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UNIVERSITY OF CAPE COAST

CORPORATE GOVERNANCE, REGULATORY COMPLIANCE AND PERFORMANCE OF BANKS IN SUB SAHARA AFRICA

BY

PATRICK OFORI-OPPONG

Thesis submitted to the Department of Finance of the School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfillment of the requirements for the award of Doctor of Philosophy degree in Business Administration

AUGUST 2022

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

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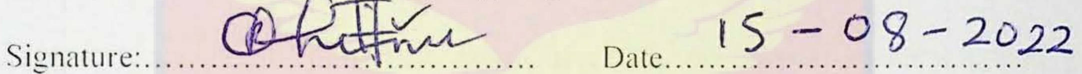
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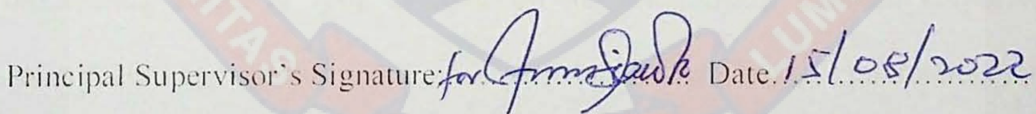
Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.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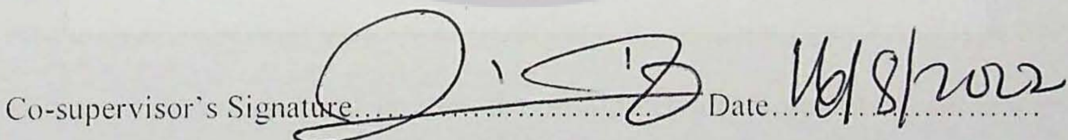
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ABSTRACT

The study assessed the impact of corporate governance on performance as well as regulatory compliance of banks in Sub-Saharan Africa. The study adopted the quantitative method approach. The quantitative data was collected from the annual report of the banks from 2011 to 2022. The study used the system generalized method of moment two step estimator with 41 listed banks from five Sub Sahara African countries. The results revealed that board size, board independence, audit committee, board diversity, managerial ownership and ownership concentration predict performance when measured with return on asset. The study also found that board size, board independence, audit committee, board diversity, institutional ownership and ownership concentration were predictors of performance with net interest income. All the variables were also predictors with the exception of institutional and concentrated managers with return on equity The study also revealed that board size, board independence, audit committee, board diversity and managerial ownership were predictors of regulatory compliance. With respect to the moderating effect of type of bank on the relationship between corporate governance and performance, type of bank significantly moderates the relationship between corporate governance and return on asset. Apart from institutional ownership which was significant, the moderating effect of type of bank were all insignificant on the relationship between corporate governance and regulatory performance. The study concluded that corporate governance predict performance as well as regulatory performance. It is recommended that, regulators should from time to time, modify and update the corporate governance guidelines to meet the current trend of business and best practices.

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KEY WORDS

Corporate Governance

Institutional ownership

Net interest margin

Regulatory Compliance

Return on asset

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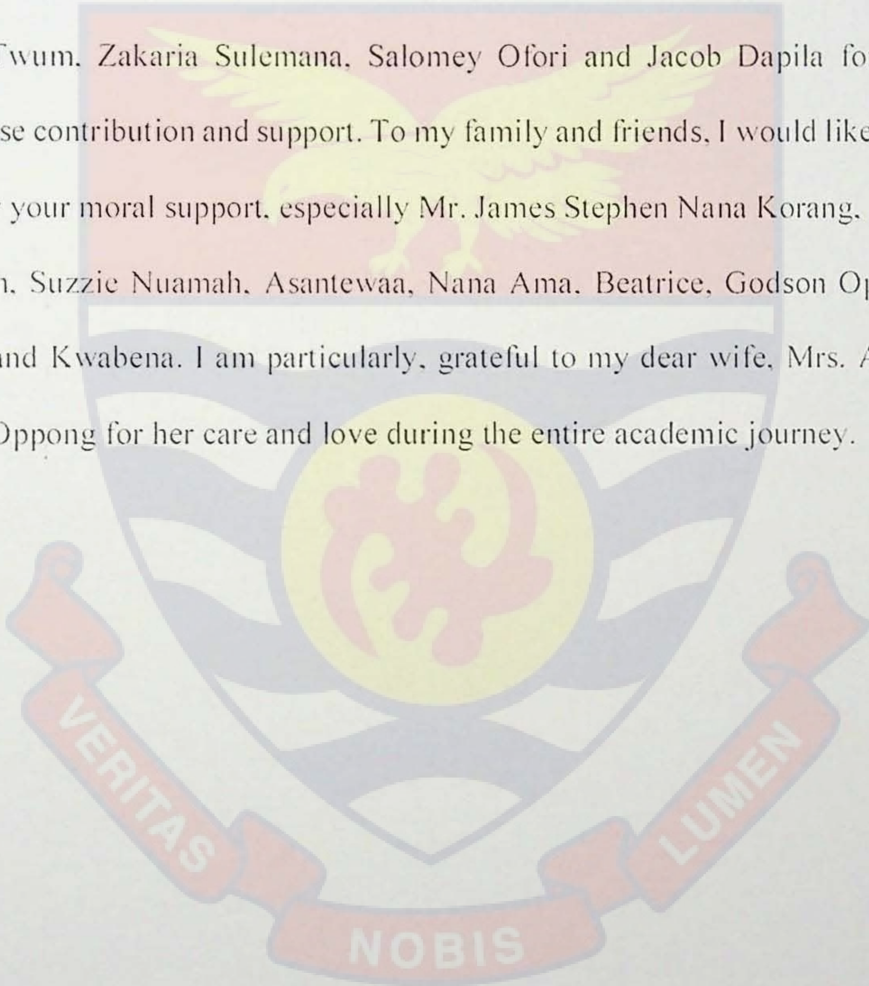
ACKNOWLEDGEMENTS

A study of this kind would not have been possible without the assistance of all those who contributed in diverse ways towards its success. A special appreciation to my supervisors, Dr. Mohammed Zangina Isshaq and prof. John Gartchie Gatsi. Their support, encouragement, constructive criticism and feedback were invaluable to the study.

I am also grateful to my colleagues, Kwadwo Ankomah, Daniel Osei, Kojo Twum, Zakaria Sulemana, Salomey Ofori and Jacob Dapila for their immense contribution and support. To my family and friends, I would like thank you for your moral support, especially Mr. James Stephen Nana Korang, Agnes Acquah, Suzzie Nuamah, Asantewaa, Nana Ama, Beatrice, Godson Oppong, Adjei and Kwabena. I am particularly, grateful to my dear wife, Mrs. Adwoa Ofori-Oppong for her care and love during the entire academic journey.



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DEDICATION

To my children, Kweku Ofori-Oppong and Abena Ahema Oppong

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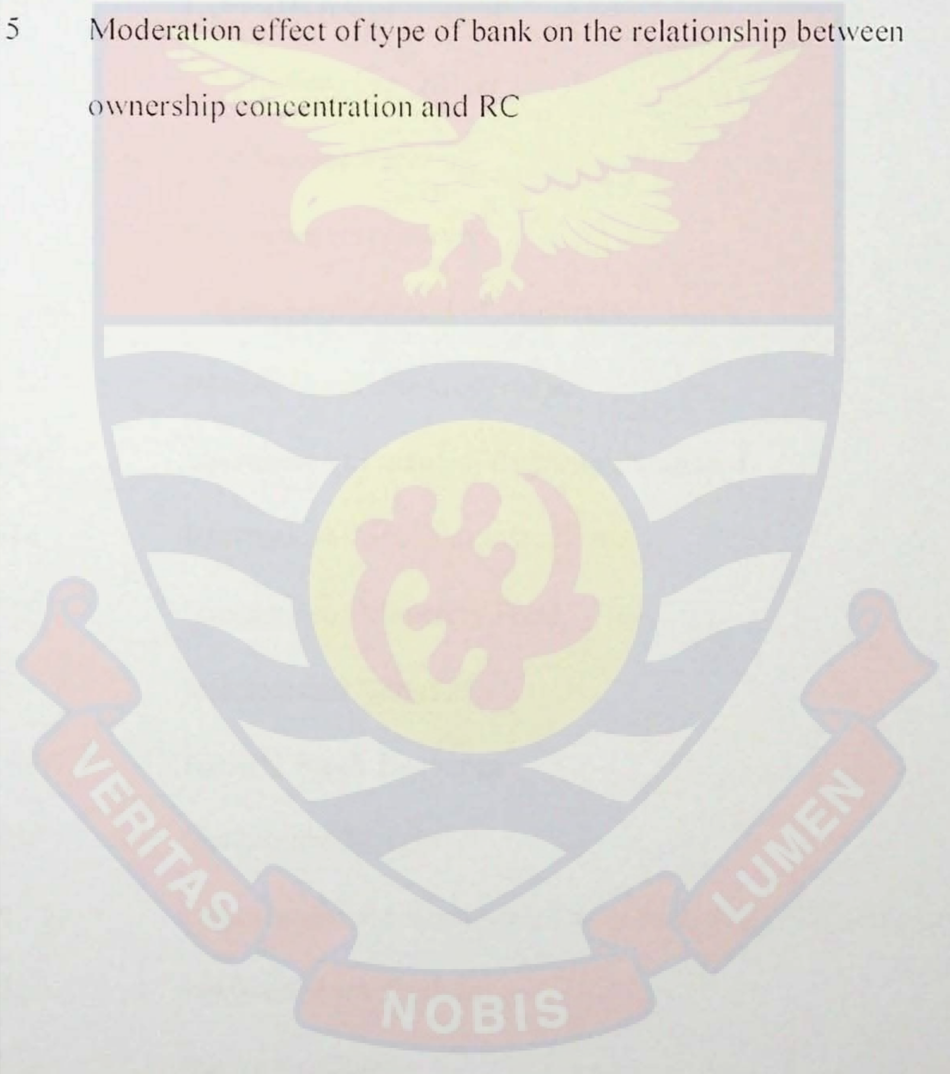

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LIST OF ABBREVIATIONS

AC	Audit Committee
ASE	Amman Stock Exchange
BED	Business Ethics Disclosure
BD	Board of Directors
BSE	Bombay Stock Exchange
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CIR	Cost Income Ratio
CG	Corporate Governance
GMM	Generalized Method of Moments
ICG	Islamic Corporate Governance
IFRS	International Financial Reporting Standard
IFIs	International financial institutions
IMF	International Monetary Fund
IV	Instrumental Variable
KSE	Karachi Stock Exchange
NIM	Net Interest Margin
OECD	Organisation for Economic Co-operation and Development
PSE	Pakistan Stock Exchange
ROE	Return On Equity
ROA	Return On Asset
SSA	Sub-Saharan Africa
SEC	Securities and Exchange Commission
SMEs	Small and Medium Sized Enterprises
ZSE	Zimbabwe Stock Exchange

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CHAPTER ONE

INTRODUCTION

Focus of corporate governance in the banking industry specifically after the global financial crises has been the order of the day. The collapse of the financial institutions coupled with the bank failures and scandals were linked to bad corporate governance which bordered on inefficient composition of board, issues related to transparency, ineffective structure of the organization and unethical issues (Hallerberg & Markgraf, 2018; Martin & Herrero, 2018).

The banking history of Sub-Saharan Africa had experienced its own share of the banking crises which can be traced to poor corporate governance and the subsequent detachement of management from ownership have given rise to matters of accountability, conflict of interest and to protect the interest of the owners (Nwaubani & Orikara, 2019).

The establishment of corporate governance principles make investors to be confident in corporations and also help firms to expand by attracting both foreign and local investors. Primarily, before investors invest their capital in companies, they are interested in corporations with strong corporate governance structure with the assumption that it minimizes potential financial problems (Fooladi & Farhadi, 2017).

This study seeks to address these problems by analysing corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa and identifying the challenges for ensuring better governance standards.

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Background to the Study

The structure of corporate is a crucial issue that affect the transparency and accountability in the banking sector. Banks are presumed globally as the best economic system due to its impact on the development and economic growth. The adoption of good corporate governance practices is therefore very significant to ensure financial stability and guarantee the stakeholders right (Anasweh, 2021).

Corporate governance has no universally accepted definition. Corporate governance as defined by (García-Sánchez & García-Meca, 2018) is the system for establishing an organisation's structure that seeks to achieve the interest of shareholders and the wider community at large. Castellini and Agyemang (2012) also sought to explain corporate governance as the adoption of policy instruments in a firm that is aimed at ensuring an efficient allocation of capital in accomplishing the aim of its equity holders, successfully competing in the market and maximizing the positive effect on other stakeholders, while mitigating the negative impact on the stakeholders.

Corporate governance deals with the establishment of structures, mechanisms and processes that see to it that the corporation is being managed and controlled in a manner that maximizes shareholders value through accountability of management as well as increasing the performance of banks. There is a gradual shift against the implementation of rules that are complex since the global financial crises. Complex rules are detrimental and less effective (Haldane & Madouros, 2012).

Okoye, Olokoyo, Okoh, Ezeji and Uzohue (2020) opined that adequate and good corporate governance structure align with the going concern principle

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of business and are critical requirements of sustainable growth and development. Stakeholders such as government, creditors, suppliers, employees, consumers, shareholders are content when firms are managed profitably because their interest are considered when firms generate enough cashflows.

Corporate governance in recent times has ensured that stakeholders' legitimate and reasonable needs, interests and expectations are taken into consideration in decision-making that is sustainable and inclusive. In order for companies and their stakeholder to be protected, the regulatory bodies met out rules and guidelines to do away with unethical practices, hence the establishment of corporate governance systems (Dzingai & Fakoya, 2017).

Soltani (2014) stressed that the world has experienced a number of corporate scandals and failures over the last several decades. Some of these well-known corporate scandals are Enron, Worldcom, and Barings. Chen, Sun, and Xu (2016) attested to the fact that corporate governance is very crucial to every firm and that it is as important as a firms` business plan.

A company with more than average corporate governance is transparent in its operations and can easily communicate with investors, thus enabling it to access the competitive financial markets on relatively favourable terms (Omoro, Aduda, & Okiro, 2015). Managers engage in activities that produce rewards to them rather than shareholders because of their self-interest. Managers may resort to the expansion of the business and neglect the payment of dividend because some managers are fond of managing large corporations even if the expansion of such businesses will to less profit (Ogabo, Ogar, & Nuipoko, 2021).

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Managers excessively preoccupy their mind with increase in pay, fat bonusses and other substantial benefits. They therefore put in measures to improve earnings in order to qualify them to enjoy the aforementioned benefits. Directors who are managers of the firm are privy to inside information about the company more than the shareholders, hence they have the capacity and the ability to embark on inefficient investment (Fitza & Tihanyi, 2017).

Mamatzakis and Bermpei (2015) posit that the existing body of knowledge about banks is focused on various aspects of corporate governance and administration, the structure of the board, compensations of executive in banks, perks, allowances paid to the senior executives, how complex operations are and how powerful the chief executive officer is. According to Olick (2015), the key aspects of corporate governance and administration are the structure of the board of directors and its committee, the processes and procedures that guide the board, the board's independence, the auditing aspect, and the way and manner information is disseminated and disclosed.

The code of best practices is made up of guidelines and set of recommendations concerning corporate governance of firms which is seen as a response to firm maladministration and inefficient governance. The codes, generally, seeks to increase transparency and accountability of directors and enhances the protection of shareholders (Siems & Alvarez-Macotela, 2017). The functions and the structure of the board with its specialized board committees and the directors' duties are addressed by the code. The recommendations also take into consideration the compensation schemes, with specific emphasis on the size of pay and its structure, incentives and bonus programmes, functioning of the remuneration committee and disclosure.

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Corporate governance codes of best practices dictates that there should be equal right of all stakeholders and standards of transparency are defined. Corporate governance is seen as supplementary structure which enhances management accountability and minimizes the agency conflict. Bistrowa and Lace (2012) established that the compliance is meant to augment investors' trust and mitigates the risk that is linked with a firm's function.

With respect to banking in sub-Saharan Africa, it can be traced to the pre-colonial dates where there was dominance of foreign banks during the period of independence of African nations. This period was noted for government intervention during the banking crises in 1980s and 1990s. This crisis was subsequently accompanied by the period of financial liberalization and reforms that enabled private sector involvement and entry of foreign banks (Beck, Georgiadis & Straub, 2014; Otchere & Senbet, 2017). In addition to surfacing of African banks by origin, the sector has also involved an important cross-border expansion within the African continent (Mecagni, Marchettini & Maino, 2015).

Jensen and Meckling (1976) averred that agency theory give rise to the separation of ownership from management which is key in firms worldwide. Whenever agency problem become vast, companies tend to have poor performance. Management of firms is able to generate personal benefits that seek to satisfy their own interests rather than the interests of shareholders. The use of an effective and efficient mechanism appears to be among the most crucial means for resolving agency problems. Agency theory proposes that managers of businesses are opportunist, which implies that they act for their own interest at the expense of the shareholders which can be prevented by

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offering good corporate governance measures otherwise it could jeopardize the economic welfare of the shareholders (Hasan & Rahman, 2020).

Mwatata, Muhoho and Macharia (2019) proposed that a well-managed and proficient arrangement of corporate governance will mitigate clashes among controlling and minority investors. As proposed by Jensen and Meckling (1976), the principal-agent problem has prompted practitioners and researchers to examine different methods and procedures for reducing conflict of interest between principal and agents. A key method for dealing with the problem of agency is to carefully adopt and fully implement the best practices of corporate governance. Some researchers have tried to explain the effectiveness of corporate governance practices and their contribution to a company's financial performance, and mitigating different types of risk, especially the risk of financial distress (Manzaneque, Priego & Merino, 2016; Udin, Khan & Javid, 2017; Oteng-Abayie, Affram & Mensah, 2018).

According to the institutional theory, the quality of the explanation for deviation from corporate governance principles is explained by the application of the "comply or explain" principle. It is an essential aspect of establishing corporate transparency. It governs the application of corporate governance best practices. Such standards are examples of self-regulation on the part of companies (Koladkiewicz, 2017). The comply or explain principle guarantees company flexibility in the area of corporate governance, where the company can opt for the most suitable solution. This mode of flexibility is in support with the diversity among firms so that the explanations the firms apply in the field of corporate governance are ascertained by their needs in the area in question.

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It should, however, be emphasized that the options chosen for firms' operations should also be focused at satisfying the needs of both shareholders and stakeholders. A company's corporate governance statement which contains reasons as to any deviations should be perceived as one of the major activities aimed at acquiring a desired level of acceptance in the company's governance sphere. The caliber or standard of the statement determines its level of approval among shareholders and investors and forms the basis for the company to maintain its legitimacy (Koladkiewicz, 2017).

The primary benefit stemming from application of corporate governance codes from a company's view is the maintenance of the company's current level of validity (Koladkiewicz, 2017). Explanations related to non-application of a principle or principles of corporate governance as contained in a corporate governance statement can also be treated as a legitimacy tactic used by companies (Seidl Sanderson & Roberts, 2013).

A company's decision to take advantage of the "explain" option may potentially bring greater benefits than the "comply" option. A basic condition for this to be true is the right quality of the explanation provided by the company. Full and comprehensive information is undoubtedly the key to win the favour of shareholders with regard to actions taken by the company in the area of organization as well as reorganization of its corporate governance system (Luo & Salterio, 2014). The basic aim of stakeholders and shareholders is achieved if sound governance exist in firms. This gives clarity and justification for the stakeholder theory. If firms are poorly governed, it will yield to worse financial performance (Ullah, Hashim, khan & Safi, 2017).

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Akinguntola, Olusegun and Adedipe (2015) posit that performance is determined by the environment and within which the banks function and not necessarily determined by the inputs alone. Rahman and Rana (2018) opined that corporate governance from the perspective of the banking industry focusses on how the business and its activities are governed by the board of directors and management. Rissy (2021) averred that corporate governance of banks in less developed countries is of much concern for several reasons. First and foremost, banks are highly dominated in the financial system of less developed economies. They are also highly important engines of economic growth. Secondly, in Africa, the financial market is not well developed. Most companies rely on banks for sources of finance in most developing economies.

Furthermore, banks in developing countries serve as the depository for the savings of the economy. Additionally, many less developed countries have loosened restrictions in their banking system through privatization and minimizing the role of economic regulations. Eventually, management of banking institutions in developing economies have liberalized their banking system in terms of how they run their banks. In effect, managers of banks in these various economies have obtained much freedom on how they run their banks (Rahman & Rana, 2018).

Statement of the Problem

Directors as well as managers of other people's investment can never take account of money with the same caution as they would with their own investment (Zamry & Syafinaz, 2019). Due to the impact of corporate governance in enhancing the performance of companies, market and the economy at large, weak governance system has been made reference to as one

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of the significant factors (Ongore & K' Obonyo, 2011) which contributes to bad economic performance in developing countries. Poor economic performance in quite a number of developing countries with specific emphasis on Sub Saharan Africa is linked to poor governance as argued by World Bank.

As a result of mismanagement which have been experienced in the banking sector specifically between the period of 1980s and 1990s, there was the need to adopt the corporate governance codes for the banking sector in Sub Saharan Africa. The maladministration was as a result of managerial and technical incompetence of management of the company as well as unethical practices which happen to be the major concerns that corporate governance codes seek to address (Abdulai, Ogunsanwo, Adeleke, & Olowo, 2020). This assertion is in line with the position of Akingunola, Adekunle, and Adedipe (2013) who sought to associate the collapse of banks in Nigeria in the 1990s to lack of professional ethics.

