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ASSESSMENT OF CORPORATE GOVERNANACE PRACTICES OF NIB INTERNATIONAL BANK S.C.

BY

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Declaration

I, the under signed declare that this thesis is my original work, prepared under the guidance of Yohannis Workaferahu (PhD). All source of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Endorsement

This thesis "Assessment of Corporate Governance practices of NIB international Bank S.C." has been submitted to Addis Ababa University College of Business and Economics, EMBA Program for examination with my approval as a university Advisor.

Yohanis Workaferahu (PhD) Addis Ababa University	Signature

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Abbreviations

CEO -	Chief Executive Officer
NIB -	Nib International Bank S.C.
CG -	Corporate Governance
BOD-	Board of Directors
OECD -	Organization for Economic Cooperation & Development
SBB	Supervision of Banking Business
IFRS -	International Financial Reporting Standards
NBE -	National Bank of Ethiopia
ROE -	Return on Equity
ROA -	Return on Asset
NIM -	Net Interest margin
BCBS-	Basel Committee of Banking Supervision

Abstract

The study was conducted to assess corporate governance practices of NIB in Ethiopia in light of NBE Directive No. SBB/71/2019, OECD, and BCBS principles. And also evaluate NIB corporate governance system and NIB performance. The study mainly focus on CG practice which incorporates components of board member issues (size, structure, qualification and responsibility), protection of stakeholder rights, disclosure and transparency, equity and treatment of shareholder right. An exploratory research method and mixed research approach were employed to achieve the objective of the study. The total population and target population were all management members working in NIB Head Office in Addis Ababa and Board members working in NIB Head Office in Addis Ababa. The relevant data were collected from the target population through questionnaire, interviews and related documents. From 20 distributed questionnaire 14 were completed and returned. As so collected data were analyzed using SPSS V-26 application in descriptive statistics (Percentage, Frequency, Mean and Standard deviation). Interview results obtained from purposely 2 chosen board and 2 top management members were made part of data and information used for analysis. Financial performance indicators include ROA, ROE, and NIM were derived from the financial statements of the bank to show the result of good corporate Goveranace. The finding of the study shows that NIB has some gaps in CG practice based on NBE Directive No. SBB/71/2019, OECD, and BCBS principles. such as, Female board member is only one;the transparency and disclosure principle should be respected. Based on the major findings, the study reached a certain conclusion and presented some possible recommendations to enhance CG principles & practices in NIB Bank S.C..

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Banks play a vital role in world economy development by holding the savings of the public to deliver a means of payment for services and goods. The world economy, technological progresses, difficulty of business and allegations of fake financial reporting have currently improved the ever increasing focus on internal controls and internal auditing (Bowrin, 2004).

Corporate Governance (CG) of banks is appropriate and crucial topic due to banks `role in economic growth and development. CG of banks is an instrumental tool for economic growth (Ferrer & Banderlipe, 2012). Corporate governance principles provide a control mechanism of the company operations and thus encourage the managers to be more successful and promote the company's performance with long-term strategies (Claessens, 2006). In addition, Countries at international level have become more interested in implementing good corporate governance practices with the increased global challenges and competition to be able to participate in the global economy, attract foreign investments and build a foundation for sustainable economic growth (Mohamed & Allam 2016).

Implementation of governance principles provide for the responsibilities of the board to set policy and strategic direction to the organization and monitoring management's performance against that shape the organizations framework for accountability, transparency, probity and respect for the rights of all stakeholders (Grove, Patelli, Victoravich, 2011). in order to increase confidence in the company, reduce the cost of capital and induce asuitable ground for procuring long-term financing. Companies good expreince on corparate governance have got cheap debt access, easily achieve their objectives and huge investment premiums. Good corporate governance requires competent board of directors as a supervising body for the executive management of a company (Indian National Committee on Coporate Governance, 2006). Therefore, CG help to handle and adjust conflict of interest on banking and financial services between shareholders and stakeholders because the public attach social value to financial services such as consumer credit and payment services (Barth, Lin, & Wihlborg, 2012).

However, poor corporate governance entails risks for any economic entity. In 2007, global financial crisis occured due to weak corporate governance particularly board of directors have not selected sufficient senior management for financial institutions, inadequate risk management (Clichici, 2016). Similarly, Bank failures are of great concerns to Central banks and governments because of its systematic nature, often aggravate recessions, and act as catalyst for financial crises (BCBS, 2004). Internal control problems are a common place in the banking industry, and that allowed mischief traders to cause huge financial losses to these banks. In addition, the incidence of weak internal control in the banking sector caused significant losses for many banks in East Africa (Amodo, 2008).

Okpara (2011) suggests that more attention should be paid to these issues, particularly in developing countries, which are usually influenced by several factors such as inadequate implementation of property rights, the regulatory environment and inefficient legal and financial systems.

Many writers argue that the need to comply with the corporate governance principles is pronounced these days due to the concern for corrupt country governance and corrupt and unethical business practices. Especially in developing countries like Ethiopia, when the systems, rules, and regulations are not well developed; there is paramount importance for proper management of the existing companies (private commercial banks in this case). Given this significance, complying with the corporate governance principles is these days considered a necessity for all companies and not a luxury (Berger et al. 2004).

A bank enforcing the corporate governance principles will perform better over a period of time and that good governance can reduce the risk and attract further investment (Agrawal et al., 1996).

Even though, corporate governance in Ethiopia is an emerging concept and works in the absence of the secondary capital market, the financial sector should adapt the best practices of corporate governance which are compatible with our context that the rest of the world has implemented. Poor application of corporate governance was identified as one of the major possible factor in virtually all known instance of financial institutions failure in the world due to firms' noncompliance to corporate governance principles. Hence, the study attempt to assess the practice of Corporate Governance principles in NIB international bank in Ethiopia.

1.2 Statement of the problem

Sustainable growth of corporate sector help to increase the development of economic growth and shared and deliver benefits to all of society (Cadbury, Iskander, & Chamlou, 2000). Due to this, public sector understands the important of overall governance in their organization. They realize the importance of good governance of corporations as a source of competitive advantage and critical to economic and social progress. Because, Fawzy (2003) described that when good corporate governance is practiced, it increases confidence in the national economy, deepens capital market and increases their ability to mobilize savings and improve investment rates. Moreover, it used for sustainable growth rates and protects the rights of the minority shareholders (Ibid).

After corporate collapses and financial crises in the last decade, corporations gave attention to CG in both developed and developing countries (Otman, 2014). In addition, most individual investors, banks, and other financial institutions need economic and social progress that has brought corporate governance into prominence the world over (Cadbury et al., 2000). Therefore, governments and international organizations such as the OECD and also committee of banking supervision are active in establishing principles of CG. So far, different countries have increased to establishe CG system based on their nature of the economy, legal systems and cultural norms (Otman, 2014).

Despite the variety of corporate governance systems, the globalization of markets is producing a degree of meeting in actual operations and governance practices. Global market are pushing govermment firm and private corporations to harmonize corporate governance practices in order to reduce risk to investors and hold down the cost of capital to corporations. (Cadbury et al., 2000) as the result they compete on the price and quality of their goods and services as well as they compete for financial resources in global capital markets. While, Poor application of corporate governance mechanism was identified as one of the major possible factor in virtually all known instance of financial institutions failure in the country due to firms' noncompliance to corporate governance principles (Joshua, 2013).

OECD members have focused on the private sector, international organizations, and various stakeholders practices to set principles of corporate governance. They mainly focus on regulatory body such as bank boards, directors, shareholders, and other stakeholders are the primary body for the effective functioning of corporate governance policy (OECD, 2016). For instance, board of banks have to ensure CG strategies for long-term success are set and implemented to achieve a balance and alignment among external and internal controls, risk management and competitive behavior, and effectively operate the principles of good CG (Cadbury et al., 2000). Contrary, during global financial crisis in 2007 insufficient oversight of senior management by the board of directors of financial institutions lead to inadequate risk management, banking activities and organizational structures improperly (Clichici, 2016). In addition, Poor CG pose important public costs, a possible impact on deposit insurance systems and macro-economic suggestions (risk of impact and the effect on payment systems), cause loss of market confidence in the bank's ability to right manage its assets and liabilities, liquidity crisis and including deposits (Ibid).

When we refer to the financial sector in Ethiopia, the National Bank of Ethiopia is the responsible government organ that vested on the overall supervision of the government and privately owned commercial banks. NBE has also issued a Directives number SBB/71/2019 that illustrates about the banks corporate governance in Ethiopia. Despite the importance of corporate Governance, most of the researches or published studies in Ethiopia and other related studies on the subject area mostly focused on process of corporate governance and its concepts than the extent of application of the principles of corporate governance.

This is therefore raised the need for further research in the extent of application of corporate governance practices in the private commercial banks in Ethiopia to fill the knowledge gap about the industry corporate governance practices and it is evident that more consolidated field of investigation would be helpful to the development of knowledge in this area.

Hence, the study tried to assess the wide range of CG practice based on the directives, laws and principles put by the NBE, the government of Ethiopia and international organizations such as the Basel Committee and OECD. The study findings help to clearly show the gap observed in the practice in NIB bank. Moreover,the study identify the weakness and its best practices of corporate governance and recommend to improve on the gaps identified as well as show specific areas which need further study.

1.3 Research questions

In line with the above study of the problem, the following research questions were formulated:

i. How the corporate governance policies and procedure are practiced in NIB?
ii. What is the overall corporate governance system of the NIB?
iii. Are the CG principles such as OECD principles, the basel committee of banking supervision and NBE directives respected in NIB? And how?

1.4 Objective of the study

Objective of the study consist general objective and specific objective of the study.

1.4.1 General objective of the study

The general objective of the study is to assess the practices of corporate governance in NIB International Bank S.C. by referring to some of the OECD principles, the Basel committee of banking supervision and the NIB Directives.

1.4.2 Specific objectives of the study

The specific objectives of the study are the following:

i. To assess how sound policy and procedures implementation effectiveness on corporate governance.
ii. To investigate the practice of the bank board characteristics(nomination, size, composition, responsibilities and qualifications) with respect to the governing rules and guiding principles;
iii. To investigate senior management practice with respect to the governing rules and guiding principles;
iv. To explore rights of shareholders protected;
v. To identify issues, challenges and opportunities in corporate governance in NIB bank
vi. To assess the risk management and audit control practice of NIB bank;
vii. To explore the transparency and disclosure practice of NIB bank.

1.5 Significant of the study

Corporate governance is important in the public and private sectors of a country. Those sectors realize that good governance of corporations is a source critical to economic and social progress as well as competitive advantage. Therefore, corporate governance is fundamental for sustained development of performanace of the company that delivers benefits to all of society economic growth.

The study give information about the banking environment with the implementation of corporate governance in NIB bank that help to protect board, shareholder, employers, directors interest and supporting good governance. The study significe given the importance of ensuring compliance with the code of corporate governance as evidenced by the increased performance of the organizational and its failures of good corporate governance practice in recent times. The study helps to show boards to regularly adopt the culture of good corporate governance in their operations and implications for their sustainability in the sector .Board of director plays main role towards the improvement of the bank. In addition, the findings of the study should be seen to benefit the industry through improvement on corporate governance vis-a -vis capital adequacy, investment, assets base and profitability.

1.6 Scope of the study

The scope of the study is limited to assess the corporate governance practices of NIB International Bank S.C. comparing with some of the OECD principles and the Basel committee of banking supervision and National Bank of Ethiopia Directives No.SBB/71/2019. The study evaluated corporate governance practices of NIB international bank S.C. on the perspective of responsibilities of the board shareholder, risk managemet, the rights of shareholders: the equitable treatment of shareholders: disclosure and transparency.

1.7 Limitation of the study

Assessing the corporate governance practice of corporations takes longer time due to unavailability of updated information. In addition, the study participants were not easily accessible and unable to respond via their cell phone due to their workload. The other limitation of the study is getting the board members for gathering the relevant information. Moreover, some of the information supposed to be gathered from the bank also considered by the bank's officials or board members as confidential. Due to this, the study was limited to obtain greater insights into the specifics practices of corporate governance.

