indicator, also measured by two aspects. Respondent, respondents agreed their organization had recently reduced completion time for most projects (mean= 4.02 and SD= 0.806. They also indicated their organization aimed to further reduced project completion time in future (mean= 3.67 and SD= 1.012. 54.1% agreeing and 16.4% strongly agreeing. Lastly, performance was indicated by number of beneficiaries measured by two aspects. Results revealed that Zemen Bank has increased the number of beneficiaries to humanitarian aid in the recent past (M = 3.86, SD = 1.298) and intend to increase this number in the near future (M = 3.84, SD = 1.052)

Table 5: Correlation Analysis

		Board Size	**Board Composition**	**Board Frequency of Meetings**	**Organizational performance**
Board size	Pearson Correlation		.887**	.534**	.725**
	Sig. (2-tailed)		.000	.000	.000
	N	61	61	61	61
Board Composition	Pearson Correlation	.887**	1	.638**	.657**
	Sig. (2-tailed)	.000		.000	.000
	N	61	61	61	61
Frequency of Board Meetings	Pearson Correlation	.553**	.638**	1	.715**
	Sig. (2-tailed)	.000	.000		.000
	N	61	61	61	61
Organizational Performance	Pearson Correlation	.735**	.657**	.715**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	61	61	61	61

**. Correlation is significant at the 0.01 level (2-tailed)

The results in Table 4 strong positive significant linear relationship between organizational performance and board size, r = 0.725; p = < 0.0001, board composition, r = 0.657; p = <

0.0001, and board frequency , $r = 0.715$; $p = < 0.0001$. These relationships are significant at the 95%confidence level as indicated by significant p-values less than 0.05 at 95% confidence level.

Regression analysis

A multiple linear regression analysis was performed with organizational performance as the dependent variable, and board size, board composition and board frequency of meetings acted as the independent variables. This aimed at establishing a linear relationship between the dependent variable and the independent variables. a model summary table which was used to test for the goodness of fit of the model.

Table 6; Model Summary

Model R	R Square	Adjusted R Square	Std. Error of the Estimate
1 0.824[a]	0.679	0.662	0.18526

Predictors: (Constant), Board Frequency of meetings, Board size, Board Composition

Predictors: (Constant), Board Frequency of meetings, Board size, Board Composition

The Table 5 showes that the independent variables explained 66.2% of the variation in organizational performance as indicated by a coefficient of determination (R^2) value of 0.662.

Analysis of variance (ANOVA)

An ANOVA was also performed to test for the significance of the whole model. The results were presented in Table 6.

Table 7: Analysis of variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression 4.142	3	1.381	40.233	.000[b]
	Residual 1.956	57	.034		
	Total 6.099	60			

Dependent Variable: Organizational performance

Predictors: (Constant), Board Frequency of meetings, Board size, Board Composition

The results in Table 6 revealed that the model significantly predicted organizational performance in Zemen Bank, F=40233; p= <0.0001

Table 8: Model Coefficients

Unstandardized Coefficients			Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
(Constant)	.180	.387		.466	.643
Board size	.741	.166	.703	4.473	.000
Board Composition	.297	.176	.286	1.688	.047
Board Frequency of Meetings	.626	.120	.504	5.226	.000

Dependent Variable: Organizational performance

Table 7 result indicated that board size, board composition zemen bank and board frequency of meetings significantly predicted organizational performance in Zemen Bank at 5% level of significance. This was indicated by significant p-values (p= < 0.001, 0.047 and 0.001 respectively).

The model from Table 7 was as follows:

$Y = 0.180 + 0.741\ X_1 + 0.297\ X_2 + 0.626\ X_3$

Where Y = Organizational performance, X_1 = Board size, X_2 = Board composition, X_3 = Board frequency of meetings

The model indicated that a unit increase in Board size increased organizational performance of Zemen Bank by 0.741 units; a unit increase in Board composition increased organizational performance of Zemen Bank by 0.297 units while a unit increase in Board frequency of meetings increased organizational performance of Zemen Bank by 0.574 units.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

The chapter is presented in two sections; conclusion and recommendations based on the research findings.

5.1 CONCLUSION

This study concludes that corporate governance has come to be remarkably the evolving concept in rising and competitive markets. The paper documented some contexts to face the challenges, which may cause performance ineffectiveness in financial sector; this could supportive in preventing such in future to gain long term organizational objectives. This study support to define, which degree the variables of corporate governance such as transparency, responsibility, discipline, fairness, social awareness, independence and accountability influence performance of bank.

The key objectives of study were to examine the effect of corporate governance on performance of Zemen Bank banks. The data covers serious of five years period 2021-2025 (5years) was gatherd from primary and secondary sources bring about in 72 observations. Audited annual reports and questionnaire was used to collect data. A simple linear regression model was performed with performance as the dependent variable and board size as the independent variable. This aimed to establish a linear relationship between them. According to the findings board size was found to positively explain a more than fifty percent of the variation that occurred in financial performance of Zemen Bank.