Recently, some banks in Ghana encountered some liquidity and corporate governance problems. These banks were Capital bank and UT bank. The two banks declared insolvency following their inability to turn around their negative capital adequacy ratio. The Bank of Ghana also nullified the licenses of five domestic banks. These banks were uniBank Ghana Limited, Royal Bank Limited, Sovereign Bank Limited Beige Bank Limited and Construction Bank Limited. They had weak corporate governance and insufficient capital (Torku & Laryea, 2021).

Banks in other Sub-Saharan Africa have also experienced their share of collapse. In Nigeria, banks such as Societe Generale Bank Ltd, Savannah Bank Plc, the Alpha Merchant Bank have collapsed. In Kenya, banks such as Capital

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Finance Ltd, Trust Bank, Capital Finance Ltd, Consolidated Bank of Kenya Ltd have also collapsed. The collapse of these banks was primarily attributed to weak corporate governance practices (Taiwo, Babajide, & Isibor, 2016).

There is plethora of researchers who have evaluated the effect of corporate governance structure on firm performance (Michelberger 2017; Chou & Buchdabi; 2018, Haque & Arun, 2016; Lekaram 2014). The results were, however, inconclusive. Apart from the results being inconclusive, none of them focused on Sub Saharan African countries that formulated their corporate governance codes from OECD principles of corporate governance which is the international benchmark of corporate governance practices.

Madhani, (2015) established that corporate governance is focused on how firms implement governance mechanisms through compliance. Adhering to regulations in terms of regulatory compliance that are relevant and accurate permits stakeholders to evaluate how management works. This leads to the level of transparency conveyed by a firm (Dewayanto, Rahmawati & Suhardjanto, 2020). Beyond the corporate governance and performance of bank, the researcher intends to establish the relationship between corporate governance and regulatory compliance of banks. Research on corporate governance on compliance is rare and grey, hence the study intends to address this gap by testing whether corporate governance predicts regulatory compliance of banks in Sub Saharan Africa.

The positive effects of foreign banks are enhanced in countries with good corporate governance. In the same vein, countries with weak corporate governance suffer from foreign bank asset weakness. The positive impact of assets of foreign banks is also weakened in countries where corporate

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governance is weak (Kusi, Agbloyor, Asongu & Abor, 2021). Tunay and Yuksel (2017) concluded that whenever there is well built country-level corporate governance and strong regulations, it positively affects the foreign banks in developing countries. With respect to performance and efficiency, it is also established that domestic banks are less efficient and profitable than foreign banks (Muhanguzi, 2020).

The study intends to fill the gap in literature by employing domestic and foreign banks as moderators to ascertain the moderating impact of foreign and domestic banks on the effect between corporate governance and performance as well as corporate governance and regulatory compliance.

Purpose of the Study

The study sought to ascertain the effect of corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa.

Objectives of the Study

Specifically, the study seeks to

1. examine the effect of corporate governance on performance of banks in Sub–Saharan Africa
2. assess the effect of corporate governance on regulatory compliance of banks in Sub Saharan Africa.
3. examine the moderation effect of type of bank on the relationship between corporate governance and performance of banks in Sub Saharan Africa.

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4. examine the moderation effect of type of bank on the relationship between corporate governance and regulatory compliance in Sub Saharan Africa.

Research Hypotheses

H_{1a}: Board size has a significant effect with performance of banks in Sub Saharan Africa.

H_{1b}: Board independence has a significant relationship with performance of banks in Sub Saharan Africa.

H_{1c}: There is significant effect of audit committee on performance of banks in Sub Saharan Africa.

H_{1d}: There is significant effect of board diversity on performance of banks in Sub Saharan Africa.

H_{1e}: There is significant relationship between managerial ownership and performance of banks in Sub Saharan Africa.

H_{1f}: Institutional ownership has significant effect with performance of banks in Sub Saharan Africa.

H_{1g}: Ownership concentration has a significant relationship with performance of banks in Sub Saharan Africa.

H_{2a}: Board size has a significant effect on regulatory performance of banks in Sub Saharan Africa.

H_{2b}: Board independence has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

H_{2c}: Audit committee has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

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H_{2d}: Board diversity has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

H_{2e}: Managerial ownership has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

H_{2f}: Institutional ownership has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

H_{2g}: Ownership concentration has a significant effect on regulatory compliance of banks in Sub Saharan Africa.

H_{3a}: Type of bank significantly moderates the relationship between board size and performance of banks in Sub Saharan Africa.

H_{3b}: Type of bank significantly moderates the relationship between board independence and performance of banks in Sub Saharan Africa.

H_{3c}: Type of bank significantly moderates the relationship between audit committee and performance of banks in Sub Saharan Africa.

H_{3d}: Type of bank significantly moderates the relationship between board diversity and performance of banks in Sub Saharan Africa.

H_{3e}: Type of bank significantly moderates the relationship between managerial ownership and performance of banks in Sub Saharan Africa.

H_{3f}: Type of bank significantly moderates the relationship between institutional ownership and performance of banks in Sub Saharan Africa.

H_{3g}: Type of bank significantly moderates the relationship between ownership concentration and performance of banks in Sub Saharan Africa.

H_{4a}. Type of bank moderates the relationship between board size and regulatory compliance of banks in Sub Saharan Africa.

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H_{3b}: Type of bank significantly moderates the relationship between board independence and regulatory compliance of banks in Sub Saharan Africa.

H_{3c}: Type of bank significantly moderates the relationship between audit committee and regulatory compliance of banks in Sub Saharan Africa.

H_{4d}: Type of bank significantly moderates the relationship between board diversity and regulatory compliance of banks in Sub Saharan Africa.

H_{4e}: Type of bank significantly moderates the relationship between audit committee and regulatory compliance of banks in Sub Saharan Africa.

H_{4f}: Type of bank significantly moderates the relationship between managerial ownership and regulatory compliance of banks in Sub Saharan Africa.

H_{4g}: Type of bank significantly moderates the relationship between institutional ownership and regulatory compliance of banks in Sub Saharan Africa.

H_{4h}: Type of bank significantly moderates the relationship between ownership concentration and regulatory compliance of banks in Sub Saharan Africa.

Significance of the Study

The findings of this study present several important implications for management of organisations based on the findings of the study. The study proposes some implications for management in handling corporate governance and its related issues. These implications are mainly based on the empirical findings established on corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa. There is an inverse relationship between size of a board and performance of banks in Sub Saharan Africa as it was revealed in the result. Both return on asset and net interest margin were consistent with the result. Practically, the outcome indicates that maintaining a large sized board is detrimental to the performance of banks.

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The negative outcome implies that keeping a large sized board will be unproductive. From the result, increasing the number of audit members would not amount to any significant profitability. Tactically and practically, it is instructive to keep a relative low number by relying on directors who are competent and having the requisite knowledge and expertise. As part of contribution to the agency theory, corporate governance is expected to result in increased performance of banks; however, the agent, by virtue of his activities, tends to maximize the economic objectives of the at the expense of the principal. Corporation owners bear the consequences of actions taken by managers. The agent may not always act in the interest of the principal even when both parties want to maximize the benefit which consequently will impede the performance of the corporation.

Delimitation

The focus of this study was on corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa. Data for the study was sourced from the annual report of the banks from the company's website and www.africanfinancial.com. The data span from 2011 to 2020. This was the period where some banks in the Sub Region collapsed and became defunct due to weak corporate governance practices from management. There were reforms and revision of corporate governance codes within the period of the countries under consideration.

In as much as there is enough literature on how corporate governance influence performance, it is interesting to note that, there was not enough literature on how corporate governance influences regulatory compliance in Sub Saharan Africa hence empirical literature on the subject is paltry.

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Therefore, the literature review is limited to available relevant evidence which suffices for the build-up of arguments and analyses. The study was limited to the study of banks in Sub Saharan Anglophone African countries, specifically Nigeria, Ghana Kenya, Botswana and Malawi where their corporate governance, regulatory compliance and performance were examined. The delimitation, however, did not have any adverse impact on the outcome of the study.

Limitation of the Study

In spite of its significant benefits to academic knowledge and policy, the study is not devoid of some limitations. Firstly, the study adopted quantitative method as research approach. There should have been some interview questions to the board and management of the banks to explain some of the reasons to the quantitative results. An attempt was made by the researcher by contacting all the banks through email for a possible interview through zoom. Though, some of them acknowledged receipt of the message, cooperating with the researcher for the possible interview was quite problematic. The covid era could have been the possible excuse for not responding to my request for the interview.

Definition of Terms

This study used some key variables and terms. Below are the definitions of some of the variables and key terms used in the context of this study.

1. *Corporate governance*: It is the system of rules, practices and processes by which companies are governed
2. *Institutional owners*: It refers to the ownership stake in a company that is held by lárge financial organisations, pension funds and endowments

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3. *Net interest margin*: It represent the ratio of the net interest income to the average earning assets
4. *Regulatory compliance*: It is an organization adherence to laws. regulation, guidelines and specifications relevant to its business processes.
5. *Return on asset*: It signifies how a good a company is in generating returns from their economic resources or asset

Organisation of the study

This study was made up of eight chapters. Introduction and background of the study was dealt with in Chapter One. Chapter Two discussed the various theories underpinning the study and how they are related and linked to the objectives. Chapter Three concentrated on the empirical review as well as the conceptual framework. Chapter Four covered the review of related concepts employed in the study. Research methods was captured in Chapter Five which focused on how data was collected. Chapter Six dealt with the presentation of the results and discussion based one the first two objectives. Presentation and discussion of results of the third and fourth objectives were captured in Chapter Seven. Finally, Chapter Eight covered the summary, conclusion and recommendation.

Chapter Summary

This chapter focused on the background of the study. The statement of the problem was duly defined. Based on the statement of the problem, research objectives were deduced with its corresponding hypotheses. The delimitation

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and limitations of the study were established. The significance and the organization of the study were also dealt with.

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CHAPTER TWO

THEORETICAL REVIEW

Introduction

The substantive issues that arise from corporate governance, compliance, and performance of banks in Sub Saharan Banks were reviewed in this chapter. The chapter thus considers the various theories that support the study and their application relative to the objectives of the study. Achim and Borlea (2013) established that the concept and understanding of corporate governance cannot be subjected to a single theory, hence researchers are encouraged to adopt and apply a combination of the corporate governance theories.

Agency Theory

The study of corporate governance led Yusoff and Alhaji (2012) to conclude that agency theory was the dominant theory that evolved into stakeholder theory, resource dependent theory, stewardship theory, stewardship theory and social contract theory. Borlea and Achim (2013) also argued that corporate governance theories were embedded in the agency theory, which was later translated into stakeholder theory, stewardship theory and further developed into the theories of resource dependence, political, ethics, information asymmetry, transaction cost theory and efficient markets.

A number of researchers have been inspired to study agency theory since Adams Smith (1776) identified the existence of the agency problem (Zogning, 2017). Smith (1776) addressed in his book 'The Wealth of Nation' that individuals or persons who work in an organization and happen not to be the real owners of the organization, may not work for the owners' interest. Put

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differently, the interest of the employees and the real owners of the organization would be at variance. Berle and Means (1932) advanced this argument and critically explored the ownership structure of the vast firms of the United State of America and found that owners of the orgainsation hire the services of agents to control the vast firms and carry the day-to-day business activities or operations. They remarked that the assets of the organization will be used in the interest of the agents, at the expense of the principal and this will bring about conflict that will exist between the two parties.

Jensen and Meckling (1976) also sought to give new direction about the agency relationships by linking and applying them to some behavioral aspects in relation to organisational management. The agency theory proposes that shareholders (principals) own the companies but are not in control of operating activities on a daily basis. As a result of this, the principal mandates or delegates the agents (directors) to make decisions and control the operation of the organization. There remains an instance where the directors act on their own personal interest which adversely affect the principal due to the segregation of duty between ownership and control and the difference of interest between the principal and the agents (Dao & Tran, 2017).

In order to mitigate the problem of agency, Jensen and Meckling (1976) and Fama and Jensen (1983) averred that a 'nexus' of optimal contracts needed to be established between the managers and the shareholders of the company. These supposed contracts, which are also referred to "internal rules of the game", basically spell out the duties and right of the managers in the firm, how they are evaluated in terms of performance criteria. Performance of firms in a manner that reduces cost and embrace maximum efficiencies is the hallmark

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and the expected outcome of agency theory (Corbetta & Salvato, 2004; Fama, 1980).

Agency problems and costs are created when there is separation between ownership and management (Eisenhardt, 1989; Lee & O'Neill, 2003; Karra, Tracey, & Phillips, 2006; Wasserman, 2006). In agency theory, authority is given to the agents by the principal. The agents are then expected to act in the best interests of the owners (Ross, 1973; Wiseman et al., 2012). Problem of agency occurs when the interest of the principal and the agents are at variance and the principal have inadequate or little information to independently evaluate the behaviour of the agents (Karra et al., 2006).

The two main forms of agency problem are adverse selection and moral hazard (Chrisman et al., 2004). When agents fail to apply effort in the course of their employment relationship a moral hazard is said to have occurred (Ross, 1973). This normally leads to free-riding and shirking (Karra et al., 2006). When agents do not possess the necessary skills to act professionally in the scope of the employment relationship, adverse selection is said to have occurred (Schulze et al., 2001).

It is assumed that the model of man is the underlying assumption of agency theory (Davis et al., 1997; Jensen & Meckling, 1976). As a result, the model takes into account the fact that people will seek to increase their own satisfaction or utility. The services of agents are hired to maximize the wealth of the principal (Ross, 1973). It is important to state that agency theory, however, envisages that agents will also put up an opportunistic behaviour because their personal interest is also paramount to them. The principal,

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therefore, designs mechanisms to mitigate losses that might be caused by the agents, according to Jensen and Meckling (1976).

Agency theory is a leading theoretical framework in corporate governance. It is well known because of two distinct features (Daily, Dalton & Cannella, 2003). Firstly, it is easier due to the fact that it classifies vast organisations to two groups of participants, specifically managers and shareholders whose opposing interest are established or defined. The second assumption is that it portrays human beings to be self-centered and for that matter every rational person will pursue his own personal interest.

The segregation of ownership from management normally can result in decisions by managers that may not augment the wealth of the shareholder. This is due to the fact that the agents possess some knowledge, expertise coupled with their experience which they use to benefit themselves and not necessarily, the principals. From the perspective of (Jensen & Meckling, 1976) a monitoring system should be put in place in order to protect the interest of the shareholder. In the narrative above, the agency problem is how to monitor the agent in order to make sure it is acting in the principals' interest. This in the view of Shleifer and Vishny (1997) which give rise to agency costs, monitoring costs and making sure agents are disciplined in order to minimize abuses.

Agency costs is defined by Jensen and Meckling (1976) as the measures put in place by the principal to mitigate the divergent operations of the agents, making sure that the expenditure of the agents is bonded which serves as a yardstick that some decisions of the agents will not injure the owners and to compensate principal if any of such action arise. Corporations with an organizational structure whereby ownership and control are separated between

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owners and agents are not uncommon. The principals who are known to be the owners hire the agents who are known to be the managers to take control of the firm and run the firm in the interest of the principal. The agents would be compensated for their effort and competence they bring on board, specifically in the form of salaries and bonuses (Marashdeh, 2014).

Quite a number of studies have examined the gains arising from conflicts between dispersed shareholders and powerful managers when the management structure changes. There is evidence of results that depicts that company needs to do away with inefficiencies in an organization and put up a system that protect shareholders` wealth. Shareholder generally find it difficult to supervise the activities of the managers regularly hence unable to appreciate the situations underlying most business decisions. For instance, it is the expectation of shareholders to receive fat dividend payouts and substantial increase in capital share. Unfortunately, managers who have access to information on the state of affairs of the firm may want to reinvest substantial amount of the profit to purchase more assets or develop a technology (Pharm & Nguyen, 2020)

This generates to different risk perspectives and business objectives. This disagreement between principals and agents can lead to inefficiencies and can cause a lot of losses for the firm. In most of the situation, managers seek to increase their wealth which result to decision making conflict and ethical risk. In order to minimize these unfortunate conflicts, shareholders ought to routinely observe and monitor the actions of the agents by instituting unambiguous corporate policy. To reduce these conflicts, shareholders should observe and monitor actions of managers through effective communication and solid

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corporate policy. Basically, a system of legislation should be put in place to improve the control of the principal over agents (Pharm & Nguyen, 2020).

Linking the objective of the study to the agency theory, it is expected that corporate governance mechanisms will lead to performance of banks, however, with respect to agency theory, the agents, with their actions, tends to increase their own economic interest at the expense of the owners of the firms. Agents take actions whose and effects of these actions are unfortunately borne by owners of the corporation. In reality, the agents will always want to maximize their wealth which eventually leads to agency problem and thereby impedes the performance of the corporation. If the managers of the firm become self-centered, in the long run it affects the performance of the firms adversely. Agency theory therefore underpins objective one and three of the study.

Stakeholder Theory

Freeman (1984) averred that the purpose of stakeholder theory was mainly initiated to identify, analyse and develop and manage strong coordination among shareholders. Stakeholder appeals to wider stakeholders as compared to agency theory. The central idea of the agency theory is to maximise the wealth of the shareholders which is a key requirement whereas the stakeholder theory appeals to groups. The concentration now is to maximise the wealth of the shareholder whilst at the same period focus on other stakeholders of the company whose activities directly and indirectly affect the performance of the company.

Jensen (2001) explained that stakeholder theory has gained root in corporate governance theory because of the fact that it is associated with wider audience. The theory posits that the success of a firm cannot only be attributed

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to shareholders' wealth. Truth is, there are quite a number of stakeholders who contribute to the firm beside the shareholders. These stakeholders are customers, employees, environmentalist, creditors, suppliers, financial institutions, governments etc. In order for a firm to be successful, Freeman (1984) indicated that firms must try as much as possible to satisfy both the owners as well as all the stakeholders.

The traditional definition of a stakeholder according to Freeman (1984) is an individual or group who is one way or the other influenced by the success of the orgainsation's aim. The redefinition of the organization was based on the idea of the stakeholder theory. Friedman, Miyake, Corley, Young, DeFries and Hewitt, (2006) proposed that organization should be seen as class of stakeholders and the objective of the organization should be concentrated on how the interest and needs of the stakeholders should be managed. Stakeholder theory provides a wider and a broader perspective on corporate governance as compared to agency theory. It therefore enhances better firm performance from corporate governance perspective.

Solomon (2004) suggested that stakeholder theory is usually connected to or linked to vast corporation where they operate in society, hence the impact of firms is so persuasive to the extent they fulfil certain obligation to many more sectors of the society and not necessarily to shareholders. Taking into consideration the fact that internal stakeholders are the conduits to external groups, management of corporation should be proactive and responsive to the external environment. Put differently, the executives must act as "corporate spokesperson, political and social participant and manager of the human resources of the firm".

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In the context of wider environmental impacts and interdependencies of organisations with stakeholders from internal and external, stakeholder theory is specifically relevant to formulating and implementing enough governance policies and systems (Christopher, 2010). Stakeholders who are privilege to have access to resources are critical to the firm and they have external control. For instance, capital can be provided by stockholders, material knowledge can be provided by suppliers, infrastructure can be provided by local communities, knowledge and loyalty can be provided by employee and manager, positive word of mouth and loyalty can also be provided by customers. Stakeholders possess these important organisational resources which give them potential authority over the organization hence there should be a good relationship between the firm and its stakeholders (Kolk & Pinkse, 2006).

Freeman and Philips (2002) sought to give reorientation of stakeholders' theory and tried to debunk the assertion that the stakeholder theory emanates from the socialist worldview. Philips, Freeman and Wicks (2003) have also debunked the misconceptions on beliefs that stakeholder theory should be subjected to amendment to laws and for that matter the theory gives room for management to be opportunistic. They also rebuked the assertion made by Sundaram and Inkpen (2004) that stakeholder's theory does not embrace entrepreneurial risk taking and thereby worsen corporate governance practices.

Stakeholders bear greater risk in their investment in an organization than employees are the major objection to the Anglo-American model of corporate governance (Ghoshal, 2005; Chahed & Müller, 2008). The worth in a firm's production with respect to resources emanates from different stakeholders. Shareholders for instance provide financial capital while employees also

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contribute their human capital. The argument now becomes simplified and the question is, resources need to be combined by both shareholders and employees for the purposes of value creation. In that context, why should the value distribution only favour the shareholders?

Danford et al. (2007) were of the view that it is more difficult for employees to find a new job than for shareholders to sell their stocks. Put differently, shareholders of a company carry less risks than employees of a company. Additionally, employees bring on board their knowledge, competence and skills which are more vital as compared to the capital contributed by shareholders.

Quite a number of studies refutes the stakeholder theory and concludes that it is not well founded and grounded (Child & Marcoux, 1999; Cragg, 2002) and for that matter directors do not have access to information on ethical principles and the natural environment (Orts & Strudler, 2002; Humber, 2002). Orts and Strudler (2002) opine that stakeholder theory is constrained by its concentration on the interest of human involvements in the organization. Humber (2002) averred that organizational desire to develop a special moral theory to be used in the organisations is not feasible and hence should desist from that (Heath & Norman, 2004; Sundaram & Inkpen, 2004).

In the view of Jensen (2002), stakeholder theory centers on the jurisdiction of certain individual who intends to use the organisation's resources for their own use. Carroll and Carson (2003) suggest that stakeholders theory requires a restriction that permits management to respect their professional obligations that they owe to employees. Frederick (1998) asserts that stakeholder theory is theoretically mined out and produces currently new

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theoretical significant insight which contradicts other scholars who disagree that the stakeholder theory is undertheorized and under researched (Stoney & Winstanley, 2001).