1.8 Operational definition of the study

The study has established a set of operational definitions of key words used in the study.

- Basel Committee: The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities established by the central bank governors ten countries group in 1974. Basel Committee is set the practical regulation of banks and provides a forum for regular cooperation on banking supervisory matters in the global. Basel Committee improve the quality of banking supervision worldwide by understanding of key guiding practical regulation of banks.
- Corporate governance: Corporate governance is the system that ensure organization's obligations to its major stakeholders such as customers, employees, creditors, suppliers and distributors, the community, and owners are met with integrity and in agreement with applicable regulations and laws.
- Organization for Economic Corporation and Development (OECD) principles: the ministers of OECD member countries developed OECD Principles in order to create legal, institutional and regulatory frameworks for corporate governance in their countries and to provide guidance for the process of developing good corporate governance.

1.9 Organization of the study

The researcher has organized the entire study into five chapters. Chapter one introduction to the study. This provides a background to the study, statement of the problem, research questions, objectives, and significance of the study, scope and limitations. Chapter two is literature Review. Which discusses theories relevant to the study and provides literature previously done by other authors on corporate governance. Chapter three is research design and methodology. This chapter discusses the research design, sampling procedures, data collection methods and analyses that have been used in the research. Chapter four presented finding of the study in relation to the research questions. Finally chapter five are discussion, conclusions and recommendations.

CHAPTER TWO

LITRATURE REVIEW

2.1 Definition of Corporate Governance

Various scholars defined Corporate Governance differently, for instance, (Wheelen: 2006) defined corporate governance as the relationship among shareholders, board of directors and the top management in determining the direction and performance of the corporation.

Corporate governance is defined as overview of policies, rules and regulations established to govern the corporation and the people in charge of the incorporated firm. It defines the relationship between shareholders, board of directors and the concerned stakeholders that determines rules and regulations of the organization (Kulkani & Maniam, 2014; & Wheelen & Hunger, 2006; as cited in Pradhan, 2015).

Corporate governance is the mechanism by which interested parties (the board, management, shareholders and stakeholders) in a corporation interact with each other and promote their interests (Adhikari, 2014). According to Cadbury Commission (1992) cited in Adhikari (2014) define corporate governance is the system by which companies are directed and controlled. Boards of directors are accountable for the governance of their companies. The key role of shareholders in governance is to appoint the directors and the auditors and also satisfy themselves that an appropriate governance structure is in place. The board's actions should be subject to laws, regulations and the shareholders during the general meeting (Ibid).

Corporate governance is a dynamic phenomenon, in two important ways: First, the interaction among the parties is dynamic. Second, the rights and responsibilities of each of the parties have a time component. For example, members of the board are responsible for: review of documents regarding the company's previous financial period/s; analysis of the company's present financial status; and brainstorming with management about the company's strategy for the future (Mulili, 2010).

On the other hand, the Organization for Economic Co-operation and Development (OECD) (2004), defines corporate governance as "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (OECD, 2004)

Huse (2007) defines corporate governance as the interaction between various internal and external actors and the board members in directing a firm for value creation. In this definition, he examines how boared contributes to value creation and highlights the ethical dimensions of corporate governance. In doing so, it recognizes that there is interplay of various actors who influence decision making. It also asserts that the various actors may or may not have a common objective. Consequently, board effectiveness is concerned with accountability and who and what really matters in the process of value creation.

According to Ethiopian central bank , corporate governance means the process and structure used to direct and manage the business and affairs of a bank/an insurer/a microfinance institution towards enhancing business prosperity and corporate accountability with ultimate objectives of realizing long term shareholders value and other stakeholders interest (NBE Directive SBB/72/2019).

2.2 Theoretical Review

The theoretical framework has been drawn mainly from the following theories;

2.2.1 Agency Theory

Agency theory has been widely used for clarifying various corporate issues. Agency theories arise from the existence of separation of ownership (Jensen and Meckling, 1976 cited in Magembe, Ombuki and Kiweu, 2017) to protect self-interested actions by ownership and control in large corporations by the managers (agents) work and make decisions on behalf of the owners to maximize the profit of the shareholders(principals) (Jensen and Meckling, 1976 cited in Magembe et al., 2017).

Agency theory is a control-based theory by virtue of managers' firm-specific knowledge and managerial expertise in order to gain an advantage over firm owners who are largely removed from the operational aspects of the firm. Because, in modern corporations' shareholders are not widely and normally involved in the daily operations rather they hire mangers to manage the corporation on behalf of them (Habbash, 2010). Therefore, the managers may pursue actions that benefit shareholders and not the firm owners. When conflict of interest of the shareholders and owners, the managers make necessity monitoring mechanisms designed to protect shareholders as owners of the firm (Mallin, &Melis, 2012). Such conflicts of interest occur in their difference preferred level of attitudes towards risk and their time horizon which may lead to diverge managers and shareholders' goals (Aebi, Sabato, &Schmid, 2011).

Brandas (2013) evaluated agency theory focus on CG in improving performance and financial standing of an organization in the contractual agreement between the principal and the manager. Then based on the contracts the manager have to undertake some duties (Brandas, 2013) the officers carry out their full responsibilities as the experts on their superior knowledge to the principal. Agent theory always represent and guarantee to the interest of the principal (Kapooria et al., 2014) and theory ensuring to perform contractual obligation to the benefit of shareholders the principal and agents (Kapooria et al., 2014). Furthermore, a board from the view of the agency theory they actively involved in managerial decision making processes such as strict control, supervision, and monitoring of the performance of the agent to ensuring the shareholders' interests and accountable to them (Hillman & Dalziel, 2003).

2.2.2 Stakeholders' theory

Stakeholder theory is an addition of the agency theory, which means Stakeholder theory more interest to stakeholders and onside account the interests of many different groups and individuals like employees, customers, suppliers, business partner related to social, environmental and ethical considerations also have a stake in a corporation (Abdullah & valentine, 2009). Because, success or failure of a company can affect them. Therefore, managers have special obligations to receive a fair return and ensure that all of those from their stake in the company (Donaldson & Preston, 1995). Managers have a duty to operate in ethical ways in a some form of corporate social responsibility (Jones, Freeman, & Wicks, 2002).

Stakeholder theory mainly focus and deal with the problem of stakeholders parallel to protecting the interest of the whole corporate holders (Monks, Robert & Minow, 2004). The disagreements and dissatisfaction may arises the conflict between Stakeholder and owners regardinig to the issues of high costs and high returns on investments. Therfore, some stakeholders may not able to influence the decisions of the organization because of power levels differences within the organization (Matt McGew, 2015 cited in Magembe et al., 2017). Therefore, performance of a firm is not measured only the account of stakeholders but also measured by interpersonal relations of lower to higher rank of the corporate holders and working environments should also be considered (Jensen, 2001). The theory help to ensure better relationships between all the stakeholders in order for the organization to have better loan performances (Magembe et al., 2017).

Stakeholder theory states that managers in organizations have network to make a relationships and serve suppliers, employees and business partners and managerial making decision for the interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others (http://www.papertyari.com).

2.2.3 Stewardship Theory

Stewardship theories argue that the managers of a company are stewards of the owners, and both groups share common goals (Davis, Schoorman, & Donaldson, 1997). Unlike agency theories suggestion, the board should not be too controlling and the board play a supportive role by empowering executives and, in turn, increase the potential for higher performance (Al-Tawil, 2016). The relationship between the principal and the agent relies on a choice (Burghausen & Balmer, 2015) and produces a positive correlation option for both parties choose to behave as agents and place the interest of the principal as a priority. This theories argue the relationships between board and executives are shared decision making, mentoring and involve training (Huillier, 2014). In addition, manager will behave in a pro social manner in the organization in the interest of the principal and the agent (Hiebl, 2015). Thus, steward should maximize the firm’s performance, sales growth, profitability, and reduce expenses (Waters, 2013).

Steward's Theory states that Steward protects and maximizes shareholders' wealth through solid performance. When defining corporate governance under storytelling theory, the hypothetical manager works in the best interests of the group to monitor corporate assets and seeks to maximize the financial status of shareholders. (Al-Tawl, 2016) Stewards are owners and managers of companies that work to protect shareholders, for profit. When the organization is successful, this administrator will be satisfied and motivated. It enforce and empower the employees or executives to act more separately so that the shareholders' returns are maximized. The employees take ownership of their jobs and work at them diligently (http:// www. papertyari. com).

2.2.4 Political Theory

Political theory brings the approach of developing voting support from shareholders, rather by purchasing voting power. It emphasizes that the distribution of corporate power, profits, and privileges are determined by the favor of governments (http://www.papertyari.com). Therefore, having political influence on corporate governance can direct corporate governance within the organization. Public interest is much reserved as the government participates in corporate decision making, taking into consideration cultural challenges (Pound, 1993). The political model highlights the allocation of corporate power, profits and privileges are determined via the governments' favor. The political model of corporate governance can have an immense influence on governance developments. In the last decades, the country's government has exerted a strong political influence on companies. Consequently, politics is the gateway to the governance structures or mechanisms of firms (Hawley & Williams, 1996).

2.2.5 Transaction cost theory

Transaction cost theory was first introduced by Carat and March (1963) and then theoretically described and published in 1996 by Haley Lee and Williams. Transaction cost theory was an interdisciplinary link between law, economics, and organizations. This theory see the firm as an organization of people with different views and objectives. The underlying assumption of transaction theory is that companies have become so large that they create a market option to determine the allocation of resources. In other words, the organization and structure of salary can determine the price and product. Transaction is the unit of analysis in cost theory.

Transaction cost theory states that a company has a series of contracts within the company or with a market through which it creates value for the company. There are costs associated with any contract with an outside party. These costs are known as transaction costs. If transaction cost of using the market is higher, the company would undertake that transaction itself (http://www .papertyari.com).

2.2.6 Resource Dependency Theory

Abdullah & Valentine (2009) stated that resource dependency theory highlights on the role of board of directors in providing admission to resources needed by the firm. According to the above theory the main and the first function of board of directors is to deliver resources to the organization and they are viewed as vital resource to the firm. Directors are providers of resources to the firm like skills, business expertise, information.

The thoery argue that a board exists as a provider of resources to executives in order to help them achieve firm goals (Hillman & Daziel, 2003; Wang, 2009). Resource-dependence theories suggest that the board intangible supports to the executives and strong financial, human, and intangible supports to the executives like trainings as well as suggested most of the decisions be made by executives with some approval of the board. This theory suggests that the board of directors could form links with the external environment in order to support management to fill knowledge gap to ensure the achievement of organizational goals (Wang, 2009). And also resource dependency theory focus on the advisory and counseling role of directors to a firm management. The dual role of boards is recognized. However, board structure mainly relied on agency theory concepts, focusing on the control function of the board (Habbash, 2010).

2.3 Corporate Governance principles

The Principles of CG The Basel Committee on banking supervision has also published supervisory guidance on CG first in 1999 to assist banking supervisors in promoting the adoption of sound CG practices by banking organizations in their respective countries. The guidance drew from principles of CG that were published earlier by OECD with the purpose of assisting governments in their efforts to evaluate and improve their frameworks for CG and to provide guidance for financial market regulators and participants.

2.3.1 Basel Committee on Banking Supervision (BCBS) CG principles

In 2015, BCBS revised guidelines on CG principles for promoting sound corporate governance practices at banking organizations. Subsequent to the publication of the Committee's 2006 guidance, there have also been a number of CG failures and lapses, many of which came to light during the financial crisis that began in mid-2007 (BCBS, 2015).

Accordingly BASEL, (2015) the followings are the list principles:

1. Board's overall responsibilities: The board has overall responsibility for the bank, including approving and overseeing management's implementation of the bank's strategic objectives, governance framework and corporate culture.
2. Board qualifications and composition: Board members should be and remain qualified, individually and collectively, for their positions. They understand their mistake and CG role and be able objective judgment and exercise sound about the affairs of the bank.
3. Board's practices and structure: They should define proper governance structures and practices for its own work, and maintion practices within periodically reviewed for current effectiveness. In addition, the structre of the board are nomination/human resources/ governance committee, risk committee, audit committee, compensation committee and compliance and ethics committee. Senior management should carry out and manage the bank's activities based on business strategy.
4. Governance of group structures: The board has the overall responsibility to ensuring the establishment of clear governance framework, business and risks of the group. The board and senior management should review the banks organizational structure and the risks that it poses.
5. Risk management function: Banks should have an effective risk management function, under the direction of with sufficient stature, chief risk officer, resources, independence, resources and access to the board.
6. Risk communication: An effective risk governance structure requires robust communication within the bank about risk, both across the company via reporting to the senior management and board.