Dalton and Dalton (2019) in their study observed that smaller board may lack the expertise, experience and wise decision that would have otherwise been available around a table of more board members. Regarding the second variable, board composition played a statistically significant role in explaining Zemen Bank’s performance. However, its total impact remained below fifty percent. This indicates that while the institution maintained a well-balanced board, this structural diversity did not serve as a dominant driver of overall organizational success

This outcome has been agreet with results of Kumi Heenetigala and Anona Fern Armstrong (2011), who observed that there was a positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) despite the

strength of this influence. An effective board should at least contain one third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision making process.

5.2 RECOMMENDATIONS

Based on findings and conclusion, the following recommendations have been suggested; Careful arrangement and proper placement of women to board committees best fit to their personality traits is required. This will maximize and make best use of the intrinsic benefit they contribute as members.

From the findings of the study, administrators and strategy makers should focus on enlightening corporate governance practices in Zemen Bank. According to the CMA corporate governance guidelines (2002) an effective board should at least contain one third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision making process.

The last but not the list, in the next few years, we are bound to observe that there will be an increase in competitiveness in the Ethiopian business arena. Also, the maturity period of the banking sector is set to increase with time. So, a study covering a period of time in relation to the influence of bank performance on corporate governance would certainly be an exciting one.

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APPENDIX-I- RESEARCH QUESTIONNAIRE 1

ADDIS ABEBA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

RESEARCH QUESTIONNAIRE

Dear Respondent,

My name is Gashaw Alem. I am attending the Master of Science program specializing in Quality and organizational excellence at the Addis Abeba University, College of Business and Economics. I am currently conducting a research on the title 'The effect of Corporate Governance on Organization Performance in the case of Zemen Bank s.c' as a partial fulfillment of the requirements for the Master of science in Management. This questionnaire is crafted to collect data on the effect of Corporate Governance on Organization Performance of Zemen Bank.. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance for your cooperation

Using the following Rating Scales under the columns, ‘‘circle only on one number from the given numbers in the box after reading the variable on the left hand.’’

The numbers represent: 1- strongly dis agree, 2-Dis agree, 3-Neutral, 4-Agree and 5 –Strongly Agree

S.No	Variables	Rating				
A.	Opinions relating to statements on board size	Strongly dis agree	Dis	Neutral	Agree	Strongly
1	Smaller boards reduce bureaucratic tendencies while making organization decision hence improving firm performance					
2	A large number of board of directors poses difficulties when dealing with conflicts among board members, hence having difficulties reaching consensus					
3	A larger board size is more adept at providing resources because they possess diverse professional backgrounds, experiences and networks					
4	A larger board size benefits a firms by providing effective oversight of management and necessary resources hence improving performance of an organization					
6	A large board size improve board performance by reducing CEO domination of the board					
7	A larger board size will bring more expertise and experience to the board					

S.no	Variables	Rating				
B.	Opinions relating to Board Composition	Strongly dis agree	Dis	Neutral	Agree	Strongly
1	Gender balance is considered in the board members selection and Composition					
2	Some of the board members are employees of the organization or affiliates of the organization					
3	The organization has two-third or more of board members as completely independent non-executive directors					
4	Current board members have the required qualification and skills necessary to improve the organization's performance					
5	New board members are nominated by independent board nomination committee					
6	A larger board size will bring more expertise and experience to the board When selecting board members their level of professional qualifications and experience is important					
7	The company has a predetermined plan secession of each board member and executive director					
8	The age and duration of each board member affects the financial performance of the firm					

C.	Opinions relating to organizational performance					
1	Our organization has experienced operational cost					

	reduction due to strategic changes over the last one year					
2	Our organization is operational cost sensitive					
3	Our organization is keen on reducing cost of operations going forward					
4	Our organization has reduced humanitarian response time in the recent past					
5	Our organization hopes to further reduce humanitarian response time in future					
6	Our organization has reduced the completion time for most projects recently					
7	Our organization looks forward to reduce further project completion time in future					
8	The age and duration of each board member affects the financial performance of the firm					
9	Our organization intends to increase the number of beneficiaries to humanitarian aid in the near future					

APPENDIX-II- RESEARCH QUESTIONNAIRE II

ADDIS ABEBA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

RESEARCH QUESTIONNAIRE

Dear Respondent,

My name is Gashaw Alem. I am attending the Master of Science program specializing in Quality and organizational excellence at the Addis Abeba University, College of Business and Economics. I am currently conducting a research on the title 'The effect of Corporate Governance on Organization Performance in the case of Zemen Bank s.c' as a partial fulfillment of the requirements for the Master of science in Management. This questionnaire is crafted to collect data on the effect of Corporate Governance on Organization Performance of Zemen Bank.. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance for your cooperation

Instruction: Please fill in for the questions listed below under each period.

Question 1; Related with board size

Year	Total number of board members	Total number of female board members	Board ownership (Number of influential board members
2020			
2021			
2022			
2023			
2024			

Question 2; Related with board composition

Year	Number of board and sub-committee meetings	Number of board sub-committees	Name of board sub-committees
2020			
2021			
2022			
2023			
2024			

Question 3-Industry related qualification of board members

Year	2020	2021	2022	2023	2024
Academic qualification	Number of board members				
Accounting And finance					
Auditing					
Management					
Economics					
Marketing					
Business MGT					
Law					
IT					
Others					
Total no of board Member					

Thank You!