A number of researchers also scolds the theory for concentrating on a broader domain (Weaver, Trevino & Cochran,1999) and for relying on false impression concerning the nature of the organization and the various stakeholder groups. Phillip (2003) posits that the basic problem of stakeholder theory is trying to justify why management should concentrate on stakeholders akin to the justification for maximizing shareholders wealth. There should be a moral argument in relation to the justification for maximizing shareholders wealth.

Jensen (2001) argues for the support of maximization of value for stakeholder theory, specifying that an organization cannot increase value if it shuns away from the interest of its stakeholders. He stated that the massive problem that corporate boards and management encounter ascertaining the trade-off between the interests of its stakeholder groups and the company's objectives. Managers are entreated to take decisions by taking into consideration the stakeholders of the company. Managements find it difficult to come out with a particular stakeholder interest that will ultimately satisfy the objectives of the firm as well as the interest of all its stakeholders. This is because there no specific interest of all the stakeholder groups.

Jenseng (2001) averred that with respect to the stakeholder theory, there is even competition that exists between the individual groups and each other's interest. The managers are now compelled to adopt a theory that makes it extremely unrealistic to make any meaningful decision. In as much as

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management makes an effort in terms of meeting the aspirations of different stakeholders, the stakeholder theory can make it difficult for management to be unaccountable for their decisions and actions.

Stakeholder theory can breed the culture of managers being unaccountable for their actions as they try to accommodate the needs of many stakeholders' interests. The self-interest of managers and directors may be paramount in their actions and decisions (Sternberg, 2004). The central idea in relation to stakeholder theory should be based on what the companies are meant for. Are the companies in existence for the purposes of making money or they have a bigger and wider role?

The needs of the shareholders and stakeholders should clearly be established. Some scholars of stakeholder theory have suggested that the theory provides unprincipled and unethical directors with a flimsy excuse and act in their own personal interests. This unfortunately leads to the resurrection of the agency problems that the maximization of the shareholder wealth sought to solve. Directors who are self centred could easily take advantage by acting in their own personal interest and make it seem as if their actions directly benefit the stakeholder groups (Marcoux, 2000).

Linking the objective of this study to the stakeholder theory can best be explained by Hasnas (1998) who averred that the theory appeals to peoples' moral intuitions and for that matter business is much more than the financial relationship between the organisations and its shareholders. Stakeholder theory therefore underpins objective one and three of the study

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Institutional Theory

Scholars and researchers such as (Meyer & Rowan, 1977) propounded the institutional theory. They averred that the formal structure development is highly influenced by the environment. There can be legitimacy of any structure that is innovation driven in an organization. Any time, organisational actors refuse to accept innovation which becomes legitimized, it leads to irrational and negligent perception of behaviour.

Ironically, there are organisations that acquire a structural form that doesn't necessarily augment efficiency just for the purposes of legitimacy (Mohamed, 2017). The institutions are basically systems and rules that permit and limit the attitude of the actors and make social life foreseeable and important. (North, 1990). Scott (2005) posits that institutions are social structures that have accomplished a high level of resilience. Cultural-cognitive, normative and regulative elements constitute an institution and in conjunction with associated activities define meaning for social life and stability.

From the international arena to local interpersonal relationships, they function at various levels. Institutions represent stability by definition, but are subject to incremental and discontinuous processes of change. Institutions were described by Johansson (2002) as systems based on formal or informal rules that prohibit, control or support social behavior. North (1990) is best known for the most concise explanation of institution. In his view, institutions are composed of formal and informal structures, where the formal structures consist of rules and the informal structures consist of conventions and codes of behavior. Institutions serve as motivation for a particular direction for the purposes of creating a stable structure that promote efficiency in interactions with humans by minimizing transaction and uncertainty cost.

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There is the creation of structure and order by linking the activities and expectations of individual within a society. As perceptions and understandings are implicit, interactions are more coherent since they don't need to be negotiated or explained. According to Bush (1994) institutions assist coordination of activities between different actors in society without the essence for centralization, although there is limitation on what actors do. According to one school of thought, institutions effectively determine the actions of individuals. According to them, institutions determine power and preferences in society. Furthermore, institutions explain how people interpret the actions of others based on shared meanings and cognitive frames. (Fligstein, 2001).

Changing institutions are quite difficult because they are meant primarily to shape the exact choices individual make in an attempt to changing them (Hall & Taylor, 1996). Institutions are fundamentally meant to provide reasons for behaviour that are contrary from institutionalized expectations in order for their legitimacy to be preserved. Institutional theory demonstrates that the attitude of organisations is influenced by their institutional environment. They consist of the organization's scope of its actions, social context and social relationships through its network (Doshi & Khokle, 2012).

Generally, coercive mechanisms are defined as pressure techniques aimed at aligning business practices with society's expectations. Mimetic practices refer to the process of conforming to certain standards of behavior. It is the internalization of certain beliefs about the appropriateness of certain attitude that constitutes normative practices. Through institutional forces, agents' beliefs are aligned with those of societal norms. The significance of self-seeking individuals' motives in institutional theory is criticized, and rather,

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institutional factors or pressures that go beyond the institutional boundaries are studied (Hoffman, 1999). Organizations are viewed as functioning within a scope of values, assumptions and norms about what defines acceptable economic attitude or behaviour according to institutional theory (Oliver, 1997).

DiMaggio (1998) indicated that institutional theory focusses its strength on organisational life that are deemed to be exteriorized and intersubjective that no actor is ready to question them. DiMaggio (1988) posits that as long as actions are guided by norms or expectations, actor interest will have no influence on the outcome. In addition to regulatory and normative aspects, Phillips and Malhotra (2008) mentioned that institutional theory contributed to managing organizational research in its cultural cognitive aspect (Scott, 2008). The normative and regulative pillars provide stability by permitting deviant behavior. Zucker (1987) is of the opinion that sanctions may deinstitutionalize a firms' culture cognitive pillar, which makes the firm less objective and impersonal but they are vital features of cognitive institutions.

Linking the objective of this study to the institutional theory, it can be inferred that these institutions create structures and system and establish the appropriate functional guidelines and tools that mitigate and shun away from unacceptable corporate behavior, hence endorse acceptable corporate behavior (Peters, 2000). Corporate governance also provides a mechanism that guides behaviour and protects those who have invested their resources hence compliance to regulations is a key requisite ingredient in corporate governance. Institutional theory therefore underpins objective two and four of the study.

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Chapter Summary

The chapter reviewed all the theories underpinning this study and their relationship with performance and compliance. The theories underpinning the study were agency theory, stakeholder theory and institutional theory. The agency theory talked about the relationship that exists between the principal and agents of a business and how the interest of the principal and the agents are at variance. The stakeholder theory was meant to improve upon the agency theory by involving other stakeholders.

Stakeholder theory, however, concentrates on broader stakeholder's groups. Many firms endeavor to increase shareholders' wealth whilst at the same time focusing on range of other stakeholders who also contribute to the success of the firm. It is believed that the success or otherwise of a business does not only depend on the shareholders but other stakeholders who also play their respective roles in the company. Institutional theory, in effect, deals with rules, regulations and standards of which businesses are encouraged to adhere to.

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CHAPTER THREE

EMPIRICAL REVIEW AND CONCEPTUAL FRAMEWORK

This Chapter of the study focuses on review of empirical studies that underpinned the study, lessons and issues that need to be assessed from the empirical review as well as the conceptual framework that support the study. The empirical review was done in relation to the objectives of the study.

Corporate governance and performance of banks in Sub Saharan Africa

How the composition of board affects the performance of deposit money taking institutions in Sub Saharan Africa (SSA) was assessed by Nwaubani and Orikara (2019). The objective sought to assess the influence of gender on performance. Return on assets and net interest margin were employed as the explained variables. Six Sub Saharan countries were used for the study, comprising of twelve banks for the period 2004 to 2016. The study revealed that women representation did not contribute much to performance of the banks. The correlation using return on asset and net interest margin was also negative and insignificant. The study however employed only twelve banks from six Sub Saharan Africa and the three-year period was also relatively inadequate. Increasing the number of years from three could have resulted in a more robust outcome.

A study by Djebali and Zaghdoudi (2020) analyzed the importance of internal governance for bank performance. Ten commercial banks listed on the Tunisian Stock Exchange was the source of the data. Generalised Method of Moment was used for the study. According to the study, the correlation that existed between the size of board and independent director was positive and significant. The study, however, employed only one performance measure (Net

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interest income). Other performance indicators could have been added for the purposes of comparison and this could have ultimately affected the outcome of the results.

An investigation on how corporate governance affect bank performance in Ghana was conducted by Gyamerah, Amo and Adomako (2020). Return on asset and return on equity were employed as regressor variables. Twenty-one commercial banks were gathered for the data, which spans the years 2005 to 2015. Regression estimating techniques were used to conduct the analyses. The results indicated that having a large board of directors had an adverse impact on performance of banks. In addition, the independence of a board had a strong favourable effect on return on asset. The study however employed only one ownership structure variable in the study (foreign ownership). The study could have added other ownership variables in addition to the board characteristics variables in order to draw analytical conclusions.

A study on gender diversity of a board and how it affects financial performance was evaluated by Manyaga, Muturi and Oluoch (2020). Gender was employed as explanatory variable while return on equity was employed as explained variable. Thirty-four commercial banks were selected for the period of 2008 to 2017. Causal research design was employed for the study. It was revealed in the result that gender diversity was a predictor of ROE with an inverse effect. The study, however, was limited to only one performance measure which was return on equity. For the purposes of insightful comparison, other performance variables should have been included in the model estimation.

Chabachib, Irawan, Hersugondo, Hidayat, Pamungkas and Yppi (2020) assessed how corporate governance influence performance of banks.

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Managerial ownership, independent directors, independent directors, size of board and institutional ownership were the independent variables. Data was sourced from the Indonesian Stock Exchange in 2018 which were 120 in number. The analysis tool employed was a path analysis. The outcome of the results revealed that managerial ownership, independent directors and the size of the board were all predictors of performance and the effect was also positive. Institutional ownership was a predictor of performance with an adverse effect.

Palaniappan (2017) examined the structure of board of directors and their financial performance. Data emanated from 275 NSE-listed companies. The data was collected between 2011 and 2015. The outcome variables were ROA and ROE. Board size and board independence were employed as the explanatory variable. The findings revealed that board size was a predictor of performance (ROA and ROE). The study did not, however, employ any ownership structure variable in the study. The study was limited to only board structure variables. Adding some ownership structure variables to the study could have given a fairly balanced and comprehensive findings.

Pharm and Nguyen (2020) evaluated the influence of corporate governance on performance of bank from for the period 2013 to 2017 in Vietnam. The result revealed that larger boards increase performance with net interest margin. There was no significant relationship of board diversity and institutional ownership on performance.

Bansal and Sharma (2016) researched how corporate governance influence performance of firms. The data for the work was obtained from companies listed on NSE. Data span from 2004 to 2013. It was revealed in the result that board size was a predictor of performance with a positive

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relationship. Board independence was a predictor of ROA with an inverse relationship. The study however employed only board structure variables.

The influence of audit committee on firm performance in India was examined by Al-ahdal and Hashim (2021). The data was made up of seventy-four non-financial firms spanning from 2014 to 2019. The random effect panel regression was employed for the purposes of analyses. Audit committee was not a predictor of return on equity even though there was positive relationship. The six-year sample period was relatively small. Increasing the study period could have impacted the outcome of the findings.

Mohamed, Atim, Moeljadi and Sumiati (2019) analyzed the influence of corporate governance and how it affects the value of firms. Independent variables for the study were independent directors, institutional ownership and managerial ownership. The dependent variable was ROE. Listed companies in Indonesia constituted the source of data for the study. The outcome of the result showed that institutional and managerial ownership were not predictors of firm value. Conversely, Independent directors were however predictors of performance.

Moreno-Gomez, Lafuente and Vaillant (2018) conducted research on how gender diversity affects firms' performance of businesses in Columbia. Return on asset was the financial performance variable. The data for the study was obtained from firms in Colombia. The period for the study span from 2008 to 2015. It was revealed in the result that gender diversity relates positively with performance.

Abuamsha (2021) examined how the structure of corporate governance affects the performance of firms listed on the Palestinian Stock Exchange. The

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data span from 2017 to 2020. The results were estimated using the panel data method. The results showed that managerial ownership and ownership concentration relates positively and were predictive of financial performance.

Putri, Mandala, Harahap, Adinur, Ahad and Hanggraeni (2021) assessed how board diversity affects performance of banks. Static and dynamic relationships were considered for the study. The results showed that board diversity relates negatively and was predictor of performance. The independent variables were however limited to only three variables. Increasing the independent variables could have affected the outcome of the results.

Zabri, Ahmed and Wah (2016) investigated the influence of corporate governance on financial performance among Bursa Malaysia firms. Board independence and board size were the study's explanatory variables. The explained variables were return on asset and return on equity. The study was subjected to descriptive and correlational analyses. The result revealed that board size was a predictor of return on asset with a negative relationship. Board size was however not a predictor to return on equity. Board independence was not a predictor of performance.

Kilic and Kuzey (2016) investigated board characteristics of listed companies in Turkey established how board diversity affects performance of companies. Data was sourced from listed companies in Turkey. Data for the study span from 2008 to 2012. The research was subjected to instrumental variable regression. The result revealed that the inclusion of women on the board was positive and predictor of performance. The study, however, focused only on-board composition variables.

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Foshtomi (2017) studied the ownership structure and value of the firm. Study data was compiled from 615 Tehran Stock Exchange companies. The period for the study span from 2010 to 2014. The results showed that ownership concentrations do not predict returns on assets. In contrast, ownership concentration significantly impacted return on equity.

Oudat, Hezabr and Qeshta (2021) examined the effect of ownership structure and performance of banks in Bahrain. The study was subjected to panel regression analysis. The data for the period was 2015 to 2019. It was revealed in the findings that institutional ownership positively and significantly impacted return on equity.

The effect of corporate governance on performance of banks in Pakistan was investigated by Ullah, Ali and Mehmood (2017). Data was collected from the Karachi Stock Exchange. The sample size for the study was 184 non-financial firms. The results indicated that managerial and ownership concentration had an inverse relationship with performance of firms.

Artha, Bahri, Sari, Sari and Manurung (2021) determined the effect of institutional ownership on performance of banks. The study used quantitative methods and linear regression analysis The research was subjected to quantitative methods and the estimation was linear regression. From the analyses of the results, institutional ownership was not a predictor of ROA and ROE. The study employed only one independent variable for the regression (institutional ownership) analyses.

Al-Najjar (2015) assessed the influence of institutional ownership on performance of companies. Data for the study constituted 82 non-financial Jordanian firms. The explained variables were ROE and ROA. The study

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employed six predictor variables. The result revealed that institutional ownership relates positively and had no effect on performance.

The impact of corporate governance on financial performance of firms in Ethiopia was researched by Molla (2019). The predictand variables were ROE, ROA and operating profit margin. Board size, board independence, audit committee and board ownership were the explanatory variables. The study was subjected to correlation analysis and panel data regression.

The outcome of the result revealed that board size was negative and predicted ROE, ROA and operating profit margin. Additionally, audit committee was negative and predictor of ROA and ROE but it had no effect with operating profit margin. Board independence and board ownership were all predictors and had positive effect with all the financial performance variables.

Corporate governance structure and performance of banks was investigated by Bashir, Fatima, Sohail, Lahore, Rasul and Mehboob (2018) The study covered thirty banks. Data was sourced from banks listed on the Pakistan Stock Exchange (PSE). Data span was 2008-2014. The study showed that managerial ownership was negative and could not predict return on equity. The study excluded foreign banks from its sample.

The effect of corporate governance on performance of banks was assessed by Abdul Rahman and Reja (2015). The independent variables were government, institutional, family and managerial ownership. The results revealed that managerial ownership is inversely related to performance. Institutional ownership had no effect on performance of banks.

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Gurusamy (2017) looked into the impact of corporate governance measures on financial performance of manufacturing firms. Data collection was listed firms in Bombay Stock Exchange (BSE). The independent variables were board structure and Ownership Structure. The study was subjected to panel data regression analysis. The sample size was 357 manufacturing firms. It was established in the study that board size was a predictor and positively linked to ROA and ROE. Institutional ownership did not contribute to any significant impact on return on asset.

Edeti and Garg (2021) investigated the influence of board composition. both internal and external, on commercial bank performance in Ethiopia. Data for the study constituted twelve commercial banks. Data span was from 2009 to 2018. The study focused on primary and secondary data collection. The study revealed that board composition was positive and a predictor of return on assets (ROA). There was no significant effect of board composition and return on equity. Board composition was negative and had a correlation with Net Interest Margin (NIM) and statistically significant.

Yahaya and Lawal (2018) assessed how the ownership structure of board affects the value of a business of Nigerian deposit money banks. The independent variables for the study were concentrated, managerial and foreign ownership. ROA and ROE were the dependent variables. The data was subjected to System Generalised Moment Method. It was deduced from the study that ownership concentration could predict performance.

Kurawa and Umar (2019) examined the influence of ownership concentration on performance of banks in Nigeria. Data was sourced from the annual report of deposits money banks in Nigeria. The span for the data was

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2003 to 2014. The study was subjected to panel data regression technique. It was established from the study that ownership concentration was negative and not a predictor of performance of firms.

Boussaada and Majdi (2015) assessed how ownership concentration affect performance of banks. The period for the study was 2004-2011. Thirty-eight commercial banks from ten countries of the MENA region were used for the study. In order to deal with the endogeneity problem, dynamic panel estimation method was employed for the study. The study revealed that ownership concentration was a predictor of performance of banks in MENA

Fariha, Hossain and Ghosh (2021) looked into how corporate governance affect performance of public banks in Bangladesh. Data was collected from the annual report of the banks which constituted thirty-one banks from 2011 to 2017. The results revealed that board diversity relates negatively and a predictor of ROA and ROE. The study did not include any ownership characteristic variable.

The effect of corporate governance on financial performance in the Kingdom of Bahrain was evaluated by Aktan, Bora, Turen, Seref, Tvaronavičienė, Manuela, Celik, Saban Alsadeh and Hashem (2018). Data for the study was made up of financial firms in Bahrain Bourse. 2011 to 2016 was the data span. It was deduced from the results that board size and ownership concentration positively relate and were predictors of return on asset. Independent directors were also negative and predictor of ROE.

The impact of corporate governance on banking performance was examined by Almoneef and Samontaray (2019). Data emanated from banks in Saudi Arabia. 2014 and 2017 was the data span. The explanatory variables were

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board size, board independence and audit committee size. The data was subjected to Panel data. It was revealed from the study that board independence had an inverse relationship with ROE whereas board size related positively with ROE. With respect to ROA, board size had a positive relationship.

The effect of corporate governance on financial performance of firms was analysed by Megbaru (2019). The data for the study constituted six banks which was selected from commercial banks in Ethiopia. The data span was 2003 to 2009. The explained variables were ROA, ROE and operating profit margin. The explanatory variables were board size and board independence. Additionally, firm size and financial leverage were employed for the purposes of control variables. The data was subjected to correlation and panel data regression.

The results clearly indicated that board size was negative and predictors to ROA, ROE and operating profit margin. The effect between audit committee and financial performance were also inversely related but statistically significant with ROA, ROE. Audit committee was however insignificant with operating profit margin and board ownership was positive and significantly related to ROA, ROE and operating profit margin.

Wang, Abbasi, Babajide and Yekini (2020) studied the extent to which corporate governance affect firm performance. Non-financial firms listed on the Pakistan Stock Exchange were used for the sample. The data span was from 2011 to 2014. ROA and ROE were the explained variables. The results provide evidence that institutional ownership was negative and a predictor of performance. Board diversity, Board size and board independence were not

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predictors of performance. The data for the study was however limited to only four years.

Sohail, Rasul and Fatima (2017) explored the influence of corporate governance on their performance of banks in Pakistan. Data was collected from thirty banks on Pakistan Stock Exchange. 2008 to 2014 was the span of the data. The estimation technique for the study was panel data. It was deduced from the results that ownership concentration and institutional ownership were inversely related and were not predictors of return on equity. Foreign and Islamic banks were however excluded from the study

The effect of board diversity on performance of banks in Kenya was assessed by Manyaga, Muturi and Oluoch (2020). Board diversity was the explanatory variable while ROE was the explained variable. Data for the study was made of thirty-four commercial banks for a period of 2008 to 2017. Panel data was employed for the estimation technique with a causal research design. The result revealed that board diversity was negative and could not predict ROE.

Dana (2015) looked into the influence of institutional ownership on firm Performance. Data was sourced from firms in Jordan. ROA and ROE were the explained variables. The period for the study was 2005 to 2013. The estimation technique employed for the study was panel data estimation. It was revealed in the study that institutional ownership was not a predictor of performance of firms.

AlSagr, Belkhaoui and Aldosari (2018) analysed the effect of corporate governance on performance of banks. The data was sourced from nine banks in Saudi. The period for the data was 2011 to 2016. The result provided evidence that board independence and ownership concentration were negative and

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predictors of return on asset. Board independence and ownership concentration were equally negative and statistically significant to return on equity. The sample for the data was only limited to only nine local banks.

Soud and Aypek (2021) assessed the influence of corporate governance on performance of banks. Data collection was annual report of commercial banks in Kenya. The number of banks employed was sixteen commercial banks from 2010 to 2019. Board independence, board size and audit committee were the predictor variables. ROA and ROE were the predictand variables. It was revealed in the results that board independence was inversely related to ROA and a predictor of ROA. The corporate governance variables were limited to only board characteristics.

Khan, Kamran and Imran (2020) assessed the impact of corporate governance on performance of firms. Data for the study was sourced from Pakistan Stock Exchange which constituted twenty listed financial firms. The period for the data was from 2007 to 2016. Board structure and ownership structure were the independent variables while ROA and NIM were taken as the dependent variables. Board size, board independence, gender, inside ownership were not predictors of firm performance from the revelation of the results. On the other hand, managerial ownership was a predictor of firm performance.