7. Compliance: The bank’s board of directors is responsible for supervision of the bank’s compliance on risk. The board should establish and approve a compliance function of the bank’s policies and processes for identifying, assessing, advising on compliance risk, and monitoring and reporting.
8. Internal audit: it should provide independent assurance to the board and should support board and the long-term soundness of the bank.
9. Disclosure and transparency: The governance of the bank should be effectively transparent to depositors, shareholders, stakeholders and market participants.
10. Role of supervisors: Supervisors should guide and oversee corporate governance in banks, including comprehensive evaluations and regular interactions with boards of directors and senior management, as necessary, and require reform and corrective action, and share CG information with other supervisors (BCBS, 2015).

2.3.2 OECD principles of corporate governance

The OECD Principles draw on a report prepared by the Business Sector Advisory Group that emphasizes that good corporate governance can best be achieved through a combination of regulatory and voluntary private actions. On the supervisory side, the report eminents that administration armed interference ahead of allied govermnet exist in use at the time when consistently and speedly in force and when aim attention at head of make secure justice, transparence, responsible, and accountability.

Most countries’ corporate governance codes are based on the principles of the OECD, and Ethiopia corporate governance code has five element. In 1999, the Organization of Economic Cooperation and Development (OECD) laid out five sets of principles as guidelines to assess the level of corporate governance application:

1. The Rights of Shareholders: This includes the transfer of ownership of shares, voting at general meetings, appointment of board members, receipt of dividends from shares, revis ion of financial statements, and the right to actively participate in general meetings
2. The Equitable Treatment of Shareholders: This means equal treatment of shareholders in all categories and the defense of their legal rights, as well as their right to vote in the general assembly on fundamental decisions, to be protected against any suspicious mergers or

acquisitions and from insider trading, as well as their right to be informed of all transactions involving the board members or the executive managers.

3. The Role of Stakeholders in Corporate Governance: This includes the respect of their legal rights and compensating them for any breach of these rights. Stakeholders include the bond-holders, workers, banks, suppliers and customers.
4. Disclosure and Transparency: This includes the disclosure of key information, the role of the auditor, and the ownership of the majority of shares, as well as disclosure related to the board members and executives.
5. The Responsibilities of the Board: These include its structure, its legal duties, the board member selection process, its main functions and its supervisory role of the executive management.

2.4 Guidelines of corporate governance policies and procedures practice

One of the better documents on CG area was published by the Institute of International Finance (2002) notes that corporate governance and transparency policies in emerging markets provide a set of guidelines used by corporate officers and directors to establish or review corporate governance laws for their company.

2.4.1 Board Characteristics

Board responsibility

The board members play an important role in CG practices because it is responsible for planning and monitoring a company's objectives (Bhagat & Bolton, 2008). Therefore, an effective board of directors with the right board structure is essential for the board to achieve its goals and ensure the success of the company (Al-Matari et al., 2012)

Board responsibility is to ensure the long-term viability of the firm and to provide oversight of management. In some countries the board has fiduciary responsibility for ensuring compliance with laws and regulations, including accounting and financial reporting requirements (Cadbury et al., 2000). Similarly, the Board plays a major role in the corporate governance framework, and is mainly responsible for monitoring managerial performance, and achieving an adequate return for shareholders. The Board also acts as an intermediary between the principals (shareholders) and the agents (managers), ensuring that capital is directed to the right purpose (Brown Governance, 2004 cited in Ongore & K'Obonyo, 2011).

The main responsibility of board are run bank's business strategy and financial soundness, made key personnel decisions, internal organization and governance structure and practices, and risk management and compliance obligations (BCBS, 2010). In addition, the board is responsible for supervising managerial performance and achieving an adequate return for shareholders, while avoiding conflicts of interest and balancing the competing demands on the bank (OECD, 2006).

Board size in CG

The agency theory assumes that smaller board is recommended to reduce the agency cost, by effective control over the management and conflicts among the group members. Boards with 7 to 8 members are better associated to the greater number (Yoshikawa & Phan, 2003). when the board size increases, the board's ability decreases and shirk the ability to decision making (Jensen, 1993 cited in Magembe et al., 2017).

Board size is a vital CG apparatus for managers and all stakeholders in bank organization (Sanda, Garba & Mikailu, 2011). Ong and Wan (2008) classified the board role in two ways: first the board control the work and activities of the CEO and firm. Secondly, it should improve and encourage firm culture to maintain good relations between shareholders, stakeholders and firm management.

Limiting the size of the board to a certain level is widely considered to improve the performance of the firm at each level. The benefits of increasing oversight over large boards outweigh poor communication and cumbersome decision-making (Otino, 2012). Firms with a short board of at least five members were better informed about the firm's earnings and therefore considered to have better monitoring scope (Mac & Juanto, 2003).

Small board size was favored to promote critical, genuine and intellectual deliberation and involvement among members, which presumably might lead to effective corporate decisionmaking, monitoring and improved performance (Lawal, 2012).

The Cadbury (2000) recommends an ideal board size of 8–10 members, with an equal number of executive and non-executive directors. Jensen (2010) argues that the optimum board size should be around 7–8 directors. Based on the Codes of CG in the UAE, the board of directors consists of 3–12 members. Santiago-Castro, and Brown, 2011) also suggest that a board size of between six and 15 members is ideal to enhance firm performance.

Board meeting frequency in CG

Meeting frequency refers to how much time Board meet on a year. In order for the Board of Directors to effectively perform its monitoring function and monitor its business performance, the Board of Directors must meet regularly. Measure the intensity and effectiveness of your company's oversight and offload board frequency (Zegeye, 2015).

A clear implication of these studies is that directors in boards that meet frequently are more likely to perform their duties in accordance with shareholders' interests. Although board meetings bring to the director such as more time to discuss, strategies and monitore, there are a cost associated with board meeting, managmnt timetravel expenses and director fee. Therefore, there will be more seats to cover the costs associated with the board (Bathula, 2008).

Board composition and qualification in CG

The composition of the board has a direct effect on the company's activities. Generally, the composition of the board refers to the proportion of inside and outside directors serving on the board (Bhagat & Bolton, 2008).The board of directors combines a mix of competencies and capabilities that collectively represent a pool of social capital, and adds value in executing the board's governance function (Bahuta, 2008). Beside of this, BCBS (2010) state that board members should be and remain qualified, including finance, accounting, strategic planning, communications, governance, risk management, bank regulation, auditing and compliance through training, for their positions. Moreover, the board collectively should have a reasonable understanding of local, regional and, if appropriate, global economic and market forces and of the legal and regulatory environment (BCBS, 2010). Because, qualifications of individual board members are important for decision making for instance the monitoring role can be effectively implemented if the board members are qualified and experienced (Bahuta, 2008).

The board must be appropriate and have a arrangement enabling effective oversight (OECD, 2006). In addition, OECD added that board qualifications used for monitoring managerial performance, preventing abusive conflicts of interest and balancing competing demands.

2.4.2 Right and role of shareholders' and equitable treatment in CG

The corporate administration system ought to recognize the rights of partners built up by law and through common assentions and empower co-operation between enterpriase and partner (workers, lenders, providers, shareholders) in making esteem (OECD, 2004). Additionally, without the intrigued of its partners, a firm cannot maximize its esteem (Jensen,2010). Hence, OECD (2004) expressed that corporate administration system ought to protect and facilitate the exercise of shareholders' rights include: secure method of ownership registration, convey or transfer shares, obtain relevant and material information on the firm on a regular and timely basis, participate and vote in annual general meetings, elect and remove members of the board, and share in the profit of the firm. Therefore, John, Litov and Yeung (2008) and Abu-Tapanjeh, (2009) suggested that firm with better shareholders' protection help to reduce investment risk and have better firm value.

According to the fundamental stakeholder theory firm's success is depend on the efficient management of the company with stakeholders (Elijido-Ten, 2009). This is supported by Faye (2014) that asserted that based on stakeholder theory the firm management should be aware of various needs of all stakeholder and to align their interests with the company's different objectives. Thus, though the primary responsibility towards all stakeholders that to manage all potential conflict of interest between the firm and its stakeholders (Prugsamatz, 2010).

The CG system must fair treatment to all shareholders, including minority and foreign shareholders.All shareholders should be able to receive effective compensation for violations of their rights" (OECD, 2004). Therefore, all shareholders of the same class should receive the same treatment. This principle also requires the board of directors and management to disclose all vested interests in matters and transactions that affect the company. According to Salvioni and Bosetti (2006), good corporate governance is based on fair treatment of shareholders, which ensures that members of the company or other groups of shareholders do not benefit directly or indirectly from commercial, financial and related transactions. with assets.

Bank board should recognize different classes of shareholders because shareholders have contributed importantly to failures of boards and companies by being too passive and reactive for instance they will vote with their feeling if dissatisfied and sell a company's shares (OECD, 2009). For example, in Fortis Bank, the low shareholder turnout for crucial decisions was in part due to a from very large individual shareholder base, low shareholder turnout for crucial decisions in the bank. Due to this, individual shareholders often lack the incentives to remain informed and to participate, relying on others, however, latter they are quite heterogeneous (Ibid).

2.4.3 Disclosure and Transparency

Transparency is important for sound and effective CG. Transparency and disclosure of information are the main features of good CG for banking organizations as well as it help to cultivate new motivate to provide stakeholders with crucial information to judge whether their interest are being taken care of (Anameje, 2007).

All material matters regarding including financial situation, performance, ownership, and governance of the company should be disclosed timely and accurate accordance to corporate governance framework (OECD, 2004). In addition, The disclosure include company objectives, major share ownership and voting rights, and related party transactions (Gill, Vijay & Jha, 2009).

Information disclosure rules help to clarify assymmetry information dissemination between the professional managers and large defused body of shareholders. The legal responsibilities of the the board directors have responsibilities to managing the business in accordance with that benefits the shareholders and fullfil the financial reporting and other disclosure requirements specified by company law (Cebenoyan, 2004). Therefore, Patel, Balic and Bwakira (2002) and Chi (2009) found that better transparency and disclosure practices establish a stronger corporate governance practice which leads to firm's performance.

2.5 Empirical evidence

This section of literature review concentrates on previous studies that have been conducted in relation to assessment of corporate governance of commercial Banks and corporations. In the context of Ethiopia, even if there is limited number of research work on the evaluation of the effect of corporate governance on private commercial bank financial performance.

Board is responsible for actions of the future of corporations by arranging meetings on proper time. Conger and Finegold (1998) board has adequate number of meetings in a year that help to improve the financial efficiency and to increase the value of shareholder. Board meeting include executive committee attended by CEO, chairman directors, managers and directors (Ward, 1991). While, in USA six meetings in a year is a good practice for a number of organizations and including special meetings (Moore, 2002). Vefeas (1999), in his experimental findings, found that the number of board meetings showed a positive correlation between board meetings and diligent performance. Similarly, Cornett, McNutt, and Tehranian (2009) find that stronger board in the banking industry can be achieved by higher bank performance and CEO pay-based on firm performance as well, vice versa. Adequate number of meetings in a year handles corporate affairs better and increases bank efficiency (Ali, Ibrahim, Asim, and Rehman, 2014).

On the other hand, Tanna, Pasiouras, and Nnadi (2008) investigated in 18 UK banks over the time period 2001-2006 regarding on core CG issues include board size and composition, and the impact of independent non-executive directors indicated that board composition has a positive impact on a variety of efficiency measures, and also supported the notion of non-executive directors bringing effective. In addition, Bhagat and Black (2003) report that board independence increases a firm's performance. Similarly, Ali et al., (2014) stated that participation of non-executive directors in board increases board efficiency and protects the rights of shareholders.

Gompers, Ishii, and Metrick (2003) construct the Gindex by counting the number of distinct provisions that reduce shareholder rights for a given firm in a given year. The index range shows from one to twenty-four, which indicated that higher values indicating weaker CG. In addition, Azofra and Santamaria (2011) find that the gap between the controlling shareholder's cash flow rights and control rights become to bigger the gap and lead to poor bank's performance. And also most Islamic banks have been a good significant percentage of independent directors, large supervisory board, high number of executive bank directors and managers' shareholding is insignificant afterr all they become higher financial position than who are not (Yongqiang, Armstrong, & Clarke 2014). While, Mizuno (2011) stated that boards of Japanese companies could not effectively exercise their rights to monitor management. Bank managers were able to protect their position and to appoint their successors, as the boards, agent of shareholders, had little exercised their right of corporate governance. therefore, the banks before the banking crisis did not function well (Ibid).

According to Akinkoye and Olasanmi (2014) investigated that Nigeria bank practiced 72.15% corporate governance and growth 5.83 % which indicated that corporate structure shows slow-down in the change of corporate governance practices among firms. Conversly, Al-Saeed (2014) show that Jordanian banks had made several years to fully comply with the concept of CG the reason is they early understand good CG enables banks to attract increased shareholder equity participation in banks and attract foreign investors to the banks.

Studies shown in Nigeria banks there are inappropriate behavior and connivance between the staff of the regulatory agencies and directors of the banks bother full compliance codes of CG thus decrease to ensure a healthy banking industry (Jakada & Inusa, 2014). Similarly, the study conducted by Starbuck (2014) described that problems in the Nigerian banking sector are some banks do not fully comply with the code of corporate governance because of poor management culture and supervisory (Umanholen, 2015).

In the study of Naser and Khadija (2010) provided evidence that firms listed on the Palestine, the lacks of board composition and independence and transparency and disclosures were moderate lead to the bank securities exchanges do not comply satisfactorily with corporate governance best practices. Similarly, Hassan (2012) cited in Gyamerah and Agyei (2016) assessment of the level of corporate governance practices in UAE reported that practices management structure and transparency have the highest disclosures while the lowest disclosures related to principles on external auditing and non-audit services. On the reverse, after the 2007 global economic crisis, most India private sector banks had been focus on the disclosure levels of the banks. Then, they diverse areas of the economy took in much professionalism that has led to competition ensuing in a higher level of disclosures and sound corporate governance practices (Tayo-Tiwo, 2018).

Durnev & Kim (2003) found that firms scoring high in transparency and governance rankings are valued higher in the stock market. This is supported by the evidence that firms with greater growth opportunities and greater external financing requirements practice higher quality disclosure and transparency levels than those without. The study conducted in Japan bank by Mizuno (2011) shows that due to difference primarily interests between bank managers and shareholders, bank managers tended to hide the true picture of their bank's loan portfolio by extending additional loans rather than disclosing the bad loans. Besides, the financial stabilization policy of the government to protect depositors, albeit slightly reduced, lowered the degree of market discipline on banks (Ibid).

Yeh., Chung, and Liu, (2011) finding revealed that there were positive association between firm CG practice and the percentage of independent and professional directors in the audit committee among East Asian firms. Additionally, Anderson and Reeve (2004) found that a completely inde pendent audit committee had a positive impact on the cost of debt lending through active oversight of the accounting process by independent directors.

According to Olayiwola, (2010) stated that poor practice of CG principles is resulting to failures in the Nigerian banking sector. In addition, Olayiwola added that Nigerian economy sectors, which the Deposit Money Banks, was fail because of audit committee is not doing effectively its duties in terms of appointment, fairness, and responsibility in determining the remuneration of the external auditor and non-executive director (Ibid). Similar vein, the study conducted in Bank of Nigeria's by Otusanya (2010) cited in Adewale, (2013) finding show the main factors for failure of CG were lack of investor.

A study of Santiago-Castro and Brown (2011) found that minority shareholder rights and strong performance in the Latin American market could lead to poor shareholder rights due to lack of investor protection in emerging markets. I conclude that there is sex.The law and regulations of most countries suggested that all companies disclose their financial, non-financial and operational performance either annually or both semi-annually (Sourial, 2004 cited in Iswaissi & Falahati, 2017) thus, banks were adopted on disclosure transparency. Beside of this, the study conducted in North Africa Countries by IFC and Hawkamah (2008) found that the majority of banks in MENA region fulfil regulation and law regard to the disclosure. In addition, Shanikat (2011) observed that emperical evidence of disclosure and transparency have been fully adopted.

2.6 An Overview of Company Law in Ethiopia

Overview of NBE'S Corporate Governance Directive No SBB/71/2019 composed of articles related with scope of application , general principles, board of directors, shareholders, Chief Executive officer, Meeting, disclosure and prohibition.

Article 5 NBE's Corporate Governance Directive states that a bank shall have at least nine directors. The board of a bank shall comprise non influential shareholders whose numbers shall not be less than one third of the total board members elected separately by such shareholders provided that such shareholders hold at least 30% and above of the subscribed share capital of the bank; or one fourth of the total board members elected separately by such shareholders provided that such shareholders less than 30% of the subscribed share capital of the bank no matter what the proportion of their shareholding in the bank.

Article 6 General meeting of Shareholders: Establish nomination committee by shareholders from shareholders, composed of not less than five shareholders, that is accountable to it, independent from the board of the bank, and shall not have a seat on the board of the bank.

Article 7 Representing by a voter in person and by proxy in any shareholders meeting shall be limited to the aggregate, including the voter's own shares, of a maximum of 10% of the subscribed share capital of a bank.

Article 8 The general assembly shall establish Board Standing Nomination Committee, which is directly accountable to the former, independent from board of directors and shall not have a seat on the board of the Company.

Article 12 Disclosure: the board and senior managementshall be transparent to shareholders, depositors /policy holders and other relevant stakeholders without breaching necessary confidentiality.

CHAPTER THREE

METHODOLOGY

The study methodology approached was described in this section in order to explore corporate governance policy and procedure practice in NIB. In addition, the rationale for choosing the research methods explained information about research design, sampling size and techniques, data collection instruments, data analysis and anticipated ethical issues.

3.1. Research Design

The investigation was aimed to assess the corporate governanace practices of NIB bank S.C.Therefore, the study is exploratory in nature and the single exploratory case study was the most appropriate.

The exploratory case study allows the investigator to have a broad explanation of overall corporate governance practice related to the literature review. Because, the investigator explored the gaps in the corporate governance practice of the bank to comply fully with the code of corporate governance in the past. The exploratory case study was served as the target for the development of the interview questions that respondants to answer the research questions.
The intention of this study is to explore the extent of application of OECD principles and Basel committee of banking supervision guidelines and NBE directives in the NIB International Bank S.C. corporate governance that the directors try to ensure with the code of corporate governance.

Exploratory case study was chosen assuming that it is best to investigate the extent of the implementation of the corporate governance principles in banks from a holistic perspective in its natural settings. Moreover, in order to achieve the intended objective mixed research approach (qualitative and quantitative) methods were chosen.

3.2. Sources of Data and Sampling Techniques

3.2.1. Source of data

To have a complete picture of the study, data have been collected from both primary and secondary sources. The target populations for the primary data includes the board members and President and the board secretary of the NIB International Bank S.C. While, secondary data have been collected from different published sources such as NBE bulletins, the internet, journals, books, banks website and banks annual reports.

3.2.2. Sampling Population and sampling techniques

Based on the information found from the National Bank of Ethiopia, there are a total of 12 board members for NIB International Bank S.C. All of them were taken as a target population for the purpose of this study. And the other target populations of the study are the President and board secretary of the bank. In other ways, a population census was used to make the research. Therefore, For questionnaire 14 participants who are board members, the president and the board secretary were involved in the study.

Similarly, for the interview part participants were selected through purposive sampling method. And, the respondents for the interview two board members and board secretary were selected purposively for intereview. Because, they would give empirical knowledge and experience for the study due to guide, help and understand CG practice in NIB bank.

3.3. Data collection instrument

As Moser and Kalton (1972) suggests that using different instruments for a study provides a powerful research strategy. In this study, the data was gathered using three instrumental tools which includes quesionnaire, interview, and document review/recorded data.

3.3.1 Interview

Interview was the one data collection instruments to conduct the study. In this particular study interview was utilized to assess the extent of application of OECD principles and Basel committee of banking supervision guidelines and NBE directives in the NIB International Bank S.C. corporate governance. Then, the interview was developed for all board members, the president and secretary of the bank to explore the practice of corporate governanceNIB International Bank S.C. corporate governance.

The study was used Semi-structured Interview style in order to address key themes of the study topic. In addition, it help to allows flexibility for the researcher to reply to the answers of the interviewees.

The interview provided phone call and face to face interaction with some board members, the president and secretary of NIB bank. The interview was included open ended questions. The interview guide for in-depth interviews consisted of open ended questions to provide clarification on main element of OECD corporate governanceprinciples.

3.3.2 Questionnaire

Questionnaires was the other data collection instruments to conduct the study. In this particular study questioners were utilized to assess NIB bank corporate governance practice.

The Questionnaires contain six dimensions of CG practice in NIB international bank such as transparency and disclosure practice (10 items), shareholder right and equitable treatment (6 items), stakholders right and protection (6 items), board member qualification (5 items), board member responsibility (8 items) and culture of good corporate governance throughout the bank (6 items). Except culture of good corporate governance quesionnaire it is organized as (1 = yes and 2 = no), all 5 dimensions questionaire items were Likert scale (1= Strongly disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = strongly Agree).

3.3.3 Document review / record data

Documents which are obtained from NIB bank annual report on their official wabe page and other secondary documents are reviewed. Document review was collected from 2014/15 – 2018/19 year including deposit, loan and advanced, total equity, net income, net interest income, asset , profit after tax, number of staff employee, and number of branch of NIB bank.

3.4 Data Analysis

This section describes how each study variable was measured then explains the data analysis techniques was employed to achieve the study objectives.

In this study data analysis method used to answering the research question. The quantitative data was analyzed with the help of Statistical Package Software for Social Scientists (SPSS V 26). The Quantitative data was employed by descriptive statistics techniques mean, standard deviation, percentage and frequency.

The major bank performance indicators are Return on Average Equity (ROE), Return on Average Assets (ROA), and Net Interest Margin (NIM). Therefore the study covers 2014/15 – 2018/19 bank performance, to show the effect of good corporate goveranace on the performance of the bank.

Return on Average Assets (ROA),

It shows that how assets the board and management of the bank used to generate profits from the bank' assets. It shows the profits earned per birr of assets and indicates how effectively the bank's assets are managed to generate revenues.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Average Assets}}$$

Return on Average Equity (ROE),

It reffers to how much the bank is earning on owners equity investment and it is measured by, the net income per birr of equity capital.

$$\text{ROE} = \frac{\text{Profit after tax}}{\text{Total Equity}}$$

Net Interest Margin (NIM)

It is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders. It shows how successful a bank's investment decisions are compared to its debt situations.

$$\text{NIM} = \frac{\text{Net Interest Income}}{\text{Average Assets}}$$

Lastly, data obtained from open-ended items of the interview were administered to selected respondents of the board , theboard secretary to their views and observation were interpreted and analyzed qualitatively.

First all participants interview were identified and categorized and classified on their views based on the interview question, depend on the data conducted in recorded audio.

The interview data was analyzed through phenomenological data analysis approach that carried out by seven steps of that approach (Colaizzi 1987 cited in Lara, 2015). The seven steps approach of data analysis noted down by Colaizzi is as as follows:

1. Listened several times recorded interviews audio then write down
2. Unrelated and unnecessary redundancy data were reduced
3. Formulated significant statements from the interviews
4. Significant meanings are collected into developing themes
5. Important participant experiences description are put using exact quotes
6. The findings results are put into short and clear statements
7. The research participants were asked to validate the findings.