The effect of audit committee size and performance of firms was examined by Kipkoech and Rono (2016). The data was derived from firms on Nairobi Stock Exchange in Kenya. To test the hypothesis, the study was subjected to multiple regression. The outcome revealed that audit committee size was statistically predicted performance with a negative effect.

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The impact of corporate governance characteristics and performance of Islamic banks were investigated by Aslam and Haron (2020). Method of moment estimation technique, specifically two step approach was used for the analyses. The data was for the study was made up of twenty-nine Islamic counties. The span for the data was 2008 to 2017. It was established from the results that audit committee size positively and significantly predicted performance of Islamic banks. The study did not include any variable from ownership structure.

Corporate governance and regulatory compliance of banks in Sub Saharan Africa

Mnif and Tahari (2020) analysed the impact of corporate governance structure on compliance with Islamic financial institutions. The sample was made up of 486 bank year observation. The period of the study was 2009 to 2017. The findings indicated that ownership concentration was positive and a predictor of regulatory compliance. Board size and board independence had no impact on regulatory compliance from the findings.

Herwiyanti, Ma and Rosada (2015) examined the influence of corporate governance on regulatory compliance of Islamic banks. Data was sourced from Islamic banks in Asia. The period for the data was from 2011 to 2013. Multiple linear regression was used for the data estimation. It was concluded that institutional ownership positively relates and was predictor of regulatory compliance. The study, however, employed only two corporate governance variables (audit quality and institutional ownership) and period for the study was relatively inadequate.

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Corporate governance and compliance of International Financial Reporting Standards was examined by Juhmani (2017). The study employed eight explanatory variables. International Financial Reporting Standards disclosure was used as the explained variable. Ownership concentration and managerial ownership had no impact on IFRS disclosure whereas board independence was significant with the level of disclosure.

Corporate governance and compliance were assessed by Katarachia, Pitoska, Giannarakis and Poutoglidou (2018). The governance disclosure score was used as a corporate governance information. The explanatory variables were board size, board diversity and financial leverage. The period for the study was from 2009 to 2014. The results revealed that women representation was negative and significantly predict corporate governance disclosure. The study did not include any ownership variable.

Elmagrhi, Ntim and Wang (2016) investigated the influence of corporate governance practices on regulatory compliance. The data was sourced from the United Kingdom listed firms. The period for the data was from 2008 to 2013. The study was subjected to multiple regression analysis. The result provided evidence that managerial ownership and ownership concentration were inversely related to corporate governance compliance and disclosure practices.

Herwiyanti, Wulandari and Rosada (2015) examined the impact of corporate governance on compliance. Data collection was from Islamic banks in Asia. The period for the study span from 2011 to 2013. It was deduced from the result that institutional ownership was positive and significantly predict corporate governance disclosure index of Islamic bank. The period for the study was inadequate.

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Dewayanto, Rahmawati and Suhardjanto (2020) examined the effect of corporate governance and compliance. Data collection was from companies on the Indonesia Stock Exchange. The total companies were 152 within the period of 2016 to 2017. The result revealed that ownership concentration and institutional ownership were positive and predictors of corporate governance compliance. The period for the study was limited to only two years.

Alfraih (2016) examined the impact of board characteristics and regulatory disclosure compliance. Data was sourced from the Kuwait Stock Exchange. The hypotheses were tested through regression. The period for the study was in 2010. It was deduced from the results that board diversity and board size positively and significantly predicted compliance. The period for the study was limited to only one year.

Pernamasari (2018) assessed the impact of corporate governance on disclosure. Data was collected from companies on the Indonesia Stock Exchange. The data span was 2015 to 2016. It was revealed from the study that institutional ownership positively impacted on compliance. Board Independence had no significant effect on disclosure. The period for the study was however woefully inadequate.

Buertey and Pae (2021) examined the impact of corporate governance on disclosure of information. The study concentrated on firms on the Zimbabwe Stock Exchange. The data was collected in 2013. The corporate governance variables employed for the study were board size, board independence, and institutional ownership. Empirically, board independence positively and significantly predicted disclosure of information. Institutional ownership and board size were not predictors of information disclosure. The study covered

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only a period of one year. Adding some of the years could have improved the outcome of the findings.

Al-Bassam, Ntim, Opong and Downs (2018) investigated the impact of corporations that are publicly listed and to what extent these firms adhere to and disclose corporate governance practices in Saudi Arabia. The independent variables employed for the study were board structure and ownership structure. Empirically, the results revealed that boards with larger size and higher institutional ownership adhere or disclose considerably more than smaller boards and smaller institutional ownership. It was established in the study that higher ownership concentration leads to reduction in corporate governance disclosure or compliance.

Elmagrhi, Ntim and Wang (2016) investigated the effect of board corporate governance and compliance. Firms in the United Kingdom served as the source of the data. The results provided evidence that board size, board independence and board diversity adhere to compliance. Institutional ownership however does not significantly have any effect on corporate governance compliance. It was also deduced from the findings that managerial ownership and ownership concentration negatively influence corporate governance compliance.

Zulfikar, Lukviarman, Suhardjanto, Ismail, Astuti and Meuti (2020) looked into the impact of board characteristics and compliance. The data was collected from banks on Indonesian Stock Exchange. The period for the study was from 2010 to 2015. With respect to the data analyses, multiple regression was employed. It was revealed in the study that board size, board independence and size of audit committee significantly predicted compliance.

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Moderation effect of type of bank on the relationship between corporate governance and performance of banks in Sub Saharan Africa

Kusi, Agbloyor, Asongu and Abor (2021) looked into the impact of assets of foreign banks in relation to the banking stability of feeble and strong country-level based corporate governance in Africa. Data span from 2006 to 2015. Data for the study was made up of eighty-six banks in about thirty African countries. It was established in the findings that assets of foreign banks lead to stability in banking. The positive impact of foreign banks assets, however, is promoted in countries with strong country-level based corporate governance; conversely the negative impact of foreign bank asset is also deteriorated in countries with weak country-level corporate governance.

The performance of foreign banks in Sub Saharan Africa was assessed by Pelletier (2018). The data for the period was ten years. Data was sourced from Bankscope data base. It was established in the findings that foreign banks were more profitable as compared to the domestic banks.

Mang'unyi (2011) researched on the impact of ownership structure and performance of banks in Kenya. For the purposes of testing hypotheses, one-way analyses of variance (ANOVA) were employed. It was revealed in the study that type of ownership had no effect on financial performance. Performance of foreign own banks were higher than the domestic owned

Conceptual Framework

The conceptual framework was developed to guide this study which was based on the literature review of key theories, concepts, variables, and empirical studies. Prior studies (Molla, 2019; Gurusamy, 2017) operationalized corporate governance as board structure and ownership structure. The conceptual

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framework showed the relationships that exist among the variables. The framework depicts the independent variables (board size, board independence, audit committee, board diversity, managerial ownership, institutional ownership, ownership concentration) and four main dependent variables (return on asset, net interest margin, return on equity and regulatory compliance).

These explained and explanatory variables were underpinned by the agency theory. The conceptual framework also depicts moderation variable-type of bank (domestic and foreign bank). The theory underpinning the moderating variables were institutional theory. Two control variables (financial leverage and firm size) were also employed for the study. The conceptual framework proposed are based on the review of pertinent literature.

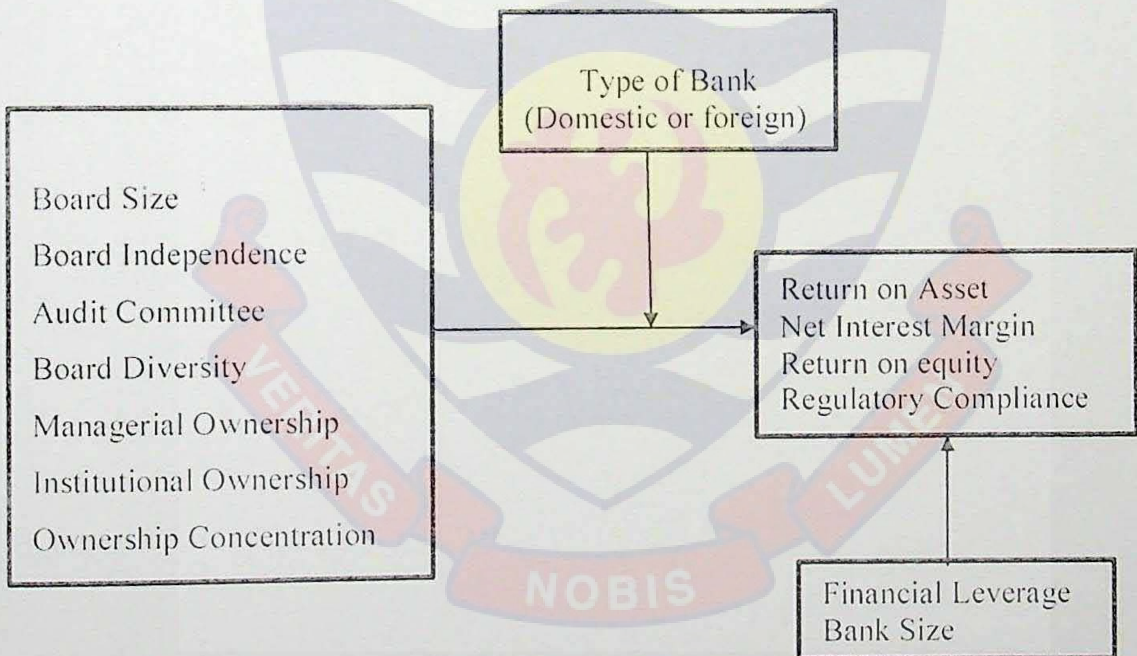

Figure 1: Conceptual Framework on corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa.
Source: Author's Construct (2022)

Chapter Summary

The chapter reviewed the various empirical literature underpinning the study. The review was done in relation to the various objectives set for the study.

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The review was aligned specifically to corporate governance and performance of banks as well as corporate governance and regulatory compliance. The moderation effect of type of bank was also empirically reviewed. The various concepts underpinning the review were used to construct the conceptual framework.

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CHAPTER FOUR

REVIEW OF RELATED CONCEPTS

Introduction

This chapter focused on the conceptual overview of the variables employed in the study to appreciate the corporate governance, regulatory compliance and performance of banks in Sub Sahara Africa. This chapter uses the various corporate governance theories and concepts related to corporate governance, regulatory compliance and performance of banks.

Corporate Governance

Corporate governance to a larger extent is multidimensional and multidisciplinary. Yusof (2016) averred that the scope and meaning of corporate governance change depending on the perspective and discipline from which it is viewed. In the view of some scholars, the meaning or definition of corporate governance is vague or ambiguous and is affected by theories which originate from different academic disciplines.

Tricker and Li (2019) opined that the concept, practice and idea of corporate governance are outmoded, however, the definition of the concept 'corporate governance' can be traced in the United Kingdom's Cadbury Report 1992. The Cadbury Report 1992 according to Tricker and Li (2019) later became benchmark as for as corporate governance was concerned, despite the fact that the report primarily sought to enhance corporate governance in Britain (Hemraj, 2002). It was obligatory for firms to explain to their shareholders why they deviated from the codes, though firms in the UK were not forced to comply with the Cadbury Report's codes. Du Plessis et al. (2017) established that the Cadbury Report 1992 is still relevant and seen as the starting point for the

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management of companies. Bota-Avram and Rachisan (2013) revealed that researchers acknowledge OECD principles as a benchmark or point of reference for the development of corporate governance codes and practices since 1999.

Tricker (2019) explains corporate governance in the report of Cardbury 1992, as a mechanism by which firms are directed and controlled. In the view of Tricker (2019), the Cadbury Report should commence with being responsible for the governance of their firms by adhering to corporate governance codes. Tricker (2019) averred that the Cadbury Report embraced the establishment of an appropriate governance structure. Hemraj (2002) emphasized that the specific aspects of corporate governance which were covered in the Cadbury Report 1992 were the responsibilities of the board, audit committee and the qualification of the board.

Crittenden and Crittenden (2012) explained that governance borders on rules, procedures, processes and regulations steer the decision-making processes on a firm's operations and strategies. Tricker (2019) viewed corporate governance as a system of putting in place measures to make sure that corporations are effectively and efficiently managed in the right direction.

Du Plessis et al. (2017) assert that the above definition of corporate governance was limited in scope. They argue that corporate governance is a mechanism of supervising and regulating the activities of firms in order to cater for all the interest of all stakeholders for the purposes of the firm's long term sustainability growth. From the perspective of the Basel Committee on Banking Supervision, corporate governance is defined as a relationship between a firm and its stakeholders, which seeks to provide the system and procedure for monitoring and achieving the firm's objectives. García-Sánchez and García-

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Meca (2018) defined corporate governance as a system which aims at enhancing a company's economic efficiency, improving the company's growth with the purpose of boosting the confidence of investors

Tricker (2019) avers that the concept, idea and practices of corporate governance are evolving. Based on the evolving nature of corporate governance, it can be concluded that the meaning and definition of corporate governance will continue to adjust to new challenges and perspectives (Du Plessis et al., 2017).

Board Structure

The board structure or characteristics of a firm were board size which specifically deals with the number of people that constitute the board. Researchers have found varied outcomes of the size of banks in relation to performance of banks. Secondly, board independence also constitutes the board structure of the firm. Audit committee which spells out the size of the audit committee is also one of the variables that constitute the board structure and finally board diversity which indicate the ratio of women representing on the board is one of the variables which also constitute the board structure.

Board size and bank performance

One of the key effective corporate governance principles who closely monitor managerial behaviour in order to reduce agency cost is board of directors who are appointed to represent shareholders' interests (Jensen & Meckling, 1976). This presupposes that corporate governance compliance is significantly affected by board of directors. There is plethora of studies on board size and its effect on performance as well as corporate governance compliance.

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From the theoretical perspective, the arguments on whether the size of a board should be small or large in order to positively influence performance and compliance still remains inconclusive.

Jensen (2001) posits that when board becomes large in size, the chief executive officer easily dominates the board. The board then loses its task of managerial monitoring and this leads to an adverse effect on performance and compliance. Boards with small size are expected to positively impact firm's performance. This is due to the fact that co-ordination, communication and interaction between managers are expected to be enhanced with small boards than in large boards (Yermack, 1996). Yan (2017) avers that when boards are well structured, organisations can take advantage from improved information circulation and operating management. There is another argument that support boards with larger size which positively influence performance. The reason is centered on the fact that larger boards consist of expertise and competence (Dalton et al., 1999).

Megbaru, (2019) and Gyamerah, Amo and Adomako (2020) also posits that boards with larger size negatively affect performance of firms. As it has been advanced by Jenson (2001) that as the size of the board increases, the boards capabilities to monitor reduces. This is due to the fact that some of the directors will shirk their responsibilities and decision making also becomes prolonged. Yermack (1996) opines that a larger board is made up of experts from different background and area of specialty, however a large board will be disincentive and it will affect the efficiency and effectiveness of corporate governance mechanisms.

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Board independence and bank performance

Agency theory posits that a firm with a high number of independent directors on the board will result in lower agency costs since it will be easier to oversee and regulate managers' activities (Fama & Jensen, 1983). Independent directors contribute an important role in the boardroom. Despite the fact that they are not engaged in the firms' day-to-day operations, they critically monitor the firms' actions in order to achieve high performance (Aslam et al., 2019).

According to Almutairi and Quttainah (2017), independent directors play an essential role in the firm's corporate policy. With more board independence, firm transparency improves. In addition, their key role is to contribute effectively to the formulation of firm plans and achieve long-term growth by analyzing managerial effectiveness. From the agency theory, having a large number of independent directors on a board improves oversight and monitoring. The independent directors' primary responsibility is to ensure compliance. Independent directors are primarily responsible for safeguarding the interests of shareholders, thus they should monitor and, if possible, influence management behaviour.

Board Diversity and bank performance

One of the primary issues that that received recognition in corporate governance is board diversity. Board diversity is classified as demographic (gender, race, education, ethnicity, etc) but most focus on gender diversity (Kang et al., 2007). Diversity of board members encourages innovation, creativity, greater knowledge base, and increased discussion. It also improves the board's problem-solving, critical thinking, and decision-making abilities (Kang et al., 2007).

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They advance their argument since women are in charge of spending, more representation of women on boards may allow market penetration because they have access to market information. Gul et al. (2007) were of the opinion that ethical values and risk aversion are inherent in women so they will be more averse in earning management as compared to men. Neo-institutional perspective avers that women representation on a board will enhance performance (Lafuente & Vaillant, 2019). This is possible through connecting the organization to the external environment, which may allow access to critical resources.

Furthermore, having members of different genders on a board helps increase the board's independence from management (Lafuente & Vaillant, 2019). This may improve the board's ability to properly oversee and control self-seeking managers from mismanaging the wealth of shareholders (Upadhyay & Zeng, 2014). Corporate governance compliance is fundamentally determined by owners and corporate executives. It is much expected that women representation on board will advance pressure on managers in order to adhere to compliance which will ultimately lead to performance.

Gender diversity improves risk management, resulting in high effective and efficient corporate governance (Mathew et al., 2016). This helps to improve monitoring of managers in order to enhance performance (Benkraiem et al., 2017).

Audit Committee and performance

Another area of attention which has been studied extensively in corporate governance is board committee. The purpose of board committees is to assess and monitor management and to minimise agency conflicts. Audit

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The effect between board ownership and firm performance has either concentrated a particular type of ownership structure or employ a single scale of different types of board ownership which is related to board members (Al Farooque et al., 2020; Tleubayev et al., 2020).

This raises genuine concerns that if shareholders with fewer shares behave in this manner, then no monitoring effort would take place. Anytime ownership of a firm is concentrated, shareholders with large shares will prudently monitor the management and their related activities. The big challenge with the concentrated is how minority shareholders' wealth will be protected by self-seeking controlling shareholders. Ownership composition tries to explain who the shareholders are and who among them qualify to be a controlling group. The agency cost becomes zero in the owner-manager firms as averred by Jensen and Meckling (1976).

With publicly traded firms, the argument does not hold because both ownership and control are separated and outsiders normally control the firm. Managerial ownership therefore aligns the interest of principal and agents. The willful exploitation of the firms' resources by the employees decreases as their ownership enlarges because the employees' share is generated from the firm's earning and the compensation remains fixed (Jensen & Meckling, 1976).

Managerial Ownership

Managerial ownership can substantially mitigate agency problem because it can align the interest between principals and agents. Greater proportion of managerial ownership can both align shareholder's positions and that of the managers' so that it can act in harmony with principals for the purposes of reduction of the agency problem (Jensen & Meckling, 1976).

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Additionally, the managers, by virtue of the decisions they take will experience the advantages and disadvantages.

In order to mitigate the self-seeking behaviour of managers, firms can opt for bond in order to increase their level of debt hence debt will serve as one of the mechanisms of capital structure employed by directors to augment the performance of firms. This assumption supports the theory of perking order proposed by which averred that manager of firms will prefer to use retained earnings first and foremost, then debt and then issuance of shares in a form of capital. This implies that debt is seen as one of the factors to improve firm's performance (Li, Lin, Sun & Tucker, 2018).

When management is in possession of some of the shares of the company, it affects the performance of the company positively. This approach helps to weaken the activities of tunneling by the majority shareholder (Gao & Kling, 2008). Coles, Daniel, and Naveen (2006) opines that when managers own shares in a company, they are able to introduce riskier policies to the company which in turn leads to more investment in research and development.

Jensen and Meckling (1976) provided evidence that managers owning small shares of the firm remains unsuccessful in order to maximize shareholders wealth. Chen and Steiner (1999) were of the view that there is positive relationship between managerial ownership and risk-taking behaviour which in in support of the debate that managerial ownership inflames the conflict between bond and stockholders.

Institutional Ownership

One of the key roles of institutional ownership is to closely monitor the activities of the managerial staff which leads to enhanced performance of firms.

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committees monitor management more effectively in order to improve firm performance (Fama & Jensen, 1983). Audit committee is made up of independent and non-executive directors whose duty is to enhance compliance with all international financial reporting standards. Marques et al. (2018) were of the opinion that the traditional method of reporting accounting information could adversely affect the work of audit committee without a robust internal audit.

One of the vital factors that play a major role in advancing performance of firms is the audit committee. It deals with issues of fraud and make sure that best internal practices are adhered to. Members of audit committee must be qualified and exhibit level of professionalism with an experience in auditing. (Aldamen et al., 2012). Agency theory posits that audit committees strengthen corporate governance by ensuring the quality of financial reporting and auditing.

Hamdan et al. (2013) averred that audit committee with larger size leverage on the expertise and diverse expertise of members for the purposes of monitoring the firm's financial practices. When audit committee is large in size, they are able to report and deal with issues that are involved with corporate reporting. In a nutshell, the size of the audit committee is an important corporate governance factor that influences the level of voluntary disclosures (Persons, 2009).

Ownership Structure and bank performance

Quite a number of research on the impact of ownership structure on the performance of firm is mostly investigated in developed in developed countries and the findings are inconclusive (Merendino, & Melville, 2019; Shan, 2019).

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This reduces the agency cost problem by acting as advisory role in order to improve performance of firms with poor governance systems (Jensen & Meckling, 1976). Soufeljil, Sghaier, Kheireddine and Mighri (2016) established that institutional ownership is a significant determinant of performance of firms. They argued that institutional shareholders who seek to fulfil their fiduciary responsibilities the undertakings concerned to enhance the governance of the company and the transparency of their management and to focus on the increase of shareholder of shareholders value.

In as much as there exist problem of free-rider, institutional shareholders have the stronger urge to monitor the activities of the company they own than individual investors due to the larger stakes they own in the company Dakhlallh, Rashid, Abdullah and Dakhlallh (2019). Bushee and Noe (2000) opined that institutional shareholder prefer companies that have better disclosure in order to mitigate monitoring cost. Put differently, institutional shareholders are fond of firms with much improved governance structure as compared to those with bad governance structure because it minimizes monitoring cost.

Lin and Fu (2017) established that institutions that that have access to resources and also larger holdings in addition to larger shareholding, they should be in a position to minimize information asymmetries, reduce agency costs, increase shareholders wealth and in effect monitor the firm.

Ownership concentration

With respect to ownership concentration, shareholders who have a substantial share in a firm are likely to be more concerned in the performance of the organization as compared to shareholders who own a smaller number of shares because shareholders with small amount of shareholdings may not

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possess the necessary incentive to closely monitor the activities of management (Al-Thuneibat, 2018)

Using the ownership concentration structure as mechanism to reduce the principal agent conflict does not automatically lead to improved performance of firms. This is due to the fact that, trying to reduce principal agent conflict due to the ownership concentration leads to a new problem referred to as principal-principal (Babić & Nikolić, 2011). This is due to the fact that, owing to the elimination or reducing the principal-agent conflict as a result of increased ownership concentration, a new problem which refers to principal-principal conflict emerges (Babić & Nikolić, 2011).

Edmans and Reilly (2014) was of the view that ownership concentration have a unique role in governance. This is as a result of the larger share they own in the company which enables them to bear the costs for monitoring the activities of management. Dou et al., (2016) also share similar opinion which says that it will be less economical for individual shareholders who do not have larger shares in a company to bear monitoring cost. This is because the benefits they will receive will be small for them to incur to that cost. As a result of this argument, ownership concertation can assist to improve transparency of governance of firms. The majority shareholders who are often seen as management controllers and minority shareholders who are often less recognized are the key conflicting participants (Su, Xu & Phan, 2008). The principal-principal conflict is unique in developing and transitional economies. This normally occurs as a result of underdeveloped legal structure, normally with respect to the protection of the shareholders' right.

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The majority shareholders have control over the company whereby they manipulate the resources of the firm by making it difficult for the minority shareholders to receive their returns from their own share or investment (Dharwadkar, George & Brandes, 2000). The agency theory posits that a greater proportion of ownership concentration will help to reduce the self-seeking interest of managers. This will then translate to have positive effect on firm performance.

The idea is that a small number of key shareholders who happen to be the largest shareholders are given the opportunity to participate in the decision-making process as well as the control of management behaviour. Shareholders with large shares are concerned with the controlling and monitoring activities of management unlike shareholders with small shares. This is primarily because of their huge investment in the share capital of the company and therefore their risk level is significantly higher than the minority shareholders (Nikola`evna, 2019).

Jensen and Meckling (1976) argued that ownership concentration can increase the value of a firm because they have effective control of the operations of the firm. This leads to disclosure and transparency in governance. Concentrated shareholders have the right to institute measures that will lead to the reduction of self-seeking behaviour of managers. Yan (2017) averred that these rights are as a result of their high stake in shares in the company, hence the supervision of shareholders is related to the shares they own.

Regulatory Compliance

OECD (2004) argued that regulatory, supervisory enforcement agencies ought to have the authority, resources and integrity to actually fulfil their

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responsibilities in an objective and professional manner. In the view of Klapper and Love (2004). corporate governance takes various mechanisms owing to differences in the structure of corporate institutions and firms in different countries. For instance, in the area of regulation by various professional bodies and countries, board structure, ownership structure and composition of board may vary. The corporate governance structure basically relies on the regulatory, legal and institutional environment.

Regulatory compliance in relation to corporate governance in the banking fraternity is a mechanism of protecting the general public from losing their investment. Put differently, compliance with corporate governance can increase the value of shareholders and protect the interest of other stakeholders as well. Kirkpatrick (2009) provided evidence that managers of companies that adhere to regulations lead to the increase of discipline of owners and other stakeholders hence increasing compliance with corporate governance.

Compliance with respect to corporate governance structure is a key requisite in current business management practices. This is duly supported by funds which can ultimately lead to improved public trust of the companies. Madhani and Sapovadia (2015) posits that quite a number of banks in the banking industry have experienced scandals and financial crises due to poor supervision as a result of non-compliance with corporate governance. The sustainability of business to a larger extent depends on corporate governance compliance.

Disclosing of significant information that are vivid, relevant and accurate in addition to focusing on certain aspects of time permits stakeholders to evaluate how management works. Fung (2014) was of the view that

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complying with governance can be a significant feature behind a firm`s success. Regulatory compliance and performance can be verified and evaluated based on the disclosures from the listed companies which are published annually in their annual report. This demonstrates how a company is transparent in their activities (Dewayanto, Rahmawati & Suhardjanto, 2020).

Type of bank (Foreign and Domestic bank)

Type of bank which constitute foreign and domestic banks were used as moderators in this study. They were employed to moderate the effect between corporate governance and performance of banks as well as moderate the relationship between corporate governance and regulatory compliance. With respect to the theoretical underpinning of these moderators, they are linked with institutional theory. Institutional theory describes how firms operate and achieve social, political and economic legitimacy in a particular economy. As a result, organisations establish regulations and operational norms that prevent inappropriate organizational behaviour while also encouraging appropriate corporate behaviour (Peters, 2000)

Lee and Hsieh (2014) averred in literature related to foreign banks that there was no concrete theory backing international banking in markets that are emerging. They put forward the hypothesis that focusses on the global and the home field advantage. The global advantage hypothesis emphasizes that foreign banks use complex and state of the art technology. These are incentives for them to have competitive advantage. They also possess larger capital adequacy and have expertise in risk management. Comparatively, foreign banks have competitive advantage and are stable as compared to domestic banks. Domestic banks, by virtue of the home field may be advantageous as compared to the

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foreign banks because it has a lot of comprehensive information and understanding of the domestic banking market with enough concentration on customer knowledge and information.

Quite a number of extant studies on foreign banks in developing economies have largely concentrated on how the foreign banks affect competition and efficiency in banking.

Performance Measures

The process of measuring an activity's effectiveness and efficiency is referred to as performance measurement (Neely, Gregory & Platts, 1995). Performance measurement is seen to be in a more vital role to accounting and quantification in the current business management (Koufopoulos, Zoumbos & Argyropoulou, 2008). This is in line with the work of Bititci, Carrie and McDevitt (1997) who defined performance management as the process whereby the firms' performance is directly linked with the corporate strategies and overall objectives.

Moreover, the benefits derived from the shares of shareholders of a firm can be described as firms' value. The firm's performance can be seen from the annual report of the firm. In effect, a better performing firm will result in quality disclosure and transparency. Performance measurement is significant in relation to efficient management of any firm. If the outcome is not measured, the procedure for improvement is not possible (Rouf & Abdur, 2011). Firm performance improvement, therefore, requires measurement to ascertain how the firms' resources impact the performance of the business (Sharma, Gadene & David, 2002).

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A firm's financial stability can be measured by its profit-making capability, its capability to maximize the value of its capital, and its ability to repay its short- and long-term liabilities. Various methods of financial analyses can be employed to assess financial performance. Choosing a particular method can be influenced by the purpose, time and resource. The main objective is to achieve the needed level of complexity in assessing firms and its related activities (Myšková & Hájek, 2017).

Financial ratios are primarily employed due to their simpleness and provision of additional information value. It is easier to analyze trend, cross-sectional and comparative analysis using these financial ratios. Indicators of profitability, liquidity, solvency, capital structure, and capital market performance are usually grouped together as financial ratios. They are widely accepted and used approaches of financial analyses because they serve as input data of more sophisticated mathematical model.

The study adopted three specific ratios. Return on equity, return on asset and net interest income. Since corporate governance and agency theory focus on shareholders, there is the need to employ the return on equity as a performance indicator. Secondly, the study adopted net interest margin because the concentration was on banks in Sub Saharan Africa. Return on asset was also part of the performance indicators because of its ability to generate revenue from the assets of the banks.

Return on asset (ROA)

Carter et al. (2010) states that return on assets can be defined as the ability of a company to generate accounting revenues exceeding actual expenses based on a given portfolio of assets. It is computed as net profit after tax divided

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by total assets which clearly demonstrates how a bank is judiciously employing its asset in order to generate income. The challenge of return on asset is that it does not include off balance sheet items. This leads to understating the true value of the asset. This can create a bias, which is positive, anyway, where return on asset is overstated in the assessment of performance of banks. Regardless of this challenge, it still remains a very good method of measuring profitability of bank.

Return on asset describes how efficiently managers have used the asset to generate better returns. Return on asset is viewed as a good measure of performance because it is not vulnerable in the short term. It is a concrete measure of performance since it is not volatile or vulnerable during the short term.

Net Interest Margin

In an economy, banks represent financial intermediation, which means that when interest margins are lower, the welfare of the population can be enhanced. Interest rates spread are generally higher in African countries as compared to the developed countries. Mensah, Abor, Aboagye and Adjasi (2012) provided evidence that the high interest rates in African countries means banks are operating less efficiently and this results to serious consequences for the survival of the private sector and the economy at large and this leads to high cost of borrowing. Ghana, for instance, is noted as one of the economies with largest interest rate spreads (Gockel & Mensah, 2006).

Net interest margin is calculated or computed as ratio of net interest income to the total earning asset. This method is not widely used as compared to return on asset and return on equity. It, however, summarizes the efficiency

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of banks' interest-bearing assets. When the net interest margin is larger, it implies the bank has been able to manage the banks' interest-bearing assets. Net interest margin is a measure of the bank's ability to generate interest income as a result of the performance of the bank in lending out money. The income of banks strongly depends on the difference between interest and the loan given out. The higher the net interest margin by the bank, the higher the interest income on the asset which eventually increases the bank's profitability (Kusrina & Fatimah, 2021).

For the purposes of assessing the profitability of a bank, net interest margin is mostly used. The reason for this is that interest income and interest expense are the most significant component of a bank's major operations, and make up the majority of their operating income (Gunter et al., 2013).

Return on equity (ROE)

Return on equity is the favourite of all the financial performance measures and it is widely employed method for measuring financial performance of firms. It measures the returns that investors or shareholders received in a given year. Return on equity measures the returns that the shareholders received in a given fiscal year. Return on equity increases the profit and wealth of firms and that is the objective of every business hence it is seen as the true measure of performance. The effectiveness and efficiency of firms can be assessed by using return on equity since it demonstrates how banks reinvest its earnings to generate future profit (Rappaport, 1986).

A bank's return on equity is commonly used to measure profitability and the efficiency of the banks can be assessed by applying ROE because it demonstrates how banks reinvest its earnings to generate future profit. The

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increase of return on equity depends on the capitalization of the banks and operating profit margin. The expansion of return of equity will be delayed if a bank is highly capitalized through the Tier 1 capital adequacy ratio (CAR) or risk-weighted capital adequacy ratio. The increase of the operating margin, however, can smoothly promote the return on equity (Arora & Sharma, 2016).

Return on equity depends on the capital management activities. When the banks employ capital more effectively and efficiently, they will have better financial gearing and subsequently lead to a higher return on equity. Financial institutions with a higher financial leverage multiplier can utilize a smaller pool of stakeholder funds to produce higher interest-bearing assets, thereby maximizing profits (Arora & Sharma, 2016).

On the other hand, an increase in return on equity can also show more risk, as high risk could increase earnings and this can indicate that return on equity increases returns or earnings but also becomes riskier as debt is added, thus demonstrating a stronger financial position. There is plethora of literature that has used return on equity as one of the main performances (Arora & Sharma, 2016; Chahal & Kumari, 2013).

Return on equity focuses on investors and returns for shareholders. Return on equity deals with raising cash internally, hence they can use the various profitable reinvestment opportunity in the future. Return on equity is a significant indicator in measuring the performance of banks and has been researched widely in prior studies. Foong-ming (2008) opined that efficiency of banks can be assessed by using return on equity which indicates the extent to which reinvested funds by banks are used to generate future earnings.

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The measurement of linking profit to shareholder's fund is normally used to determine banks' performance. Profit generating efficiency can be measured using return on equity because it measures how much profit a company can generate. The increased return on equity implies that profit is increasing without necessarily injecting fresh capital into the company. An increase in return on equity implies that shareholders have access to enough cash for their investment. In summary, when the return on equity is higher, it is better for both the company and the shareholder. Furthermore, return on equity relies on the retained earnings from the previous periods and provides information to shareholders. It simply provides information to shareholders on how capital is reinvested efficiently in the various banks (Arora & Sharma, 2016).

Control Variables

Financial Leverage

It is the debt stock of a company to equity. Extreme level of leverage means is being controlled by creditors, which motivates one to mitigate the agency costs. This helps to increase the level of transparency that is required by creditors. Expectations are that there should be an adverse effect between debt-to-ratio to agency cost and a positive relationship between debt to equity to asset turnover. Total debt in relation to total asset is a leverage ratio that describes the total amount of debt in relation to assets.

Debt-to-equity is therefore expected to correlate negatively with agency costs and correlate positively with asset turnover. Total debt to total assets is a leverage ratio used to gauge the total amount of debt relative to assets. This makes it easier to compare the leverage across different firms. If the ratio is higher, the degree of leverage also becomes higher which leads to financial risk.

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This ratio is made up of short term and long-term debt as well as total assets. Myers and Majluf (1984) established that are highly profitable and able to generate high profits able to employ debt leverage capital with equity than those that are unable to generate high profit

Firm size

It is computed as the logarithm of total asset. Vast firms generally have less agency cost because of their economies of scale and their potential to attract resource. Expectations are that the size of a firm will have an adverse effect with agency cost and also have a positive relationship with asset turnover. In most prior studies of determinants of bank performance, total asset is employed as a measure for size of bank. It is normally used to determine diseconomies or economies of scale in the banking industry. Moreover, the size of bank is linked with diversification which is in support of product and risk portfolio.

Economies of scale in the view of (Klomp & De Haan, 2012) will mitigate the gathering and processing cost of information which will lead to a positive relationship with performance. Banks that are large or vast will show adverse effect between size and performance due to agency cost and bureaucracy.

The Basel Accords

Boora and Kavita (2018) explain that The Basel committee puts together and releases supervisory benchmarks for effective and efficient supervision of the banking industry which is fundamentally known as The Basel Accords. The Basel Accords are international accepted regulatory mechanisms that govern the operations of banks with the intention of mitigating risk in the banking industry

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(Du, Bhattacharya & Sen, 2010). It is established that the Basel Accords are not regulations or treaty, however they are followed by banking and financial regulators including developed and developing countries (Boora, 2018).

Lessambo (2013) posits that the Basel Accords serves as international banking benchmark for the purposes of regulations and supervision of the banking industry. The Basel Accords focusses on structured system which facilitates banking and financial regulators and supervisors by identifying risks. Furthermore, the Basel Accords provides a formal system which link the risks identified directly to the capital of the banks. The Basel Accords, hence provide a structure for reducing the risks inherent in the banking industry.

Boora (2018) explain that the Basel 111 Accords is seen as international regulations of the banking industry which provide vast opportunity for enhancing the risk management system. The main protocols to risk management are adopting international capital standards and the Basel Core Principles for Effective Bank Supervision. One of the essential aspects in comprehending the Basel Accords, however, is that the rules and regulations issued by the Basel Committee are not supposed to be strictly binding (Ayadi et al., 2016).

The Basel committee have specifically issued three accords. They are Basel 1, 11 and 111. All the three accords, however, relates to each other and reflect recent development in the banking industry. The Basel Accords agrees that maintaining high level capital alone is not sufficient and guarantee to ensure financial stability, hence these accords assist the banking industry to mitigate risk (Lessambo, 2013).

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Corporate Governance from the perspective of Organisation for Economic Co-operation and Development (OECD)

Florin, Elena and Carmen (2010) averred that corporate governance codes have their main source from OECD and most countries' corporate governance principles and rules emerged from OECD. Many governances related problems are as a result of separation of ownership and control. With respect to the importance associated to shareholder right in law. Increasing the value of shareholders is the most significant tasks of any corporate governance mechanism (Aquilera & Cuervo-Cazurra, 2004).

A good governance framework is one that minimises the cost of the agency in the system while ensuring a balance between accountability and power. A better corporate governance framework should make provision for incentives for management to undertake the objective of the company which should be in line with shareholders interest by monitoring, supervising and ensuring performance of firms (Aquilera & Cuervo-Cazurra, 2004).

The OECD framework or principle was established in 1999. The main objective was to develop a framework that various governments could adopt to enhance and enhance the legal, institutional, and regulatory framework for corporate governance (OECD, 2004). Stock exchanges, companies and investors could also adopt these principles. It must be established that the OECD framework or principle is not compulsory for countries to adopt, neither is it legally binding. Adoption is basically voluntarily because they only serve as a benchmark that can be used by countries in the development of their own codes. Ever since the principles came into existence, various government, stock exchanges and companies have adopted it. The principles are always subject to

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review by representatives of thirty countries in order to ensure that they are in line with changing demands in the regulatory and changing environment.

The OECD principles is internationally recognized as an international benchmark for sound corporate governance. Regulatory agencies, government corporations and even non-OECD countries have adopted principle. Manawaduge (2012) indicated that the principles were revised in 2004 to include developments because the initial release which focused on value maximization and shareholders right has been strengthened. The new revised principle now focuses on the measure of an effective corporate governance structure. Shareholders right, role of shareholders and guidelines for ensuring that disclosures are done in an accountable and transparent manner.

Corporate and transparent Governance in Sub Saharan African

The concept of corporate governance in Africa came into light in 1998 in a World Bank report which was assessing a decade of structural adjustment lending period. According to Kerandi (2008), the topic of African governance was first mentioned in a World Bank report reviewing 10 years of structural adjustment lending experience in 1988. "Severe institutional and management shortcomings in the public and private sectors have proven unexpectedly critical as impediments to improved performance," according to the research.

Kerandi (2008) opined that the concept of "good governance" was reechoed in 1989 World Bank report on Sub Saharan Africa when the crises in the region was referred to as "crisis of governance. Since then, international financial institutions concentrate on promoting and improving the efficiency and effectiveness of public sector institutions and the performance of public policies. Naim (2000) established that for the purposes of reforms, the

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Owing to these advantages, quite a number of Sub-Saharan African countries have adopted the codes of corporate governance practices which have international recognition and been used in developing countries. These guidelines or codes which are termed as "best practices" were formulated on similar codes issued by (OECD, 2004). Hearn (2011) remarked that most of the corporate governance codes which have been enforced in Sub Saharan Africa emanates from the developed countries. Implementation and enforcement of law mitigates the gap in information between managers and agents of companies which leads to the reduction of external financing. Rossouw (2005) posits that quite a number of Sub-Saharan African countries have weak legal and regulatory system. These countries lack some of the law and regulations that will legitimately protect the interest of various stakeholders.

Opara (2011) asserts that there are very good laws but the problem is the lack of enforcement of these laws. Kaufmann et al. (2009) also asserts that the practice of bureaucracy and corruption are seen to be on the ascendancy in Sub Saharan Arica. Since corporate governance reforms are beneficial, most countries across Sub-Saharan Africa have developed their own corporate governance codes. A key characteristic in these codes is the fact that it is self - regulatory. Rossouw (2005) suggested that firms should go beyond the adaptation of the code by considering good corporate governance that led to best business practice.

The codes, generally, centers on corporate governance at the firm level as compared to the regulatory level (Rossouw, 2005). Many of these codes too are in line with international recommendations such as those proposed by OECD (2004) and Cadbury. The objective of the codes is to assist firms to

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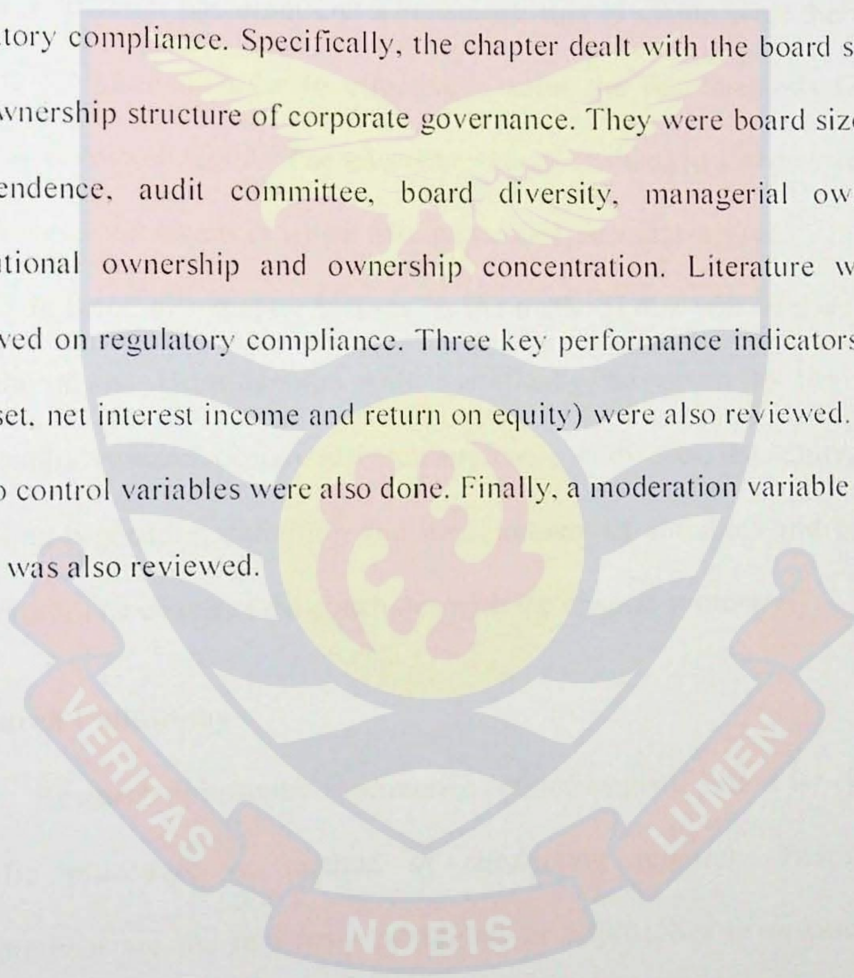
promote and improve their corporate governance structure. Specifically, the codes deal with the separation of the chairperson and the chief executive officer position.