These seven processes were employed to analyze the interview data throughout the study. To analyse qualitative data the researcher categorized the interview information and do coding (assigning units of meaning to words, phrases, sentences or paragraphs, connected and select specific sentence for the study) on the data in order to reduce the size of the interview data. After coding a piece of text the researcher started to analyse it interpreting the data and moving from concrete to more abstract conceptualisation.

According to Creswell (2014), thematic analysis which is based on the frequent theme of data can be used to make sense of qualitative data. It can be used to analyze qualitative information and to systematically gain knowledge about a person, an interaction, a group, a situation, an organization or a culture. This study also administer qualitative data in terms of content and where applicable and a quotation form analyze of NIB bank president and board member chair man and in depth interview and opinion. Qualitative data analysis apply to discuss with relevant documents was used to generate qualitative data.

3.5 Reliability and Validity

The reliability and validity of the instrument and its subscales was checked. To analyze the collected data of pilot study SPSS 26 version software was used. Then, the internal consistency of the instrument and its subscale is checked through Cronbach alpha <.65 (Stattler, 2001). Therefore, the analysis of the research findings was done to establish the reliability and validity of the research by triangulating.

Qualitative study can establish reliability and validity by addressing the credibility, transferability, dependability and conformability (Trochim and Donnelly 2007: pp-149 cited in Kumar, 2011).

The study was made using the above techniques to demonstrate the reliability and validity of the research. Then, all interview items were clarified clearly for the participants by their languages. The researcher follow similar manner to other study interview procedures and process in order to verify the accuracy of the results. Lastly, similar interview questions were asked twice for the same group participants in order to verify reliability result.

3.6. Ethical consideration of the research

There are several procedures to be followed and measures to be taken before, during and after the research was over. The following points discuss the procedures.

Ethical approval of the research was obtained from the ethical review of College of Business and Economics Studies, Addis Ababa University. The researcher got support letter from Management Department, Addis Ababa University in order to get permission from the school director to investigation the study.

After that all board members, the president and secretary of the bank were informed about the objective of the study that the study contribute necessary information to strength implementation of corporate governance in NIB International Bank S.C. The researcher announce the participants that information gained from them can be used only for research purposes and consciously consider ethical issues in seeking consent, avoiding deception, respecting the privacy, and secured and remain confidential of all respondents.

After getting their voluntary for the interview, the interviews were conducted through personal call and face to face. The researcher was conducted the interview in Amharic language for all participants. Before interviewing the researcher requested all participant permission to audio/ phone call records and interviews were recorded.

CHAPTER FOUR

DISCUSSION OF THE DATA PRESENTED

In this chapter the statistical data collected from the questioners are presented in tables appropriately and are discussed of the results obtained from target population. In addition, respondents interviews about corporate governance practice are analysed by thematic way.

4.1 Respondent's Profile

The researcher self-administered the questionnaire for board members, CEO and board secretary and all respondents fill the questionnaire correctly and returned.

Table 1: Demographic variables

	Category	**Frequency**	**Percentage (%)**
Gender	Male	13	92
	Female	1	8
	Total	14	100
	30-45	10	71.1
	45-60	4	28.9
	Total	14	100.00
Work experience	10-20 year	1	7.1
	20-30 year	4	
	Above 30 year	9	
	Total	14	100.00
Education level	Diploma	1	1.9
	Degree	5	85.78
	MA	8	8.05
	Total	14	100.00
Work position	Senior management	2	14.2
	Board member	12	85.8
	Total	14	100.00

From the above table age profile of the respondents, 75% of the directors are between 30 and 45 age which is the majority age and 25% of which are between age 45 to 60. The result is consistent with the directive Banking Business Proclamation 592/2008 issued by the National Bank of Ethiopia, that a member of the board of a bank has to be at least 30 years old.

Regarding on work experience the majority 64% of the board members have more than 31 years of experience in the finance sector, 29% are with experience between 20 & 30 and 7% of them are between 10 and 20 years of experience. This indicates that the boards of the bank are well experienced as per the Basel, (2014) stated that directors should have relevant experience which enables the directors to have a clear understanding of their role in corporate governance, which is one of the critical elements of corporate governance.

4.2 Reliability analysis

The study used questionnaire to assess corporate governance practice in NIB bank. Then, the researcher asses the fit reliability and validity of the questionnaire in order to get confidence in comparing the sample with help of SPSS V-26 and the most frequently used Cronbach's alpha. The reliability of the items are presented below in table 2.

Table 2: Reliability analysis score

Items	Cronbach's Alpha	No of Items
Transparency and disclosure	.677	10
Board member responsibility	.876	8
Shareholder right and equitable treatment	.830	6
Stakholders right and protection in CG	.758	6
Board qualification	.812	5

The reliability indicated that all question items were > .65 and it is acceptable.

4.3 Presentation of findings and analysis on CG Practice of the NIB bank

This section deals with the analysis and interpretation of data that obtained from the response collected through the distributed questionnaire and interview.The respondents were asked to rate transparency and disclosure, board qualification, stakholders right and protection in CG, shareholder right and equitable treatment and responsibility of the board in corporate governance in NIB international bank using the scale: 1=Strongly Disagree(SDA), 2. Disagree(DA) 3. Moderately Agree(MA), 4. Agree(A), 5. Strongly Agree(SA). The resulting standard deviation of < 1.0 shows that the differences in the responses received was insignificant.

Table 3: Descriptive statistic of transparency and disclosure practice

No	Item		Level of agreement					Mean	SD
			SDA	**DA**	**MA**	**A**	**SA**		
1	Disclosure of board meetings and its agenda	Count			1	7	6	4.36	.633
		%			7.1	50.0	42.9		
2	Disclosure of number of audit committee meetings	Count		2	4	8	1	3.64	.745
		%		7.1	28.6	57.1	7.1		
3	Disclosure of number of nomination committee meetings and their performance	Count					14	5.00	.000
		%					100		
4	Disclosure of relations with shareholders	Count			1	6	7	4.43	.646
		%			7.1	42.9	50.0		
5	Disclosure all financial statements	Count					14	5.00	.000
		%					100		
6	Disclosure of full biographical details of board members	Count				1	13	4.93	.267
		%				7.1	92.9		
7	Disclosure of performance evaluation of board	Count					14	4.79	.802
		%					100		
8	Dissemination of information to user	Count			2	6	6	4.29	
		%			14.2	42.9	42.9		
9	Disclosure of business objectives and governance structure	Count					14	5.00	.00
		%					100		
10	Report board committee activities	Count				4	10	4.74	
		%				28.6	71.4		

The above table revealed that disclosure and transparency of corporate governance principle of NIB bank. Concerning on ‘Disclosure of board meetings and its agenda’ shows that 7(50%) and 6(42.9%) of respondents agree and strongly agree respectively with mean result of 4.36. 9(64.4%) of respondents inclined agree that on audit committee meetings are disclosure and transparency in the NIB bank; result of mean value 3.64 and significant.

Both ‘’Disclosure all financial statements’’, ‘‘Disclosure of performance evaluation of board’’ and ‘’Disclosure of number of nomination committee meetings and their performance’’registered the highest level of agreement 14 (100 %) with a mean score 5.00 with significance. Similarly, show that 13(92.9%) of respondents inclined to respond agree on relationship with shareholders are disclosure with mean value of 4.43 and which was significant.

Disclosure of full biographical details of board members show that 13(92.9%) of respondens responseded agree with result mean value of 4.93 and significant. Alongside, 4 (28.6%) and 10(71.4%) of respondent were responded agree and strongly agree respectively on disclosure board committee activities with mean value of 4.74 and significant. Concering on ‘‘dissemination of information for user’’ shows that 12(95.8%) respondents were incliend to gree with result mean of 4.29 and significant. Lastly, 100% of respondents were agree on disclosure of business objectives and governance structure.

Overall, in the foregoing findings, the majority of participants agreed with transparency and disclosure practice in NIB indicated between mean value of 3.64 -5.00. therefore, the study result indicated that transparency and disclosure practice in NIB bank was very good. As Basel and OECD guidline of corporate governance framework ensure that timely and accurate disclosure is made on all material matters like financial situation, performance, ownership, and governance of the company should be disclosed timely and accurate accordance to corporate governance framework (OECD and Basel 2015). In addition, The disclosure include company objectives, major share ownership and voting rights, Board structure and composition, and related party transactions (Ibid).

Table 4::Descriptive statistic of board member responsibility

No	Items		Level of agreement					Mean	SD
			SDA	DA	MA	A	SA		
1	Members used to feel responsible and devote sufficient time to carry out their responsibilities	Count			2	7	5	4.21	.699
		%			14.3	50.0	35.7		
2	Members consider fiduciary and stewardship responsibilities in discussions and decision making	Count			1	7	6	4.36	.633
		%			7.1	50.0	42.9		
3	Members are responsible and take into account stakeholder interests in decisions and actions	Count		1		4	9	4.50	.855
		%		7.1		28.6	64.3		
4	Members are willing to be accountable and responsible for situations that may cost me to the extent of relinquishing my position	Count			1	8	5	4.29	.611
		%			7.1	57.1	35.7		
5	Bord members are effectively carryout its oversight role and resonsibility	Count				5	9	4.64	.497
		%				35.7	64.3		
6	Board members act in the best interests of the company and the owners	Count		2	1	6	4	3.5	.87
		%		14.3	7.1	42.9	28.7		
7	The board has approved a strategic plan for the bank	Count					14	5.0	.00
		%					100		
8	The Board maintains a direct communications channel with internal and external auditors	Count	3	2	1	5	3	3.21	.65
		%	21.4	14.3	7.1	35.8	21.4		

From the above table board members used to feel responsible and devote sufficient time to carry out their responsibilities shows that majority of respondents (85.7%) inclined to responded agree with mean result of 4.21 which was significant. Regarding on ‘‘Members consider fiduciary and stewardship responsibilities in discussions and decision making’’ respondents respond 7(50.0%) and 6(42.9%) agree and strongly agree respectively that is being practiced in the bank with mean value of 4.36. Majority of the respondents (92.9%) were inclined to agree on board members responsible and take into account stakeholder interests in decisions and actions practice in the CG of NIB and mean value result of 4.5.

Regarding on ‘‘Members are willing to be accountable and responsible for situations that may cost to the extent of relinquishing their position’’ 8(57.1%) and 5(35.7%) of respondents were agree and strongly agree respectively on the issue with mean result of 4.29. In addition, 5(35.7%) and 9(64.3%) of respondents were agree and strongly agree on the board members are carryout their responsibility and oversight role effectively with mean result of 4.64 which was significant. Concerning on the board member interests of the bank and the respondents responded that majority of them inclined to agree that is being practiced in the bank with mean of 3.5.
Similarly, all respondets reflect that all board members has approved a strategic plan for the bank with mean of 5.0.5(35.8%) and 3(21.4%) of respondents were responded agree and strongly agree on board maintains a direct communications channel with internal and external auditors that is being practiced in the bank with mean value of 3.21.

Generally, board member responsibilty in CG was score between mean value of 3.5 – 5.00. this indicated that board member responsibilty were good. As Basel (2015) that states that the board has overall responsibility for the bank including approving and overseeing the implementation of the bank’s strategic objectives. As per the OECD 2005, The Board must identify key risk areas and key performance indicators of the corporation’s business such as economic value added and should constantly monitor these factors. Therefore the management strives for these key indicators and incentives will be given based on that.Which is also goes along with NBEs directive article 6.6.3 (2014) that the board also has to monitor management’s performance in implementing the approved strategic plans of the bank. Beside of this, Banking Business Proclamation No. 592/2008, board members have to commit to the bank for damage caused by their oversight to properly carryout their responsibility in the bank.

Table 5:Descriptive statistic of Shareholder right and Equitable Treatment

No	Items		Level of agreement					M	SD
			SDA	DA	MA	A	SA		
1	Voting by Proxy Allowed	Count					14	5.00	.000
		%					100		
2	Adequate time given for questions at Shareholders meetings	Count				9	5	4.36	.497
		%				64.3	35.7		
3	Shareholders Priority Subscription Rights Protected	Count				5	9	4.64	.497
		%				35.7	64.3		
4	Equitable treatment of Shareholders practiced	Count			2	5	7	4.36	.745
		%			14.3	35.7	50.0		
5	Candidates disclosed before shareholders meetings	Count			3	11		3.79	.426
		%			21.4	78.6			
6	Shareholders be informed in advance the meeting date of general assembly	Count				2	12	4.86	.363
		%				14.3	85.7		

The above table shows shareholder right and equitable treatment practice in CG of NIB bank. shareholder voting by proxy followed in CG show that all respondents response were strongly agree and acceptable. Which is in line with the OECD 2015 Principles of Corporate Governance on shareholders should have the right to participate and vote in general meetings. Similarly, shareholders are given adequate time for questions during meetings, 9(64.3%) and 5(35.7) of respondents response agree and strongly agree respectively on the above issue that is being practiced in the bank with mean of 4.36.

Concerning on ‘‘Shareholders priority subscription rights protected’’ shows that 5(35.7%) and 7(50.0%) of respondents were agree and strongly agree with mean value of 4.64 and which was significant. In addition, candidates of board members disclosed before shareholders meetings showed 11(78.6%) of respondents were agree with mean result of 3.79 and significant that is being practiced in the bank.

Equitable treatment of shareholders practiced in CG of NIB bank shows that majority (85.7%) of respondets were inclined to agree that is being practiced in the bank; result of mean 4.36. all respopndents response inclined agree on shareholders informed in advance the meeting date of general assembly with meean value of 4.86 and significant.

Shareholder rights were established by CG principle of the bank. To sum up, study finding indicate that most respondents agree that is being practiced in the bank with statements recorded mean scores between 3.79 and 5.0. These indicate that board member of the bank respect and treat equally all shareholders. The study result supported the corporate governance framework should recognize the rights of stakeholders established by law and through mutual agreements and encourage co-operation between corporations and stakeholders in creating value (OECD, 2004). In addition, OECD (2015) stated that corporate governance framework should protect and facilitate the exercise of shareholders' rights include: secure method of ownership registration, convey or transfer shares, obtain relevant and material information on the firm on a regular and timely basis, participate and vote in annual general meetings, elect and remove members of the board, and share in the profit of the firm.

Table 6::Descriptive statistic of Stakeholders right and protection in CG

No	Items		Level of agreement					Mean	SD
			SDA	DA	MA	A	SA		
1	The right of stakeholders have legal rights are practiced in NIB bank	Count			1	3	10	4.64	.633
		%			7.1	21.4	71.4		
2	Stakeholders get sufficient and reliable information on a timely	Count		1		11	2	4.00	.679
		%		7.1		78.6	14.3		
3	Stakeholders profile are secured	Count				1	13	4.93	.267
		%				7.1	92.9		
4	Equalize and fair treatment for rights of stakeholders (employee and customers)	Count				4	10	4.71	
		%				28.6	71.4		
5	The bank has care for stakeholder rights	Count				3	11	4.78	
		%				21.4	78.6		
6	The bank has Performance enhancing mechanism	Count					14	5.0	.00
		%					100		

In the above table we can observe respondents view regarding on the role of stakeholders in the development of corporate governance system with the bank. Concerning on ‘‘The right of stakeholders have legal rights are practiced in NIB bank’’ shows that 3(21.4%) and 10(71.4%) of responents responsed agree and strongly agree respectively with mean value of 4.64 and significant. Majority of the respondents were inclined to agree on the ‘‘Stakeholders get sufficient and reliable information on timely’’ which are 13(92.9%) of respondents with result mean of 4.00 and which was significant. Similarly, 13(92.9%) of respondents responded stakeholders like employee, customers and other profile are secured and their right are protected with mean value of 4.96 and are significant.

Regarding on ‘‘Equalize and fair treatment for rights of stakeholders (employee and customers)’’ shows that 4(28.6) and 10(71.4%) of respondents were agree and strongly agree respectively and score mean value of 4.78 and signficant. Beside of this, Corporate governance practice of bank has cares for stakeholder rights indicated that 3(21.4%) and 11(78.6%) of respondets were agree and strongly agree and their score mean of 4.78 with significant. Due to this, all respondents were strongly agree on the right of stakeholder protected could enhance bank performance.

Overall result related to stakeholder right protection practice in NIB bank score mean above and equal to 4.00. this means the right of stakeholders practice in the study bank was excellent and the principle of bank corporate governance directive No. SBB/71/2019 and Basel and OECD (2015) are practiced in NIB bank well. Stakeholder theory mainly focus on problem of stakeholders parallel to protecting the interest of the whole corporate holders (Monks, Robert & Minow, 2004). According to stakeholder theory corporate Governance should account the interests of stakeholders (Abdullah & valentine, 2009). (Abu-Tapanjeh, 2009) stated that bank CG managements able to aware the needs of all stakeholder interests which align with firm objectives in order to maximize their nperformance and benefits offered by all stakeholders. Moreover, management must act as the stockholder’s agent to ensure & protects the firm from faller (Fontaine, Haarman, &Schmid, 2006).

Table 7:Descriptive statistic of board member qualification

No	Items		Level of agreement					Mean	SD
			SDA	DA	MA	A	SA		
1	All board members have adequate knowledge of the bank and the board functions	Count		7	3	4		2.78	.96
		%		50.0	21.4	28.6			
2	All members of the board have sufficient information and time that enables them to give strategic guidance of the bank	Count	2	4	3	2	3	3.0	
		%	14.2	28.6	21.4	14.2	21.4		
3	The bank has a formal orientation program and organize training sessions for existing board members	Count	6	8				1.17	
		%	42.9	57.1					
4	The board members are educationally qualified are proper and fit to corporate govenance of he bank and very well experienced	Count	1	4	2	6	1	3.14	
		%	7.1	28.6	14.3	42.9	7.1		
5	The board members have very well experienced for their current position	Count	2	3	2	6	1	2.93	
		%	14.3	21.4	14.3	42.9	7.1		

Source: Computation by SPSS analysis from data survey 2020

The above table revealed that the qualification of board members relevance,which means the questionnaire help to identify board member are fit to their position in NIB bank. Regarding on ‘‘All board members have adequate knowledge of the bank and the board functions’’ show that majority (50%) of respondents disagree on the issue and respondents mean score was 2.78 which is significant. Similarly, 5(35.7%), 2(14.2%), and 7(50.0%) of respondents were inclined to disagree, neutral, and agree respectively on board members educationally qualified and experienced are proper and fit to corporate govenance; result of mean value 3.14 with significant. While, majority 7(50.0%) of respondents respond agree on the above issue.

Majority of the respondents response inclined to disagree on board memers have sufficient information and time that enables them to give strategic guidance of the bank. Of among them 2(14.3%), 4(28.6%) and 3(21.4%) of respondents were strongly disagree, disagree and neutral respectively and mean result of 3.0 with significant.

Concering on ‘‘The bank has a formal orientation program and organize training sessions for existing board members’’ shows that 6(42.9%) and 8(57.1%) of respondents were strongly disagree and disagree with mean value of 1.17 and significant respectively. Lastly, regarding on board member experience fittness to their position in the NIB show that 6(42.9%) and 1(7.1%) and 5(35.7%) of respondents were agree and strongly agree and disagree respectively on the issue and their response was inclined to agree with mean value of 2.93.

Table 8:Developing a culture of good corporate governance throughout the bank

Crateria items	**YES**		**NO**	
	F	%	F	%
Corporate governance committee	10	71.42	4	28.57
Code of business ethics	12	85.71	2	14.29
Internal control & procedures	14	100		
Compliance department	14	100		
On going program to raise employees awareness on corporate governance issues	13	92.86	1	7.14
Board size	14	100		

Source: Questioner data

The role of the board of directors is to fill the gap between the uninformed shareholders as principals and the fully informed executive managers as agents by monitoring the agents more closely (Ibid).

The above table shows that the board members were asked whether the board creates corporate governance committee whose mandates includes monitoring whether the bank is fulfilling its commitments to good governance in the bank or not and their responses are, for the corporate governance committee establishment the majority 71.42% are aware that it is created and 28.57% don’t have the information or said no indicating that the majority supported that there is a good corporate governance in the bank and the rest said it does not exist so the bank should try to create awareness to all.

For the code of business ethics which all employees are required to sign when they join the bank the majority 85.71% has positive response and the rest 14.29% said ‘no’. Which the majority supported the idea of The Basel Committee for Banking Supervision (2005) that banking organizations should maintain written code of business conduct with effective reporting and enforcement mechanisms but the rest said that it does not exist indicating that they are unaware of its existence so the bank should aware all.

Regarding the establishment of internal controls and procedures to govern the work and behavior of all its departments, all the board members have responded yes, supporting the idea of Melvin and Hirt (2005), that states An effective internal control system contributes to safeguard the company’s assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the compliance with laws and regulations.

As per the above table fourth requirement that the bank have a formal compliance department with a mission to ensure that employees understand and implement the bank’s internal procedures and play their part in discharging the bank’s external obligations ,all of the respondent have said yes indicating its importance as it gives confidence to the stockholders of the bank.

The fifth question of the above table which is based on the idea that whether the bank has an ongoing program to raise employee’s awareness of corporate governance issues and the roles which every employee can play in strengthening Governance within the bank, all answered yes indicating that they are aware of it confirming its importance. All the fourteen respondents have given their positive response that the current size of the board is enough for executing its jobs.

4.4 Bank performance

In the following section the NIB bank performance is indicated to show the effectiveness of the board in discharging its responsibility of sustaining the banks performance throughout the time indicated below.

Human resource and expansion of bank branch to clients are the major factor of any Bank performance to be competitive in the market.

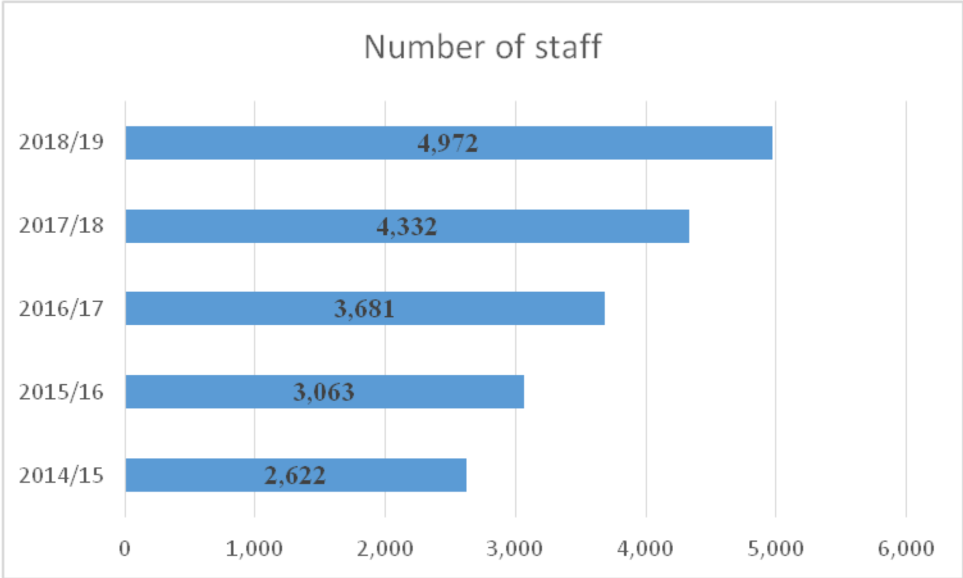

Figure 1: NIB staff increase between 2014/15-2018/19

NIB bank staff employee has increased throughout the year indicated,showing that the increased human resource has a direct relation with bank performance. As shown in the the above figure in 2015/16 the number of staff has increased by 441 from 2014/15. However, the number of staff have no uniform increament and the number of staff have totally increased by 2350 within Five years between 2014/15-2018/19.