Chapter Summary

The chapter reviewed the various concepts and related issues on corporate governance that are capable of having impact on performance and regulatory compliance. Specifically, the chapter dealt with the board structure and ownership structure of corporate governance. They were board size, board independence, audit committee, board diversity, managerial ownership, institutional ownership and ownership concentration. Literature was also reviewed on regulatory compliance. Three key performance indicators (return on asset, net interest income and return on equity) were also reviewed. Review of two control variables were also done. Finally, a moderation variable (type of bank) was also reviewed.



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CHAPTER FIVE

RESEARCH METHODS

Introduction

This chapter focuses on the research methodologies of the study. According to Creswell (2003), the research methodologies are the foundation around which the entire research is based. The research should be situated within a research paradigm and a technique that is viable with the research paradigm chosen in order to effectively select the best methods for doing research (Creswell, 2003). The selected research methods to a large extent focus on the ways and means in which data was collected and analysed.

In brief, this chapter focuses on the methods that will be used to carry out the study. Consideration will specifically be given to the research philosophy, research design, research approach, study area, data collection and sampling procedure, definition and measurement of variables and estimation technique. The chapter then concludes with the chapter summary.

Research Philosophy

Research philosophy is primarily defined as justification for choosing a specific procedure or method of conducting research. Positivist and interpretivist are the two main paradigms or approaches to research. These different orientations or views depict how knowledge is conceived or developed contribute immensely its role in business and management research (Saunders, Lewis & Thornhill, 2009). Bryman (2008) described philosophical assumptions as a system of beliefs that addresses what ought to be studied, the manner in which the research should be conducted and how the interpretations of the findings should be.

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In a nut shell, they are general orientations the researcher holds about the world (Creswell, 2009). Lincoln and Guba (1985) suggest that a paradigm consist of the impression of researchers about the way research should be carried. It also deals with the truth and reality (ontology) and how researchers establish what the truth or reality is (epistemology). Collis and Hussey (2003) averred that choosing a specific methodology by a researcher is determined by the philosophical assumptions about the ontology and epistemology.

Burrell and Morgan (2017) posit that a number of types of assumptions will be made at every stage in research whether one is aware consciously or not. Some of these propositions or assumptions about human knowledge which is the epistemological assumptions, and the realities one that are encountered in research which constitute the ontological assumptions and the manner and the extent one's values affect the process of research which constitute the axiological assumptions.

These propositions undoubtedly shape how research questions are understood, the method one employs and how the findings are interpreted (Crotty, 1998). A carefully design assumptions will lead to a research philosophy being credible which will deal with one's methodological choice, strategy of research, data collection techniques and analyses. This makes it easier for a coherent research project to be designed which will inculcate all elements of research.

Johnson (2006) asserts that as researchers of business and management, there is the need for one to be aware of the philosophical commitments one makes through the choice of research strategy. This is necessary because it will have a significant effect on what one does and the level of understanding of

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what is being researched. Positivism deals with philosophical position of the natural scientist that makes an observation based on reality in order to make a generalization.

Crotty (1998) avers one can epistemologically concentrate on discovering observable and facts that can be measured. It must be established that phenomena that one can observe and quantify will ultimately lead the production of credible data. The researcher concentrates on facts, identifies causality, mitigates phenomena to the simplest form, establish or formulate hypotheses and subject them to testing. This focusses on operationalization of concepts and measurement of these concepts with large sample size (Saunders, Lewis & Thornhill, 2007).

Honebein (1996) explains the constructivism philosophical paradigm as method in which individuals construct their own knowledge and understanding of the world. They do this through experiences and they reflect on these experiences. Constructivism philosophers are of the opinion that people try to appreciate and understand of the world in which they live and work. Experiences are subjected to individual subjective meaning. The researcher tries to look for views that are complex as compared to aligning themselves to narrow meaning into few categories or ideas. The main purpose of the research is to depend on the participants' opinions of the situation being studied. They interact with other people and so the questions become broad and general so that the researcher can end up constructing the meaning of the situation.

Constructivists assert that reality is subjective. This is because individual participants are involved and they are varied. The constructivists, in a nutshell, believe that reality is subjective and not objective. Pragmatic

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philosophers do not accept attempts to comprehend knowledge by subjecting to some specific foundational beliefs. With respect to pragmatism, general method of enquiry and specific beliefs should be judged by their outcome and usefulness in achieving human goals.

Godfrey-Smith (2015) focus on the primary of role of knowledge in guiding action and practical; problem solving. It is technically out of place for a pragmatist to claim that the focus of direction or to select between theories should depend on practical or commercial demand. Pragmatists are of the view that concepts are only important when they are supported by action. The research, for a pragmatist, commences with a problem with an objective to contribute practical solutions that deal with future practice. The reflexive process of enquiry which is as a result of doubt and an implication that something is fundamentally incorrect or out of place with the intention to re-create belief when the problem is settled (Elkjaer & Simpson, 2011).

This study was subjected to positivist research design. This is because it depended on body of knowledge, literature review, conceptual review and scientific procedure and hypotheses formulation from which observations were captured in order to determine the truth or otherwise of the stated hypotheses. The study verified propositions through empirical tests.

NOBIS

Research Approach

Campbell et. al. (2004) explained that regardless of the research approach as to whether it is qualitative or quantitative, the main task is to explain the phenomena. Most researchers who have tried to define, criticize, argue and counter argue in relation to research approaches center primarily on the methods collection of data, analyses of data and summary of findings. It is an established

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fact that both positivist and constructivists have not made any assertion that one instrument is reliable and valid than the order. This means that both approaches are meant to achieve the same goal.

It is important to choose a research paradigm with the suitable research approach. Comprehending these research approaches helps in making the appropriate selection of research methods. Deductive and inductive are two main research approaches (Saunders et al., 2007). Choosing a specific research approach depends on the researcher's orientation. If a researcher is positivist, then quantification of data will his or her interest, hence will adopt a quantitative research approach.

On the other hand, if a researcher is an interpretivist, then qualification of data will be the order of the day, hence will adopt the qualitative approach. If the researcher, however, is pragmatic then the researcher will combine both quantification and qualification of the data, hence the approach will be a mixed method. Observation, open-ended questions, interviews and field notes are all qualitative data instruments used for data collection from participants.

The participants are involved and therefore makes qualitative research approach create a vast understanding of bahaviour and perspective. Qualitative research approach provides evidence about real life situation (Leedy & Ormrod, 2014). Eyisi (2016) opined that the collection of qualitative data such as picture and words by the researcher who happens to be part of the instrument makes qualitative research well positioned for providing factual and descriptive data. Leedy and Ormrod (2014) asserts that the theory that emerge from data permits the researcher to construct and reconstruct theories where applicable and based on the data generated, instead of testing the data generated by other researchers

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elsewhere. Participant's expressions and experiences are easily comprehended in a situation where there are scanty or no information about them.

Trevena et. al. (2013) defined quantitative research as research which seeks to analyse research objectives through numerical measurement and analyses of data. Kothari (2004) posits that the quantitative research approach is based on the ontological proposition that the concept of reality is based on facts and experiences. Cooper and Schindler (2011) assert that quantitative research is used when the direction of the research is to explain, describe and predict, while the researcher avoids bias by maintaining a distance. The use of probability sampling and statistical analyses is associated with quantitative research approach and the findings can be generalized to the study population (Cooper & Schindler, 2011).

There are several benefits of quantitative research. It is appropriate for carrying out study with a large sample size. It also saves time and it is cost effective. With quantitative research, one can also generalize the research findings when the results are valid and reliable (Leedy & Ormrod, 2010). Sarantakos (2005) disclosed that the research procedure is predetermined hence may limit the effectiveness of the research process.

Both quantitative and qualitative research approaches have limitations. In Order to solve this problem, quantitative and qualitative research approaches are employed which results in the mixed method approach (Johnson, Onwuegbuzie & Turner, 2007). Put differently, mixed methods research deals with the integration of quantitative and qualitative research in the collection and analysis of data to be investigated (Fetters, Curry & Creswell, 2013).

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With respect to exploratory mixed methods design, the researcher, first and foremost, collects and analyses qualitative data and makes use of the findings of the qualitative data to address quantitative data collection. With the explanatory sequential mixed methods design, on the other hand, the investigator collects and analyses quantitative data to address the qualitative data collection. It is established that the mixed method approach could be expensive and time consuming, however, it is advantageous because it has the combined effort of both the quantitative and qualitative research approach (Cooper & Schindler, 2011).

This study adopted the quantitative approach. Since scientific method for data collection and analyses are employed, generalization of the findings become feasible with this approach. Popay, Rogers and Williams (1998) aver that the discussion of research results should not be viewed as a mere coincidence. Denscombe (1998) asserts that in quantitative research, the researcher is detached from the research, hence can be concluded as a strength of quantitative research.

Since the researcher is not in direct contact with the participants, the concept of researcher being bias in the process of the data collection will be eliminated. Pu differently, the objectivity and the fairness of the researcher will not be compromised. Respondent anonymity is also highly guaranteed (Creswell, 2009).

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Research Design

Saunders et al. (2009) explain that research design is the general plan for conducting, including the strategy, the data collection, the time horizon and the analysis procedure. The research design can be descriptive, explanatory and exploratory. This study adopted the descriptive research design. The terminology of descriptive survey research is designed to gather vital and precise data concerning the existing status of phenomena and, whenever possible, to draw valid generalisations for the facts obtained without interfering or controlling the circumstance. These calibers of studies are not only restricted to fact finding but may normally lead to the formulation of essential principles of knowledge and finding solution to important problems relating to state, national and international issues.

The study employed a panel data taking into consideration cross-section and time component to test relationships and hypothesis. Panel data is made up of multiple observation on each sampling unit. It could be created by combining time-series data from a variety of cross-sectional units, such as countries, regions, states, businesses, or randomly sampled homes (Baltagi, 2014). Kennedy (2008) argued that panel data explores more issues as compared to the individual effort of time-series data and cross-sectional data (Baltagi, 2014) summarizes what panel data does. It provides more informative data, addresses the issue of collinearity, greater variability, high efficiency and more degree of freedom. Simply put, panel data ties to identify a group of traits taking into consideration the problem of heterogeneity which present among individual units.

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Furthermore, quite a number of data points are used in panel data modeling which enhances the problem degree of freedom. Short (1979) and Bourke (1989) studied a variety of functional forms and found that the linear model produces findings that are as good as other functional forms. It is therefore not uncommon to experience that quite a number of literatures on performance of banks have opted for the linear functional form which is seen as an appropriate form for analyses. This study adopted the linear form to analyse the panel data. The collinearity among the explanatory variables is also mitigated to the extent that the efficiency of economic estimates is enhanced.

Population of the Study

Cooper and Schindler (2011) described population as the overall collection of elements whereby researchers make some inferences. Statistically, a population is employed to mean the total number of persons or objects or phenomena that make up the focus of research and inferences that need to be established. The population for this study includes listed banks in the Sub-Saharan African Anglophone countries. For the purposes of this study, Sub Saharan African Anglophones countries which constitute the population include Botswana, Gambia, Ghana, Kenya, Liberia, Malawi, Mozambique, Nigeria, Namibia, Sierra Leone, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. The study focused on Anglophone countries due to the availability and simplicity of the data from the Anglophone Sub Saharan African Countries.

Sample size selection

There are challenges when determining the inclusion and exclusion criteria when using a secondary data for a study. The list of criteria sets the stage

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for the potential pool and plays a direct role in the feasibility of a study. An inclusion or exclusion list is a balance yet specific criteria to determine the sample of a study. First of all, the study focused on Sub–Saharan Africa, specifically the anglophone speaking countries. The data span was from 2011 to 2020, constituting a period of ten years. This was the period where some couple of banks collapsed and became defunct. Additionally, some countries within that period reviewed their corporate governance codes.

The choice was reinforced by the study's intent to observe variations across banks in terms of corporate governance in the period of stay in the industry. It must be established that the capital market (stock exchange) is not well developed in Sub Saharan Anglophone African countries. In fact, there are still quite a number of African countries who still don't have a stock exchange. The selected countries were Ghana, Kenya, Nigeria, Botswana and Malawi.

The criteria for selection of the sample were based on Institutional frameworks for corporate governance which are all formulated from OECD principles of corporate governance and countries that have active stock exchange market. Regulatory compliance which is one of the variables in this study uses the OECD principles of corporate governance as a benchmark for regulation compliance. Most countries drafted their codes of best practices of corporate governance from the OECD guidelines and principles of corporate governance.

Again, these countries have their own corporate governance codes which were developed by Security and Exchange Commission. Selection of the countries was also based on countries that have at least four listed banks that are active within the period of study. Moreover, Ghanaian, Nigerian, Kenya,

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Botswana and Malawi have undergone through several reforms of corporate governance in their respective countries. In 2010, The Securities and Exchange Commission of Ghana released a code of best practices on corporate governance in Ghana. It was published to supplement the existing rules for effective corporate governance, which include the Companies Code of 1963 (Act 179), the Securities Industry Laws of 1993 (PNDCL 333), and the Securities Industry Act of 2000.

Recently, Bank of Ghana also released Corporate Governance Directives in 2018 to regulate the activities of banks in the country. With respect to Nigeria, in 2003, the Securities and Exchange Commission (SEC) issued the code of best practice of corporate governance and in 2006, the Central Bank of Nigeria (CBN) also issued the code of corporate governance for the banking industry. Nigeria has also released new Corporate Governance Codes in 2020. With respect to Kenya, the Private Sector Initiative for Corporate Governance developed and adopted a national code of best practices in 1999 to guide and regulate their corporate governance of firms in Kenya.

The institutionalisation of corporate governance concepts in Kenya led to the capital market authority's formulation of guidelines on corporate governance standards for all public businesses that were listed on the exchange in 2002. South Africa was exempted from the list of countries because the Johannesburg stock exchange is highly capitalized and the largest stock exchange in Africa. Adding it to the list of countries can cause the data to be skewed. Zimbabwe was also excluded because of the high inflationary figures within that period.

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The listed banks in Ghana were Access bank, GCB bank, Cal bank, Ecobank, Standard Chartered, Societe General bank, Republic bank and Agricultural and Development bank. The listed banks for Kenya are ABSA, CFC Stanbic bank, Diamond Trust bank, Equity Group bank, I & M bank, Kenya Commercial bank, National bank of Kenya, National Industrial Credit Bank, Standard Chattered of Kenya, Cooperative Bank of Kenya, BK Group Bank, Housing Finance Bank. The Nigerian listed banks are Abbey Mortgage Bank, Access bank, Fidelity Bank, Guaranty Trust Bank, Sterling Bank, United for Africa, Union Bank of Nigeria, Stanbic IBTC, Unity Bank, Wema Bank, Zenith Bank, First Bank of Nigeria and First City Monument Bank. The listed banks for Botswana were ABC bank, Standard Chartered, First National bank and Absa. Finally, listed banks for Malawi were Standard bank, National bank of Malawi, NBS bank and FMB.

Data Collection

Secondary sources were the main source of the data collection. Financial data were retrieved from annual report of company's website and African financial.com. This was in consistent with prior studies who have also relied on company's annual account and financial report such as (Arora & Sharma, 2015; Aminu, Aisha & Muhammad, 2015).

Model Specification

The study employed an econometric model which is consistent to the work of other researchers predominantly used in extant literature, specifically (Mendoza & Rivera, 2017; Kingu, Macha & Gwahula, 2018). Green (2003) posits that panel data analyses is the discipline which is known to be one of the

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innovative areas of literature in econometric. It is because panel data provides evidence of rich environment and advancement of estimation technique and theoretical results. In panel data analyses, cross-sectional unit is studied over time. Quite a number of studies on performance of banks of country specific or cross-country have to a larger extent employed panel data techniques.

The framework for panel data was set out by Verbeek (2008) as:

$Y_{it} = \beta_0 + \beta_1 X_{it} + \mu_{it}$ …… 1.

Where:

Y = the value of dependent variable

β_0 = the intercept

β_1 = Coefficient of the independent variables

X = Independent variables

Subscript "i" represent Cross–Sectional dimension

Subscript "t" denotes the Time Series dimension

ε = the disturbance or error term

The basic equation is thus expanded to four dependent variables which are Return on Asset, Net interest income, return on equity and regulatory compliance and seven independent variables namely board size, board independence, audit committee, board diversity, managerial ownership institutional ownership and ownership concentration. Financial leverage and firm size are the control variables.

$$ROA_{it} = \alpha + \beta_1 ROA_{it-1} + \beta_2 BS_{it} + \beta_3 BI_{it} + \beta_4 AC_{it} + \beta_5 BD_{it} + \beta_6 MO_{it} + \beta_7 IO_{it} + \beta_8 OC_{it} + +\beta_9 LV_{it} + \beta_{10} FS_{it} + \varepsilon_{it}$$

$$NIM_{it} = \alpha + \beta_1 NIM_{it-1} + \beta_2 BS_{it} + \beta_3 BI_{it} + \beta_4 AC_{it} + \beta_5 BD_{it} + \beta_6 MO_{it} + \beta_7 IO_{it} + \beta_8 OC_{it} + \beta_9 LV_{it} + \beta_{10} FS_{it} + \varepsilon_{it}$$

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$$ROE_{it} = \alpha + \beta_1 ROE_{it-1} + \beta_2 BS_{it} + \beta_3 BI_{it} + \beta_4 AC_{it} + \beta_5 BD_{it} + \beta_6 MO_{it} + \beta_7 IO_{it} + \beta_8 OC_{it} + \beta_9 LV_{it} + \beta_{10} FS_{it} + \varepsilon_{it}$$

$$RC_{it} = \alpha + RC_{it-1} + \beta_2 \beta S + \beta_3 BI_{it} + \beta_4 AC_{it} + \beta_5 BD_{it} + \beta_6 MO_{it} + \beta_7 IO_{it} + \beta_8 OC_{it} + \beta_8 LV_{it} + \beta_{10} FS_{it} + \varepsilon_{it}$$

Subscript "i" represent Cross–Sectional dimension

Subscript "t" denotes the Time Series dimension.

β_0 Intercept

ROA Net profit divided by total equity

NIM Net interest income over total asset

ROE Net profit divided by equity capital

RC Total compliance score over total number of disclosures

BS Number of total board members

BI Ratio of non-executive members over total board members.

BD Ratio of women on the board of directors

AC Total number of members on the audit committee

MO The proportion of the shares owned by the directors of the bank

IO Proportion of shares held by institutions

OC Proportion of block ownership who have more than 5% of shareholdings

BT Type of bank (foreign or domestic)

LV Total liability over total asset

FS Log of total asset

E Error term

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In order to test the moderating hypotheses, the study introduces an interaction variable (type of bank). This is basically done to investigate the effect of type of bank in explaining the relationship between corporate governance and performance of banks as well as corporate governance and regulatory compliance. It interprets and visualizes the interaction effect by using the margins and margins plot of Stata. The interaction effects are tested through the comparison of the confidence intervals represented in graphs. This is constructed at 95% confidence intervals using STATA commands "margins" and "marginsplot." The visualization assists the study to establish the valid statistical conclusions in relation to the hypotheses. All control variables in equation are also excluded in the following models. The following three models are estimated accordingly as:

$$\begin{aligned} ROA_{it} = {} & \alpha + \beta_1 ROA_{it-1} + \beta_2 BS_{it} * BT_{it} + \beta_3 BI_{it} * BT_{it} + \beta_4 AC_{it} * BT_{it} \\ & + \beta_5 BD_{it} * BT_{it} + \beta_6 MO_{it} * BT_{it} \\ & + \beta_7 IO_{it} * BT_{it} + \beta_8 OC_{it} * BT_{it} + \beta_9 LV_{it} * BT_{it} + \beta_{10} FS_{it} * BT_{it} \\ & + \varepsilon_{it} \end{aligned}$$

$$\begin{aligned} NIM_{it} = {} & \alpha + \beta_1 ROA_{it-1} + \beta_2 BS_{it} * BT_{it} + \beta_3 BI_{it} * BT_{it} + \beta_4 AC_{it} * BT_{it} \\ & + \beta_5 BD_{it} * BT_{it} + \beta_6 MO_{it} * BT_{it} \\ & + \beta_7 IO_{it} * BT_{it} + \beta_8 OC_{it} * BT_{it} + \beta_9 LV_{it} * BT_{it} + \beta_{10} FS_{it} * BT_{it} \\ & + \varepsilon_{it} \end{aligned}$$

$$\begin{aligned} ROE_{it} = {} & \alpha + \beta_1 ROA_{it-1} + \beta_2 BS_{it} * BT_{it} + \beta_3 BI_{it} * BT_{it} + \beta_4 AC_{it} * BT_{it} \\ & + \beta_5 BD_{it} * BT_{it} + \beta_6 MO_{it} * BT_{it} \\ & + \beta_7 IO_{it} * BT_{it} + \beta_8 OC_{it} * BT_{it} + \beta_9 LV_{it} * BT_{it} + \beta_{10} FS_{it} * BT_{it} \\ & + \varepsilon_{it} \end{aligned}$$

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$$RC_{it} = \alpha + \beta_1 RC_{it-1} + \beta_2 BS_{it} * BT_{it} + \beta_3 BI_{it} * BT_{it} + \beta_4 AC_{it} * BT_{it} + \beta_5 BD_{it} * BT_{it} + \beta_6 MO_{it} * BT_{it} + \beta_7 IO_{it} * BT_{it} + \beta_8 OC_{it} * BT_{it} + \beta_9 LV_{it} * BT_{it} + \beta_{10} FS_{it} * BT_{it} + \varepsilon_{it}$$

Where ROA_{it} is the ratio of net profit to total asset of bank i at time t. NIM_{it} is the ratio of net interest income to total asset of bank i at time t. ROE_{it} is the ratio of net profit to equity of bank i at time t, RC_{it} is the ratio of total compliance score to total number of disclosures of bank i at time t, BS_{it} is the board size of bank i at time t. BI_{it} is the board independence of of bank i at time t. BD_{it} is the board diversity of bank i at time t. AC_{it} is the audit committee of bank i at time t. MO_{it} is the managerial ownership of bank i at time t. IO_{it} is the institutional ownership of bank i at time t, OC_{it} is the ownership concentration of bank i at time t. BT_{it} is the bank type of bank i at time t, LV_{it} is the leverage of bank i at time t. FS_{it} is the firm size of bank i at time t.