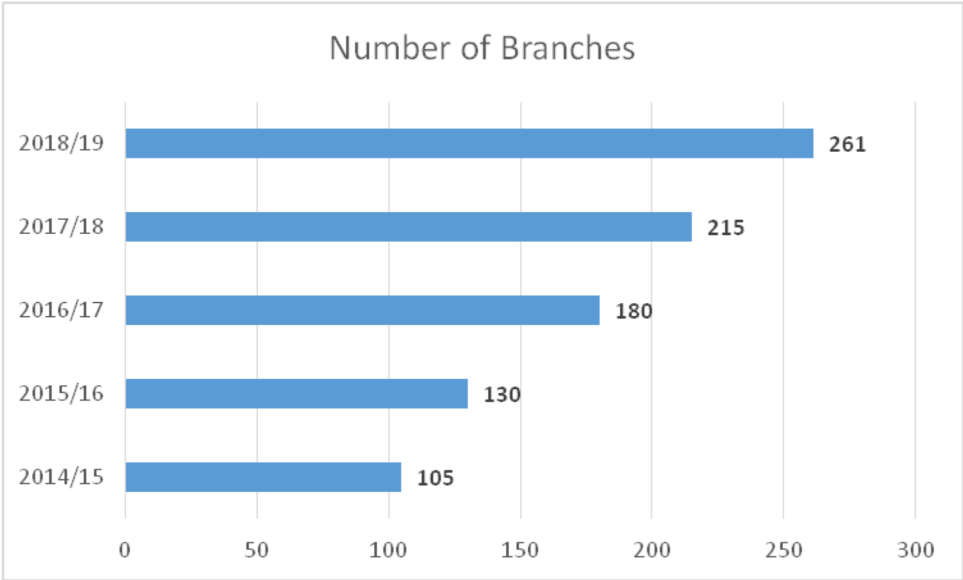

Figure 2: NIB bank branch expansion performance between 2014/15-2018/19

The Bank has opened new bank branch in order to increase service providing outlets and through the approval of the board of directors. The growth in number of branches is one of the mechanism to hold new clients and to increase the market share. The number of branches grew by 25, 50, 35, and 46 in 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 respectively. In addition, totally the branch has increased by 156 with in the five years indicated.

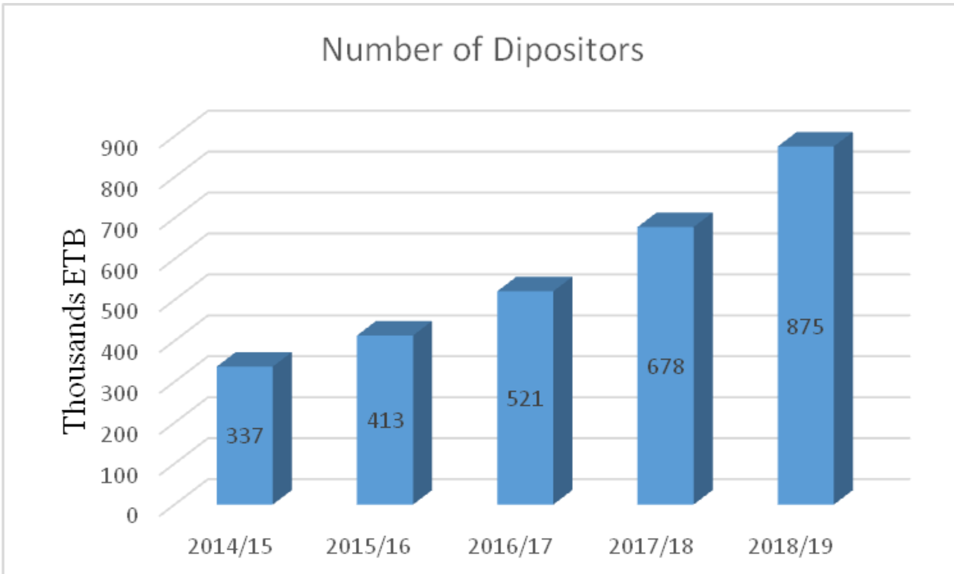

Figure 3 :Five years NIB bank deposit account performance

The above figure shows that disposit account has increased throughout the five year period under consideration. The disposit account growth in 2014/15 was 337 thousand and 538 thousand account increased from 2014/15 to 2018/19 which mean within the last five years. This indicated that bank operational performance is improving and provide satisfactory service for customers from year to year and customers have confidence.

NIB bank performance with in five year period:

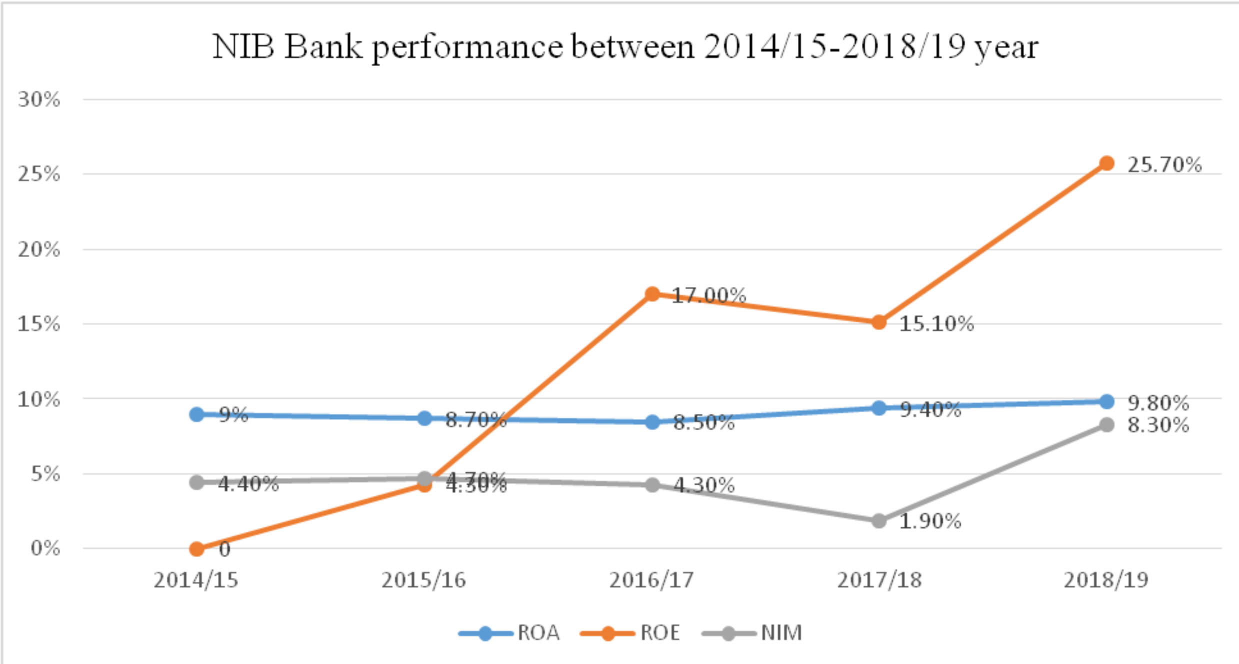

Figure 4 : NIB bank performance

The above graph indicted that ROA has flactuations within five years while, in 2018/19 ROA was higher (9.8%) than other years. In addition, ROA has decreased from 2014/15 to 2016/17 by 0.5%. which means the bank has not managed its assets better to produce more income. Similarly, ROE has variation with in five years period but with a better performance than the other indicators. Especially, in 2017/18, ROE has decreased by 2% from the previous year. But, in 2016/17 the bank has a high ROE and the bank able to successfully utilize the resources provided by its equity investment.

On the other hands, NIM was increased from 2014/15 to 2015/16 by 0.3% which indicated that the bank board and manager are making successful investment decisions or investing its resources and has good earning. While, there is a big difference on NIM between 2016/17 to 2017/18 that shows that decrease NIM by 2.4%. This revealed that the change in the ratio is a negative, and then it indicates that the bank has not made effective investment decision. Contrary, in 2018/19 NIM is dramatically increased from the year of 2017/18 by 6.4%.

therefore, the result of the above table revealed that the bank board and manager are making successful investment decisions than other years and have good earnings.

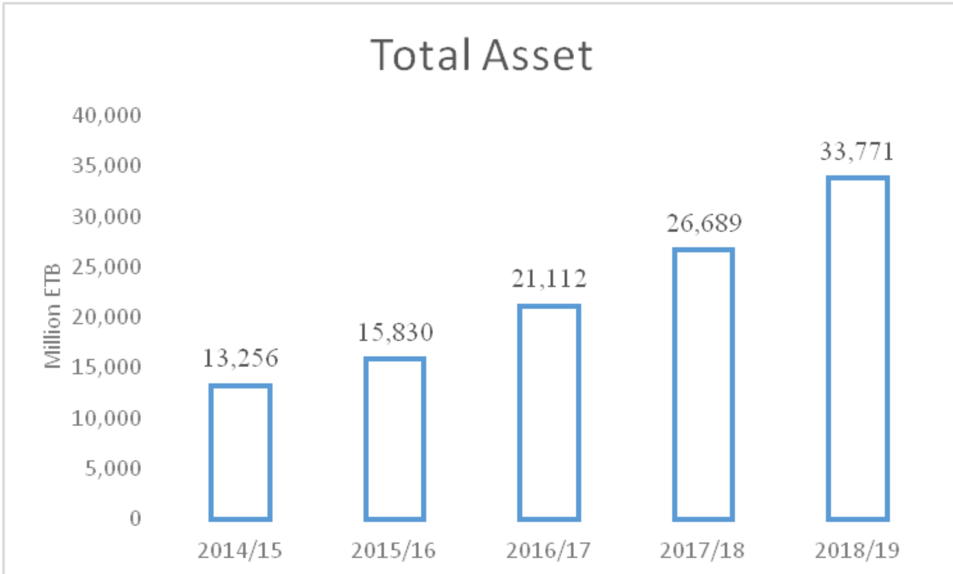

Figure 5: Last five years financial performance of NIB bank on total asset

The total asset of the bank has increased from 2014/15 to 2018/19 by 20.3 billion. Asset growth registered in 2015/16 shows growth of 33% from the past year and this growth is the highest compared to other year growth. Generally, rapid assets growth within the past five years shows that NIB bank business operation is well developing with good performance giving confidence to stackhodres.

4.5 Qualitative Analysis

4.5.1 Interview Result and Discussion

a. Board Size and Composition of Nib Bank

NIB bank consists of 12 board members and their composition has different educational qualification. For instance from the total 12 members 3,1, and 4 of board members have B.A degree, diploma and M.S.C degree respectively in related field of economics. However, 4 board members are engineers, labor policy and social development, and public health in B.S.C and M.S.C degree. Most of those have minimal 10 and above 20-year work experience in other areas of activities and have minimal 3 and above experience in related areas of activities.

Rose (2007) revealed insignificant association between numbers of women directors on the board and firm performance. However, many scholars believe that increasing diversity in the board of directors leads to better governance and governance, as the diversity allows boards to deploy a broader range of talent for the role of board members (Bathula, 2008). This should be considered by the BOD of NIB. NIB bank include female according to OECD, Basel Committee and Directive No. SBB/71/2019, in promoting gender balance on corporate boards but the number should increase in the future.

b. Board meeting

The board have regular meeting schedule every one month on issues that need decisions and directions to enhance and monitor their decision implementations of the bank. Therefore, having a good agenda on board and meet most frequently will generate higher financial performance. In addition, there are some urgent meetings at any time to provide solutions to managerial problems. The board do not meet all total regular meeting schedule of the year which means they meet minimun 9 up to maximun 11 in the year due to national condition and different issues.

c. Board structure

NIB bank board members have assigned sub-committees depending on Corporate Governance Directive No. SBB/71/2019 with good qualification and work experience. And the boards members belongs to the committees' structures and each sub-Committees (1 chair person and 2 members) are delegated by the boards of directors with specific decision making authorities. Moreover, acommittee chair should be an independent non-executive board member,which they have done. The directors have assigned one chair man from different board committees to monitor and guide their day to day functions and each committee reports exceptional cases to the board. The sub-committees are resource sub-committee, audit sub-committee, risk management and compliance sub-commite, system sub-committee, asset and project management sub committee and operation sub committee.

NIB bank audit committee review financial statements, oversee the internal control systems, evaluate and assess the effectiveness and adequacy of the bank's risk management and other financial management tasks effectively based on CG rules and procedures. NIB bank risk management committee control that bank has properly functioning risk management practices on credit and oprestional risk management, liquidity and market risk management, and compliance management and other as well as the committee report and inform to the board .