β1, β2, etc. are the corresponding coefficient vectors. ε is the idiosyncratic error term. The subscripts i and t range from 1 to N and 1 to T, correspondingly, where N is the number of banks and T is the number of periods in the dataset.

Description of the Model Variables

Table 1 depicts the description of the variables employed in the study and it also demonstrates how the dependent and independent variables were estimated.

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Table 1: Model description

VARIABLES	DEFINITION	EXPECTED SIGN
ROA	Net profit divided by total asset (Al-ahdal et al., 2021)	
NIM	Net interest income divided by total asset (Chou & Buchdadi, 2016)	
ROE	Net profit divided by equity capital (Al-ahdal et al., 2021)	
RC	Total compliance score over total number of disclosures (Rahman, Al Bahir, Choudhury, & Rabby, 2014)	
BS	Number of total board members (Altawalbeh, 2020)	Positive/negative
BI	Ratio of non-executive members over total board members (Rahman et al., 2017)	Positive/negative
BD	Ratio of women on the board of directors (Molla, Islam & Rahaman, 2021)	Positive/negative
AC	Number of audit committee members (Saftiana et al., 2014)	Positive/negative
MO	Ratio of directors' shareholdings (Valahzaghard & Salehi, 2012)	Positive/negative
IO	Ratio of institutional shareholdings (Tomar & Bino, 2012)	Positive/Negative
OC	Proportion of block ownership who have 5% and above shareholding (Altawalbeh, 2020)	Positive/Negative
BT	Foreign or domestic bank (Pelletier, 2018)	
LV	Total liabilities over total asset (Al-ahdal et al., 2021)	Positive/Negative
FS	Log of total asset (Chaudhry et al.,2020)	Positive/Negative

Source: Author's Construct (2021)

Estimation Technique (System GMM)

The study used the system GMM for its estimations. A panel model data consists of two basic subscript which are (i and t). These subscripts distinguish it from either being cross-sectional or time series data. A panel data therefore

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contains a time series and cross sections. It therefore has the characteristics of time series data and cross-sectional data. It was established by Greene (2003) that panel data is superior to cross sectional and time series data because it solves the problem of individual heterogeneity.

Udin, Khan and Javid (2017) established a year lag of dependent variable is added to the model as an independent variable to deal with the dynamics of adjustment and to mitigate the problem of endogeineity. In order to ensure efficiency and consistency, the estimation technique used for the analyses must be able to deal with both time series and cross-sectional series. There are quite a number of panel model but the one specified take into consideration the individual varying effect which is also constant over time. This specification permits the changes in the explained variables to be attributed to the explanatory variables after the individual effects have been controlled for.

There is a distinction between the estimation of the dynamic model and that of the static panel due to the addition of the lag dependent variable as an independent variable. The model suffers from endogeneity due to the inclusion of the lag-dependent variable as an independent variable. An alternative estimator may be of significance in the model estimate to eliminate the likelihood of bias due to the issue of endogeneity. Behr (2003) explained that GMM instrumental variable (IV) and direct bias corrected estimators are the options available for the estimation of the model.

The system-estimator which was suggested by Blundell and Bond (1998) deemed as most efficient and unbiased in the case of endogenous predetermined regressors. On the other hand, the direct biased corrected estimators which was also proposed by Arellano and Bond in 1991 (Behr, 2003)

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perform similar function just like the GMM. The purpose of introducing instrumental variables is to identify an instrument that will reduce the problem of endogeneity in the model. An instrument can be termed as a variable when it satisfies both the relevance and validity propositions. The key demerit in the basic instrument variable is the ease at which a relevant and valid instrument can be identified and used (Balgati, 2014).

In order to reduce the burden of looking for an suitable instrument, several researchers have developed a variant of the instrumental variable estimators that employs the lags of the variables in the models (Anderson & Hsio, 1982; Arrelano & Bond, 1991; Arellano & Bover, 1995; Blundell & Bond, 1998) Arellano-Bond (1991) argued that there are several instruments that can be generated from a panel data, specifically, where 'N' is the number of individual observation and 'T' is the maximum time period.

The Arellano and Bond estimator does not perform well as the exogenous regressors in the model increases. The poor performance of the Arellano and Bond estimator is due to the fact that the autoregressive parameters become too large or the ratio. The Arellano and Bond panel data disparity has been improved significantly. Blundell and Bond devised and developed the GMM estimator (1998). Arellano and Bover (1995) developed a panel data GMM estimator with levels for the regression equations and lagged differences for the supplementary information. Blundell and Bond (1998) developed a system of equations known as "system GMM" in order to augment to the original differences GMM estimator with the level-equation estimator.

The GMM specification presented by Arellano and Bond (1991) for a generalized method of moment dataset offers consistent parameter estimations

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in the presence of endogeneity. In the innovations of firm performance, the system GMM estimations are robust to endogeneity, fixed effect of firms, endogenous regressors, multicollinearity, stationarity, normality heteroskedasticity, and serial correlation (Balgati, 2014). A much-appreciated trait of the difference GMM is the use of the internal instruments that can be traced in the existing dataset and these instruments available in the system.

Additionally, all variables are subjected to time differencing in order for unobservable features to be removed without the importance for strict exogeneity propositions. This also allows for the inclusion of the lag of the dependent variable to cater for any possible endogeneity. The asymptotic and finite sample features of the resulting system of regression equations in levels and differences are superior to those of the Arellano-Bond (1991) differences GMM estimator (Blundell & Bond, 1998).

System-GMM estimator (Blundell-Bond estimator) uses the lagged level first contemporaneous difference as well as the lagged differences as instruments for contemporaneous levels. On the other hand, the Difference-GMM (Arellano-Bond estimator) employs only lagged levels as instruments for contemporaneous differences. To estimate the model, the study used the System- Generalised Method of Moment (GMM).

In order to report the validity of the System GMM regression, the researcher tested the Hansen Test of over-identification. The effect of autocorrelation was also taken into consideration by reporting the AR (2). This is the method which controls for second order serial correlation in the first differenced residuals. The results of the AR (2) also indicate the absence of autocorrelation and hence justifies the validity of the model.

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OECD Checklist for regulatory compliance of Corporate Governance

Florin, Elena and Carmen (2010) attest to the fact that OECD is the key source for the development of corporate governance codes and most of the country's corporate governance emerged from OECD. OECD (2004) proposed that in order to ensure an effective and efficient corporate governance system, it is significant to establish an efficient and appropriate regulatory, legal and institutional foundation. Based on this, all market participant can depend on establishing their private contractual form.

The key objective of these principles is to assist countries that are affiliated to OECD and even countries that are not affiliated to assess and enhance their institutional, legal and regulatory framework for corporate governance in their respective countries. They also make suggestions and guidance for the development of stock exchange, investors, companies and other stakeholders that play a specific role in the development of processes that lead to good corporate governance.

The six primary principles of corporate governance that were established by OECD (2004) are the rights of shareholders and key ownership functions, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and the responsibilities of the board. Based on this, there is summary of checklist or compliance index that banks are required to disclose for the purposes of good corporate governance. The compliance index was focused on the OECD corporate governance principles which serve as an international benchmark for corporate governance. This can be found at the appendix. The checklist contained thirty items that banks were to disclose. For instance, when a bank discloses an item in the annual report, a

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point of one is awarded. In the same vein, if a bank does not disclose a particular item, then a point of zero is also awarded.

Two approaches can be used to compute for the disclosure index. They are partial compliance method and the dichotomous approach. The two main approaches can either be weighted or unweighted. All the score or value has specific weight which is determined and assigned by the researcher. On the contrary, all the score or value is considered as equal or important with respect to the unweighted. The study opted for partial compliance approach which is consistent with the work of Hasan and Hossain (2012) who averred that partial compliance approach demonstrate more superior and accurate result than dichotomous approach.

Partial Compliance Approach

$$PC = \sum X/R$$

Where:

PC= Total compliance score for each company

X= Level of compliance with each part of disclosure requirement.

R = Total number of disclosure part of each company.

Chapter Summary

The research methods of the study were discussed in this chapter. This chapter also discusses the statistical and econometric tools used to analyze data. It includes the structure of the data and the method adopted to carefully examine the variables and how they were operationalized. The specification of the model and its estimation was also captured in this chapter. It captures the same financial and economic changes of different banks over multiple time periods.

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CHAPTER SIX

RESULTS AND DISCUSSION

Introduction

The results of the first and second objectives of the study were presented in this chapter. The descriptive statistics of the variables under study were highlighted. Return on equity, return on asset, net interest income, regulatory compliance, board size, board independence, board diversity, audit committee, managerial ownership, institutional ownership, ownership concentration, financial leverage and firm size were variables used for the descriptive statistics for the study. The empirical evidence is presented in this chapter which addresses the issues discussed in accordance to theoretical and conceptual review. The study employed Stata version 14 and Eviews, version 10 to analyse the quantitative data. The study presents the descriptive results with emphasis on the means and standard deviation.

Descriptive Statistics

The summary of descriptive statistics of the variables captured in the dynamic regression model was presented in Table 2. These results were generated to give a fair overview of the variables used for the estimation. It also provides opportunity for the researcher to screen and validates the data used for the research. The main descriptive measures were the mean, standard deviation, the minimum and the maximum values of the variables over the period under consideration. The descriptive statistics captures all the countries under study as well as the respective individual countries.

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Table 2: Descriptive Statistics of variables

Variable	Statistics	All Countries	Ghana	Kenya	Nigeria	Botswana	Malawi
ROA							
	Mean	0.036	0.045	0.044	0.025	0.021	0.047
	SD	0.043	0.051	0.055	0.031	0.019	0.024
	Min	-0.065	0.000	-0.065	0.001	0.007	0.0023
	Max	0.328	0.243	0.328	0.265	0.102	0.124
	Skew	3.334	2.838	2.739	4.509	1.880	0.651
	Kurt	16.642	10.448	11.744	30.199	9.045	3.925
	Obs	410	80	120	130	40	40
NIM							
	Mean	0.060	0.079	0.063	0.045	0.040	0.084
	SD	0.040	0.031	0.052	0.025	0.022	0.036
	Min	0.000	0.002	0.000	0.000	0.001	0.002
	Max	0.418	0.234	0.418	0.152	0.086	0.157
	Skew	2.562	1.509	3.400	0.411	0.495	-0.529
	Kurt	21.578	10.474	22.764	4.729	2.209	3.127
	Obs	410	80	120	130	40	40
ROE							
	Mean	0.168	0.199	0.173	0.119	0.166	0.257
	SD	0.137	0.117	0.160	0.104	0.128	0.142
	Min	0.000	0.004	0.002	0.004	0.009	0.001
	Skew	2.096	0.305	3.227	2.481	0.588	0.264
	Kurt	11.589	2.341	16.512	15.362	2.598	3.027
	Max	0.988	0.477	0.988	0.802	0.516	0.633
	Obs	410	80	120	130	40	40
RC							
	Mean	0.899	0.903	0.903	0.903	0.850	0.871
	SD	0.049	0.072	0.072	0.072	0.056	0.060
	Min	0.433	0.433	0.723	0.433	0.647	0.762
	Skew	-1.773	-3.633	-0.846	-1.417	-1.447	0.063
	Kurt	10.534	23.604	3.309	3.082	3.423	1.581
	Max	0.993	0.983	0.984	0.983	0.932	0.983
	Obs	410	80	120	130	40	40
BS							
	Mean	10.721	9	9	13	8	9
	SD	2.804	1.517	1.481	3.060	1.645	1.675
	Min	5.000	7.000	6.000	7.000	5.000	7.000
	Max	19.00	15.000	13.000	19.000	12.000	12.000
	Skew	0.953	0.817	-0.052	0.088	0.083	-0.095
	Kurt	3.589	3.532	2.394	2.280	2.446	1.739
	Obs	410	80	120	130	40	40
BI							
	Mean	0.700	0.660	0.753	0.635	0.761	0.772
	SD	0.139	0.160	0.122	0.134	0.096	0.385
	Min	0.033	0.033	0.200	0.200	0.666	0.7131
	Max	0.923	0.909	0.923	0.909	0.900	0.833
	Skew	-1.300	-1.162	-2.864	-0.356	0.263	0.127
	Kurt	5.484	4.785	12.650	4.148	1.312	1.987
	Obs	410	80	120	130	40	40
AC							
	Mean	4.4	4	3	5	4	3
	SD	1.172	0.881	0.690	0.916	1.458	0.361

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	Min	2.000	3.000	3.000	3.000	2.000	3.000
	Max	7.000	7.000	6.000	7.000	7.000	4.000
	Skew	0.386	0.610	0.251	-0.636	0.759	1.960
	Kurt	2.123	3.262	2.648	2.897	2.240	4.843
	Obs	410	80	120	130	40	40
BD							
	Mean	0.214	0.207	0.230	0.224	0.187	0.176
	SD	0.138	0.112	0.130	0.119	0.205	0.174
	Min	0.000	0.000	0.000	0.000	0.000	0.000
	Max	0.923	0.454	0.800	0.631	0.923	0.7131
	Skew	1.280	0.114	1.509	0.681	2.130	1.289
	Kurt	7.443	2.329	7.581	5.021	8.569	5.157
	Obs	410	80	120	130	40	40
MO							
	Mean	0.031	0.014	0.140	0.069	0.000	0.016
	SD	0.061	0.019	0.038	0.087	0.000	0.027
	Min	0.000	0.000	0.000	0.000	0.000	0.000
	Max	0.327	0.086	0.148	0.327	0.000	0.068
	Skew	2.402	1.226	2.966	1.053	6.084	1.274
	Kurt	8.186	3.553	9.972	2.783	38.025	2.683
	Obs	410	80	120	130	40	40
IO							
	Mean	0.749	0.877	0.663	0.688	0.905	0.793
	SD	0.165	0.102	0.175	0.137	0.021	0.108
	Min	0.318	0.543	0.318	0.329	0.864	0.498
	Max	0.900	0.991	0.990	0.999	0.942	0.901
	Skew	-0.756	-0.940	-0.228	-0.889	0.252	-1.388
	Kurt	2.985	3.134	2.280	3.605	1.879	4.167
	Obs	410	80	120	130	40	40
OC							
	Mean	0.627	0.807	0.580	0.470	0.788	0.751
	SD	0.234	0.141	0.203	0.238	0.090	0.112
	Min	0.000	0.426	0.111	0.000	0.678	0.486
	Max	.978	0.978	0.952	0.985	0.893	0.901
	Skew	-0.794	-0.840	-0.558	-0.332	-0.097	-0.943
	Kurt	2.953	2.570	2.561	2.230	1.243	3.322
	Obs	410	80	120	130	40	40
LV							
	Mean	0.736	0.843	0.667	0.690	0.885	0.729
	SD	0.268	0.039	0.328	0.312	0.328	0.186
	Min	0.001	0.643	0.0018	0.001	0.827	0.133
	Max	0.994	0.930	0.935	0.994	0.973	0.921
	Skew	-2.046	-1.571	-1.417	-1.447	0.466	-1.880
	Kurt	5.592	9.755	3.082	3.423	3.020	6.192
	Obs	410	80	120	130	40	40
FS							
	Mean	396.29	1938.965	16.9887	16.875	15.000	15.272
	SD	7692.32	.137 17306.44	3.430	3.355	2.790	3.139
	Min	10.037	12.545	9.819	11.191	10.107	10.037
	Max	155774.0	155774	0.935	22.565	17.222	19.201
	Skew	20.174	8.775	-0.230	0.063	-1.126	-0.069
	Kurt	408.002	78.012	2.251	1.581	2.314	1.201
	Obs	410	80	120	130	40	40

Source: Author`s Construct (2021)

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With respect to the performance indicators, the mean value for return on asset was 0.036 with a standard deviation of 4.3% and that of net interest income was 0.060 with a standard deviation of 4%. The mean value for ROE was 0.168 with a standard deviation of 13.7%. ROE was quite impressive in terms of performance with a mean mark of 16.8%. The mean score for regulatory compliance was 89.9% with a standard deviation of 6%. This reveals that on average, banks in Sub Saharan adhere to 89.9 % of the regulations of the banks as stipulated by the regulators which are the code of best practice of corporate governance.

Regarding the size of the board of directors of banks in the industry, the mean board size was 10.72. Agency theory, according to Jensen and Meckling (1996) indicates that boards with small size enhance managerial control and for that matter maintaining small size improve performance. They indicated that boards with high numbers are subjected to ineffective operations, lack of commitment coupled with greater control by CEO.

The percentage of independent directors is relatively high at a mean value of 70% which is quite commendable. The audit committee which focused on the size of the audit committee had a mean value of 4.4 which is quite impressive in the practice of good corporate governance. The sample mean score for board diversity which constitute the ratio of women on the board was 21.0% which is quite unimpressive. It means that women are less represented on the boards of banks in Sub Saharan Africa. For ownership structure or composition, the mean values of managerial ownership, institutional ownership and concentrated ownership were 0.031, 0.947 and 0.627 respectively.

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The ownership of shares by directors can be described as very low. This means that most of the directors are not shareholders of their respective banks and the few ones who also own some of the shares are insignificant in terms of the proportion of the shares. On the contrary, institutional investors had the highest percentage of shares which means that most of the shares of the banks are owned by various institutional shareholders. They control majority of the shareholdings in the banking industry. In the case of concentrated ownership which constitute investors or shareholders who own 5% and above of the bank's total shares, its mean value was 59.0%. This indicates that the significant portion of the shares is owned by large shareholders.

Financial leverage which constitutes the ratio of total liabilities and total asset is 73.6% which means that most of the banks are highly leveraged or geared. The mean value for firm size (logarithm of total asset) was 396.29. The table also depicts the descriptive statistics of the various countries under consideration, specifically, Ghana, Kenyan Nigeria, Botswana and Malawi. With respect to the performance indicators, net interest income had the highest mean value of 8.43% with a standard deviation of 3.6%. The country that recorded that performance was Malawi. Nigeria had the largest board size of 13. The results also indicate less women are represented on the board of the respective countries under study.

Discussion of regression results

This section presents the result of objective one which focuses on the corporate governance and performance of banks in Sub Saharan Africa. Seven hypotheses were proposed. Three different performance indicator variables were employed for the purposes of this objective. They are return on asset, net

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interest margin and return on equity. Seven corporate governance variables which constitute the independent variables were used. They were board size, board independence, audit committee, board diversity, managerial ownership, institutional ownership and ownership concentration. Two control variables were used. They were financial leverage and size of bank. The Generalized Moment of Method (GMM) regression results have been presented in table 3. It shows the effect between corporate governance and performance of banks with return on asset, net interest margin and return on equity as dependent variables.

Table 3: Regression results of ROA, NIM and ROE

VARIABLES	ROA	NIM	ROE
(-1)	-0.112609	-0.018662	0.398512
Coef	(0.0000)	(0.0026)	(0.0000)
T-stat	-9.125089	-3.031048	17.73031
BS	-0.008379	-0.002635	0.013784
Coef	(0.0000)	(0.0004)	(0.0065)
T-stat	-5.252804	-3.564633	2.741335
BI	-0.050903	-0.140731	-0.202430
Coef	(0.0001)	(0.0000)	(0.0000)
T-stat	-3.906343	-19.86043	-4.547060
AC	-0.008003	-0.007633	-0.052073
Coef	(0.0000)	(0.0000)	(0.0000)
T-stat	-7.744636	-5.762140	-5.288959
BD	0.022319	-0.035413	-0.195895
Coef	(0.0000)	(0.0038)	(0.0000)
T-stat	4.227865	-2.917196	-4.715788
MO	-0.182478	-0.001094	-0.575198
Coef	(0.0080)	(0.9856)	(0.0201)
T-stat	-2.667972	-0.018064	-2.336175
IO	-0.000263	-0.000445	-0.002293
Coef	(0.5064)	(0.0030)	(0.3868)
T-stat	-0.665255	-2.992892	-0.866605
OC	0.335654	0.148313	-0.311503
Coef	(0.0000)	(0.0000)	(0.0577)
T-stat	8.898980	9.289296	-1.904569
LV	-0.110274	0.042336	0.039673

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Coef	(0.0000)	(0.0000)	(0.2774)
T-stat	-34.35177	10.39071	1.088009
FS			
Coef	2.33E-07	4.38e.-07	2.63E-07
	(0.4208)	(0.1453)	(0.9381)
T-stat	0.806145	1.460039	0.077670
No. of Instruments	41	41	41
AR Test (1)	0.5438	0.0000	0.0480
AR Test (2)	0.3478	0.7206	0.7483
Hansen Test	0.558597	0.656657	0.529715

Source: Author's Construct (2021).