Human resource committee review relevant manuals such as staff development and training, staff remuneration and benefits packages for the employee that recomanded by NIB executive management in order to enhance competitive advantage. Beside , NIB bank human resource sub-committee have mandate to overlook the bank targeted performance set in the annual plan and report to board of directors quarterly. In addition, evaluate administration practices relevant to policies and procedures in the bank.

Generally NIB bank board committee structure fulfil the crateria of Basel Committee, OECD. and NBE directive No. SBB/71/2019 that requires board committees to be at least three, but NIB have five committee in order to achieve NIB banks target.

d. Board member responsibility and practice

All the respondents stated that boards were functioning effectively. The board members carryout their responsibility to acomplish the bank set goal. And also the board members have criterions to evaluate their performance. Due to this, All respondents of the study describe the major responsibility of the board in NIB bank such as establishment of strategies and critical policicy, approve financial objectives and targets, monitors the implementation of strategies and policies through a structured approach to reporting by executive management. But as 50% of respondents argue that the boad member are limited to review key policies and procedures of the bank.

The bank corporate governance framework ensure that board's accountability to the company and the shareholders. Therefore, the respondent interview's statement show the bank board members have good faith, carefulness, treat equly and care the interest of shareholders and keep best interest of the bank.

From the interview respondents statement stated that the bank boards carryout their responsibility as per the regulatory organ directions except that independent directors does not represent substantial portion of the total board as required.

e. Disclosure and Transparency

All information relevant to loan currency, fixed aset and technology transaction, all board member informations, Board Committee, board stracturs, finacial statement, actual voting records, notes about the bank, corporate governance policies and other policies, sustainability activities, copies of annual reports are posted for the shareholder on the banks wabsite. In addition, NIB bank addreses general semi and annual meeting, pre board nominated, and selected board and sub-board and management committee by their own wabesite.

According to Banking Business Proclamation No. 847/2014 "Financial Reporting Proclamation of Ethiopia" obliges banks to follow IFRS for their financial statement presentation. Therefore, the respondents interview indicated that the banks reporting is done accordingly using IFRS.

f. Equitable Treatment and rights of shareholders

Shareholders of NIB bank attend meetings and to exercise their voting rights. Alongside, shareholders rights to influence the CG on certain fundamental issues, such as the election of board members, amendment to the bank documents, approve transactions. And also respondents added shareholders have a right to information about CG and can influence meeting by their voting rights.

NIB bank corporate governance is being effectively applied in shareholder right in CG decisions including right to vote on board members electioln even if vote by proxy. In addition, respondents added that sharholders reflect their views on the remuneration policy for board members and key executives. The board members notify meeting to shareholders and send meeting agenda prior one month to the meeting members. Moreover, sometimes the board director call to minority sharholder for special meeting.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study assessed the CG practice of NIB and made evaluation of the practice based on National Bank of Ethiopia directives No. SBB/71/2019, BCBS and OECD principles. In the process, the study finding are conclude as follows.

BOD carryout their responsibility, BOD are limited to review key policies and procedures of the bank. Alongside, BOD take part on regular meeting once in a month which is as per the requirement of NBE. However, all official meeting are not accomplished regularly due to issues beyond their control such as national issues and postponments due to work load.Board of director did not prepare short term training regarding to finance, accounting, risk management, strategic planning, bank regulation, auditing and compliance in order to enable effective governance and oversight for the new board members and employees. Beside , the current board and sub committee of the bank structured in a good manner.

Regarding on the BOD qualification, the NIB's BOD members have minimum of Diploma and a maximum of Master degree indicating that NIB fulfilling the requirement of the NBE directive. In addition, NIB board director number are 12 which is medium and accomplish OECD, NBE directive on banking supervision directive SBB/71/2019 and BCBS.

Concerning disclosure and transparency, all financial and non-financial items are disclosed timely and equally available to all stakeholders on NIB official web page. This is acceptable by NBE directive, OECD and Basel principles of transparency and disclosure. And also NIB bank risk management committee hold regularly meeting once in the month. Risk and compliance management of NIB bank is the major determinant factor of NIB bank performance.

Finally, NIB Financial performance are high in the 2018/19 in ROA, ROE, and NIM which indicates that the bank has abled to successfully utilize the resources provided by its equity investors and NIB bank BOD and executive commitee are making proper investment decisions and investing its resources.

5.2 Recommendation

The research study is based on the idea of assessing the corporate governance of NIB international Bank by examining the extent of application of the OECD principles, NBE directives on corporate governance and the Basel committee of banking supervision. Therefore, the researcher has suggested the following recommendations based on the finding of the study and conclusion drawn:

- The bank should include a short report on the activities of the board committee on its annual report to keep the transparency and disclosure principles
- The board members should divot most of their time and have information on the activities of the bank that enables them to give strategic guidance to the bank
- The bank should create a succession plan in place for senior management position
- A remuneration committee should be assigned to ensure incentives are in place that motivates employees to focus on the long term well being of the company rather than the short-term objectives.
- Understand and fully adopt OECD practice NBE directives on corporate governance and the Basel committee of banking supervision in their governance framework
- Have clear picture of external stakeholders that are found to have considerably high level influence in their corporate governance.
- The number of female directors in the bank should be considered to increase in the future.

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Appendix

Addis Ababa University

College of Business and Economics

EMBA Program

Part One Questionnaire

Dear Respondent,

This questionnaire is designed to gather data on “the assessment of corporate governance practices of NIB International Bank S.C”. The data to be collected through this questionnaire is highly valuable to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire as soon as possible. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance for cooperating.

Instruction I. General information of the respondents

The following questions concern about your personal information. Completion of this information is voluntary and its confidentiality is assured. No individual data will be reported. Put a tick **(✓)** sign to appropriate box of particular score, which is suitable to your agreement about the following statements.

1. Your sex: ☐ Male ☐ Female

2. Your age group: ☐ under 30 ☐ 30 to 45 ☐ 45 to 60 ☐ 60 or older

4. Your highest level of education: ☐ Diploma ☐ Degree ☐ Master's degree ☐ PhD

5. Your work experience: ☐ 10-20 year ☐ 20-30 year ☐ above 30 years

Instruction II. Questions about the corporate governance principles

2.1 Roles and responsibilities of the board

Put a tick **(**√**)** sign to appropriate space of particular score, the range scores are **1** for strongly disagree, **2** for disagree, **3** for undecided, **4** for agree, and **5** for strongly agree with the statements below:

No	Items	1	2	3	4	5
1	Members were adequately informed and knowledgeable about their functions and responsibilities					
2	Members used to feel responsible and devote sufficient time to carry out their responsibilities					
3	Members consider fiduciary and stewardship responsibilities in discussions and decision making					
4	Members were responsible and take into account stakeholder interests in decisions and actions					
5	Members were willing to be accountable and responsible for situations that may cost me to the extent of relinquishing my position					
6	Board members are effectively carryout its oversight role and responsibility					

2.2 Protecting the rights of shareholders

Put a tick **(**√) sign to appropriate space of particular score, the range scores are **1** for strongly disagree, **2** for disagree, **3** for undecided, **4** for agree, and **5** for strongly agree by writing the sequence numbers with the following statement

No	**Items**	1	2	3	4	5
1	Voting by Proxy Allowed					
2	Adequate time given for questions at Shareholders meetings					
3	Shareholders Priority Subscription Rights Protected					
4	Equitable treatment of Shareholders practiced					
5	Candidates disclosed before shareholders meetings					
6	Shareholders be informed in advance the meeting date of general assembly					

2.3 Transparency and disclosure

Put a tick **(**√) sign to appropriate space of particular score, the range scores are **1** for strongly disagree, **2** for disagree, **3** for undecided, **4** for agree, and **5** for strongly agree by writing the sequence numbers with the following statements

No	**Items**	1	2	3	4	5	No
1	Disclosure of Board Meetings and its agenda						
2	Disclosure of Number of Audit Committee Meetings						
3	Disclosure of Number of Nomination Committee Meetings and their performance						
4	Disclosure of relations with shareholders.						
5	Disclosure all financial statements						
6	Disclosure of full Biographical Details of Board Members						
7	Disclosure of performance evaluation of Board.						

- Please write down your opinion about the corporate governance principles and the relevance ofcomplying with these principles in general

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2.4 Protecting the rights of stakeholders

Put a tick **(**√) sign to appropriate space of particular score, the range scores are **1** for strongly disagree, **2** for disagree, **3** for undecided, **4** for agree, and **5** for strongly agree by writing the sequence numbers with the following statement

No	**Items**	1	2	3	4	5
1	The right of stakeholders have legal rights are practiced in NIB bank					
2	Stakeholders get sufficient and reliable information on a timely					
3	Stakeholders profile are secured					
4	Equalize and fair treatment for rights of stakeholders (employee and customers)					
5	The bank has care for stakeholder rights					
6	The bank has Performance enhancing mechanism					

2.5 BOD qualification

Put a tick **(√)** sign to appropriate space of particular score, the range scores are **1** for strongly disagree, **2** for disagree, **3** for undecided, **4** for agree, and **5** for strongly agree by writing the sequence numbers with the following statement

No	**Items**	1	2	3	4	5
1	All board members have adequate knowledge of the bank and the board functions					
2	All members of the board have sufficient information and time that enables them to give strategic guidance of the bank					
3	The bank has a formal orientation program and organize training sessions for existing board members					
4	The board members are educationally qualified are proper and fit to corporate governance of the bank and very well experienced					
5	The board members have very well experienced for their current position					

2.6 Developing a culture of good corporate governance throughout the bank

Put a tick **(√)** sign to appropriate space of particular score, the range scores are **1** for yes and 2 for No.

	Crateria items	Yes	No
1	Corporate governance committee		
2	Code of business ethics		
3	Internal control & procedures		
4	Compliance department		
5	Ongoing program to raise employees awareness on corporate governance issues		
6	Board size		

Part Two interview

Interview questions with NIB Bank's Board members and Board secretary

These interview questions are prepared for the board members , the CEO and the board secretary of the bank to gather information about the extent of the application of corporate governance principles in NIB Bank. Your cooperation is highly desirable and information provided will be kept confidential.

Right and role of board issues interviews

1. Do bank board undertake formal annual evaluation of their own performance, and that of their committees and individual directors? What are the practices in NIB?

2. Would you pleases list the main role of board member?

3. Does the bank have a formal orientation program for new BOD members?

4. For whome the bank organize formal training? Which types of training are given?

5. What are the most frequent board committees meetings typical for NIB? And how often do they meet?

6. Do the board effectively carryout their responsibility that banks are required by laws/regulations in NIB banks? If no, please describe.

7. What is the procedure for appointing new directors in your bank? Is this a formal and transparent procedure? Is it functioning properly and formal and transparent procedure?

8. Do you think most board members of NIB banks have the necessary skills to manage the business under their supervision and have appropriate control over the key individuals in these areas? If not all, please briefly explain.

Transparency and disclosure issues interviews

1. How Financial items reported in NIB? And which reporting standards are used? Is there specific difficulties encountered by banks in reporting standards respect? If yes, please provide examples?

2. Is there public disclosure of information Transparency by banks in NIB? If any, please briefly explain.
3. Does the banking supervisor have access to information about beneficial owners of banks even though it is not known to the banks or not publicly disclosed?
4. Is there remuneration of members of the board and key executives policy and is it disclosed?
5. What are the most serious problems/challenges, in your view, involving corporate governance of banks in NIB? And what are the recent Failures and challenges encoutered?

Internal audit, external audit and internal controls issues interviews

1. Are audit committees common and well-functioning governing bodies of your banks? What is their mandate?
2. Do risk management committees provide effective oversight of senior management's activities (managing credit, market, liquidity, operational, legal, compliance, reputational and other risks) of the bank? If not all, please briefly explain.

Shareholder and stakeholder right protected and treated issues interviews

1. Does shareholders and stakeholders right treated equally? Decribed it in brief please
2. What is the practice of NIB bank to protecting shareholders and stakeholders right? Describd in berief please