The probability values of Arellano-Bond Serial Correlation of disturbances indicate that the GMM estimators are consistent with all the three dependent variables which indicate that there exists no autocorrelation in the errors for GMM specifications. The Hansen test for over-identifying restrictions does not reject the null hypothesis that the GMM estimators of instruments are valid in the GMM estimations. The Generalized Method of Moments (GMM) estimation technique was used for the regression analyses. It was employed to evaluate the effect of the explanatory variables on the explained variables. From the estimates, it can be deduced that lagged ROA, NIM and ROE (lag 1) significantly affect the current ROA, NIM and ROE respectively. This clearly indicates that its own previous developments or trends strongly determine the current behavior of the dependent variables.

From the result, it can be deduced that board size significantly predicted both ROA and NIM with an inverse relationship. This result shows that a unit increase in board size will lead to 0.008379 and 0.002635 decrease on ROA and NIM respectively. This means that a unit increase in the board size will yield to an adverse performance. Agency theory posits that chief executive officer easily dominates the board which eventually causes the board to lose its managerial monitoring duty when there is increase in size of the board. Boards with smaller

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size are expected to contribute positively to the performance of banks. This is because communication, coordination and interaction between directors are expected to be better in small size as compared to larger sized board. Larger board sizes are costly in terms of compensation and incentives and it is ineffective in monitoring performance.

The inverse result shows that an increase in board size will be disincentive to the banks, which implies that as more directors get appointed to the boards of the firm, decision making may prolong because of divergent views which in the long run may negatively have an effect on the performance of banks. It could also mean that the cost involved in hiring the services of a large board of directors is very expensive which reduces the profit of the banks. This implies that boards with large numbers are a disservice to the bank.

The result corroborates with the work of (Zabri et al., 2016; Palaniappan, 2017; Megbaru, 2019; Gyamerah, Amo & Adomako, 2020; Molla, 2019). The findings contradict the results of (Gurusamy, 2017; Djebali & Zaghdoudi 2020, Fahira et al., 2021; Pharm & Nguyen, 2020; Khan, Kamran & Imran, 2020) who concluded that board size was positive and predictor of performance.

With respect to relationship between board size and ROE, the result was however different. From the result, it can be established that board size was positive and a predictor of ROE. This result shows that a unit increase in board size will lead to 0.013784 increase on ROE. This means that a unit increase in the board size will yield to a positive performance. This could be due to the fact that larger boards will possess people with diverse expertise and experience. Moreover, decisions will have to be thoroughly acceptable by the majority members, which can protect the firm from detrimental decisions. From the

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agency theory perspective, having a larger sized board helps in the monitoring functions and eventually improves the performance of the firm. The result is consistent with the work of (Gurusamy, 2017, Almoneef & Samontaray, 2019). The result contradicts the study of Zabri et al., (2016) who did not establish any relationship between board size and performance.

The study established that board independence was negative and a predictor of return on asset, net interest income and return on equity. This implies that a unit increase in board independence will lead to 0.050903, 0.040731, 0.202430 decrease in return on asset, net interest margin and return on equity respectively. This means that a higher number of independent directors will have an adverse impact on financial performance. Generally, independent directors are appointed to protect the minority shareholders interest and making sure that all material information are disclosed.

The risk-taking decision lies in the hands of the executive directors. Usually, Independent directors don't have cogent information in relation to the strength and weakness of the company. Being present in the governing architecture increases the conflict of opinion in the governing body. This normally leads to a slow process in the decision-making process. Furthermore, independent directors may either be compromised by close relationships with the executive directors or may not be adequately independent in the discharge of their duties. This will make it difficult for them to express their disagreement during board meetings. The result corroborates with the work of (AlSagr et al., 2018; Soud & Aypek, 2021, Edeti & Garg, 2021). The result contradicts the outcome of (Djebali & Zaghdoudi, 2020; Nwaubani & Orikara, 2019) who concluded that there was positive and significant relationship between board

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independence and performance of banks.

The result also depicted that audit committee was significant with a negative relationship with all the three performance variables. This means that a unit increase in audit committee will lead to 0.008003 decrease in return on asset, 0.007633 decrease in net interest income and 0.052073 decrease in return on equity. The negative relationship could mean that the audit committee members on the board were not expert or technical people who have the competency in audit. This result corroborates with the work of Molla (2019); Megbaru (2019); (Kipkoech & Rono, 2016). The results however contradict the study of Aslam and Haron (2020) who found audit committee size to be significant and positive with return on asset.

Board diversity positively and significantly predicted ROA. This implies that a unit increase in board diversity will lead to 0.022319 increase in return on asset. This implies that increasing the number of women on boards leads to better performance. Representation of women on boards does not only enhance firm performance but may also add to the voices advocating for more women participation in public and private sectors. The results demonstrate that female representation and participation increases effective monitoring, leading to positive and economically meaningful effects on firm performance. This is consistent with the work of Moreno-Gomez Lafuente and Vaillant (2018). The result is however at variance with the work of (Kilic & Kuzey, 2016, Nwaubani & Orikara, 2019) who concluded that contributions of women on the board do not make any meaningful impact.

The results of board diversity in relation to NIM and ROE were however different. Board diversity was a predictor of NIM and ROE with an inverse

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relationship. This implies that a unit increase in board diversity will lead to 0.0355413 reduction in NIM as well as 0.195895 reduction in ROE. This result indicates that women's contributions on the boards adversely affect the performance of the banks. This is because women are not fairly represented on the boards of banks in Sub Saharan Africa. Their representation is highly negligible hence it will be very difficult for them to make any meaningful impact on the board.

The result from the descriptive statistics clearly indicates that less women are represented on the boards of most of the banks in Sub Saharan Africa. This demonstrates that keeping a large size of women on the board inhibit performance of the banks. The study is consistent with the findings of (Putri et al., 2021; Fariha et al., 2021; Manyaga et al., 2020). The study however contradicts the findings of (Nwaubani & Orikara, 2019; Moreno-Gómez, Lafuente, & Vaillant, 2018) who did establish any significant impact of women representation on performance of banks.

The study also found managerial ownership to have a negative significant relationship with ROA and ROE. Managerial ownership was a predictor of performance. The results shows that a unit increase in managerial ownership will decrease return on asset and return on equity by 0.182478 and 0.575198 respectively. From the theoretical perspective, Jensen and Meckling (1976) hinted that because managers acquire some shares of the firm, the managers work assiduously by concentrating on the performance of the firms. This is where the interest of the owners' and managers aligns. From the result, although managerial ownership is a predictor of performance, it negatively affects performance. This may be due to the fact that the percentage

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shareholdings of managers in the bank are very infinitesimal to warrant or influence any serious monitoring.

Agency theory has proven that when managers own inadequate or small number of shares of firms, it does not lead to the maximization of shareholders wealth. The evidence can be found at the mean value of managerial ownership in the descriptive statistics. In fact, 3% of managerial ownership is not enough to induce insiders to align their interests to the interests of the bank's shareholders, in this case, to increase the performance of banks. The result corroborates with the work of (Abdul Rahman & Reja, 2015).

The outcome however varies with the study of Abuamsha (2021) who found positive and significant relationship between managerial ownership and performance. Comparing the findings with NIM, study found managerial ownership to have a negative and not a predictor of NIM. The results demonstrate that a unit increase in managerial ownership will reduce NIM by 0.001094. This work is consistent with the work of Khan, Kamran and Imran (2020).

Institutional ownership showed a negative and insignificant relationship with both ROA and ROE. This implies that a unit change in institutional ownership will lead to a reduction in return on asset and return on equity by 0.000263 and 0.002293 respectively. There is no evidence of a statistical relationship between institutional ownership and bank performance. This means that institutional ownership is not a predictor of performance. This may mean that institutional ownership may not have the requisite time to monitor the activities of the board members. This finding is consistent with the work of (Abdul Rahman & Reja, 2015; Sohail et al., 2017; Artha et al., 2021).

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Institutional ownership depicted an inverse and significant relationship with NIM. This means that a unit increase in institutional ownership will lead to a reduction in NIM by 0.000445. From the agency theory perspective, institutional investors are often regarded as investors who are active and take advantage of their voting power to institute better governance practices in the companies in which they invest. The result, however, showed that institutional investors did not play their role well in terms of monitoring since they have an inverse effect on the performance of banks This is consistent with the work of Djebali and Zaghdoudi (2020) This is contrary to the work of Herwiyanti, Ma and Rosada (2015) who found institutional ownership to be positive and significant to performance.

As far as ROA and NIM were concerned, there was positive and significant effect between ownership concentration. This means a unit increase in ownership concentration will lead to 0.335654 and 0.148313 increases in return on asset and net interest margin respectively. Concentrated ownership enhances more effective monitoring, which leads to better performance. It has been established in agency theory that when there is high level of ownership concentration, it leads to the mitigation of managerial opportunism. This will eventually have a positive effect on performance of firms. This result corroborates with the work of (Boussaada & Majdi, 2015).

The result was however at variance with the study of Foshtomi (2017) who did not establish any meaningful impact of ownership concentration and return on asset. There was however negative and insignificant relationship between ownership concentration and return on equity. This means a unit increase in ownership concentration will lead to 0.311503 decrease in return on

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equity. Concentrated ownership enhances more effective monitoring, which leads to better performance. Ownership concentration did not have any effect on return on asset. This result corroborates with the work of (Sohail et al., 2017; Yahaya, 2018). The result is however at variance with the study of Foshtomi (2017) and (Boussaada & Majdi, 2015) who established a significant and positive influence of ownership concentration and return on equity.

Finally, financial leverage which served the purposes of control variables was also negative and significant. Firm size had no effect on performance.

Corporate governance and regulatory compliance

The results of the objective two were discussed thoroughly in this section. It depicts the effect between corporate governance and regulatory compliance of banks in Sub Saharan Africa. Seven hypotheses were stated. The probability values of Arellano-Bond Serial Correlation of disturbances indicates that GMM estimators are consistent. From the estimates It can be deduced that lagged RC (lag 1) significantly predict the current RC. This clearly indicates that its past transactions determine the current behavior of regulatory compliance. The sargan tests for over-identifying restrictions do not reject the null hypothesis that the GMM estimators and the instruments are valid in the GMM estimations.

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Table 4: Regression results of corporate governance on regulatory compliance

Variable	Coef	t-Statistic	P-value
RC (-1)	0.263248	6.459686	0.0000
BS	0.006711	6.459686	0.0433
BI	-0.061326	-2.513227	0.0125
AC	0.012760	3.727897	0.0002
BD	-0.069098	-2.862986	0.0045
MO	-0.383622	-2.574926	0.0105
IO	0.000268	0.450952	0.6523
OC	-0.025833	-0.211209	0.8329
LV	-0.004475	0.171730	0.8638
FS	-2.10E-06	-1.034496	0.3017
No. of Instruments		41	
AR Test (1)		0.8802	
AR Test (2)		0.9993	
Hansen Test		0.3488	

Source: Author's Construct (2021)

The result showed that board size was predictor of performance with a positive relationship with regulatory compliance. This result showed that a unit increase in board size will lead to 0.006711 increase in regulatory compliance. The result depicts that increase in the board size will have a positive impact on regulatory compliance. This means that when the board is large, it enhances the level of compliance. From the institutional theory perspective, increasing the size of the board will lead to enhancement of regulatory compliance. This will eventually lead to attraction of resources from stakeholders. Moreover, institutional theory also posits that boards with larger number are able to monitor the activities of management and this will translate positively on

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corporate governance disclosure and compliance.

This result is consistent with the work of (Herwiyanti, Wulandari & Rosada, 2015; Alfraih, 2016; Al-Bassam, Ntim, Opong & Downs, 2018). The result supports the hypothesis. The findings were however at variance with the study of Mnif and Tahari (2020) who concluded that board size had no impact on compliance.

The study found board independence to be a predictor with an inverse relationship with regulatory compliance. This implies that independence of a board influence regulatory compliance negatively. It can be argued that the large number of independent directors does not provide effectiveness in the policy of the directors to comply to regulations. Most of the independent directors are not privy to most of the information and orientation of the firms. This adversely affects their decision making. This means that they contribute less role in the regulatory compliance of the banks. This result is consistent with the work of Zulfikar et al., (2020). The result is however inconsistent with the work of Mnif and Tahari (2020) who established that board independence had no significant relationship with regulatory compliance.

The result also demonstrates that audit committee was positive and significant. This means that a unit increase in audit committee will lead to 0.012760 increases in regulatory compliance. The result indicates that audit committee members are vigilant in making sure that the regulatory compliance is keenly adhered to. They exhibit high level of competence in the discharge of their duties. The result is consistent with the work of Al-Bassam, Ntim, Opong and Downs (2018) and Zulfikar et al (2020). The result is however inconsistent with the study of Juhmani (2017) who could not identify any significant impact

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of audit committee size on compliance. The findings validate the hypothesis

Board diversity was a predictor of regulatory compliance with a negative relationship. This indicates that a unit increase in board diversity will lead to 0.069098 reduction in RC. This may be due to the number of women on the board. The percentage of women on the board was quite low to make any positive influence in relation to regulatory compliance. Most of the women on the board were less represented hence make it difficult for them to make any positive impact as far as regulatory compliance is concerned. The findings were consistent with the work of Katarachia et al. (2018). The findings of the study were at variance with the work of Alfraih (2016) who established a positive influence of board diversity on regulatory performance.

The study also found managerial ownership to have a negative and significant relationship with RC. The results show that a unit increase in managerial ownership will reduce RC by 0.383622. This may be due to the fact that the percentage shareholdings of managers in the bank are very infinitesimal to warrant or influence any serious monitoring which will result in any regulatory positive compliance. The percentage shareholdings of the managers which could influence the regulatory compliance was nothing to write home about. The result corroborates with the work of Elmagrhi et al. (2016).

Institutional ownership was positive and could not predict regulatory compliance. This means that a unit increase in institutional ownership will lead to an increase in RC by 0.000268. Institutional ownership was not a predictor of regulatory compliance. Simply put, it has no effect on regulatory compliance. The result is in variance with the institutional theory which avers that firms with higher institutional ownership demonstrate high level of transparency.

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accountability, disclosure and compliance. The result is consistent with the work of Buertey and Pae (2021) and Elmagrhi, Ntim and Wang (2016). The result is however inconsistent with the study of Pernamasari (2018) who established that there was significant relationship between institutional ownership and regulatory compliance.

There was negative and insignificant relationship between ownership concentration and RC. This means that a unit increase in ownership concentration will lead to a reduction in RC by 0.025833. Ownership concentration had no effect or was not a predictor of regulatory compliance. The result is consistent with the work of Juhmani (2017). The result, however, contradict with the findings of Mnif and Tahari (2020) and Al-Bassam, Ntim, Opong and Downs (2018) who established significant relationship between ownership concentration and compliance.

Financial leverage was positive and insignificant. Firm size was also negative and insignificant.

Chapter Summary

The chapter focused on the analyses of the results of the first two objectives of the study. These objectives were effect of corporate governance and performance of bank and effect of corporate governance on regulatory compliance. Seven variables were used for corporate governance and two variables for control variables.

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CHAPTER SEVEN

RESULTS AND DISCUSSION

The results of the third and fourth objectives of the study were presented in this chapter. The third objective sought to examine the interaction effect of type of bank (domestic or foreign) on the relationship between corporate governance (board size, board independence, audit committee, board diversity, managerial ownership, institutional ownership, ownership concentration) on performance of banks in Sub Saharan Africa was addressed in this chapter. The fourth objective also sought to examine the interaction effect of type of bank (domestic or foreign) on the relationship between corporate governance on regulatory compliance of banks in Sub Saharan Africa. This chapter interprets and visualizes the interaction effect by using the margins and margins plot of Stata.

The interaction effects are tested through the comparison of the confidence intervals represented in graphs. This is constructed at 95% confidence intervals using STATA commands "margins" and "marginsplot." The visualization assists the study to establish the valid statistical conclusions in relation to the hypotheses.

Interacting effect of type of bank on the relationship between board size and performance

Figure two presents the interaction impact of type of bank on the relationship between board size and performance of banks. Type of bank which is domestic or foreign negatively and significantly moderates the relationship between board size and ROA. With respect to the net interest income as a performance indicator, type of bank (domestic and foreign) does not moderate

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the relationship between bank size and NIM. The relationship is however negative. Type of bank significantly moderates the relationship between board size and return on equity. The relationship is positive.

The delta method -Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level.

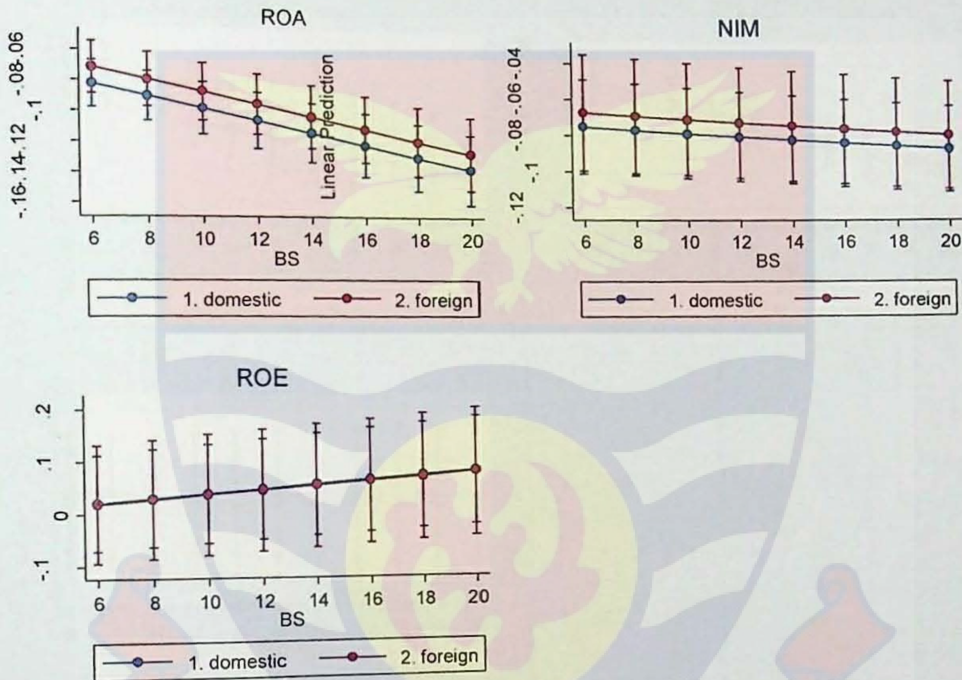

Figure 2: Moderation effect of type of bank on the relationship between board size and performance. Source: Author's Construct (2022)

Interacting effect of type of bank on the relationship between board independence and ROA

Figure 3 depicts the interaction effect of type of bank (domestic and foreign) on the relationship between board independence and performance. Specifically, type of bank significantly moderates the relationship between board independence and ROA. The relationship is negative. Type of bank does not moderate the relationship between board independence and NIM. With

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respect to ROE, type of bank does not also moderate the relationship. The result does not also support the moderating role of type of bank on the relationship between board independence and ROE. The delta method -Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level.

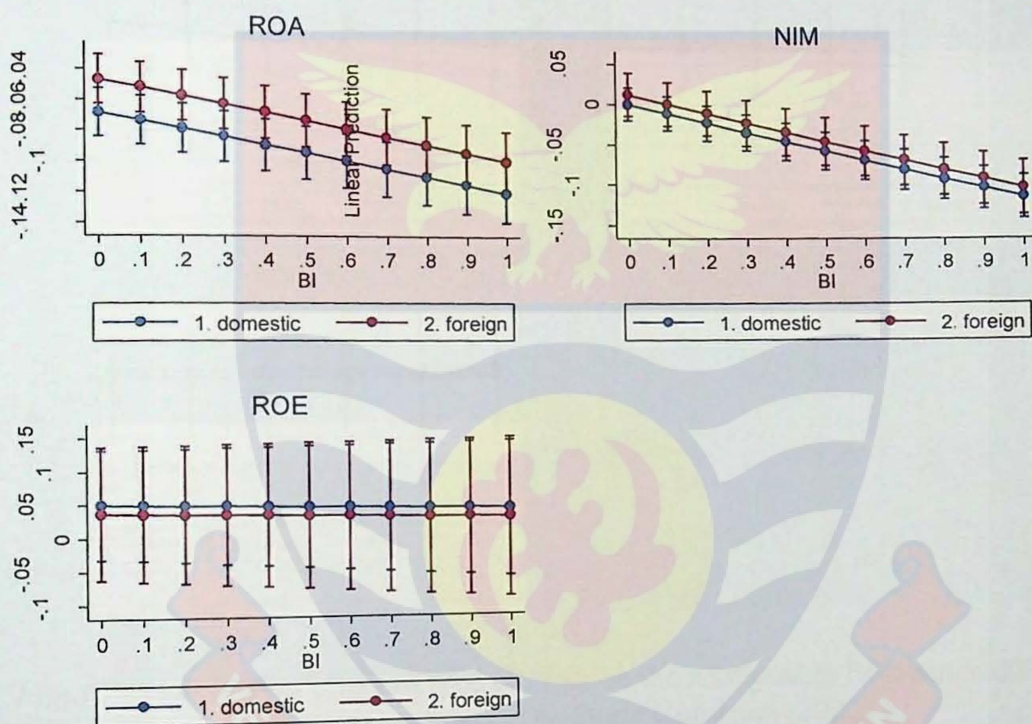

Figure 3: Moderation effect of type of bank on the relationship between board independence and performance. Source: Author's Construct (2022)

Moderating effect of type of bank on the relationship between audit committee and performance

Figure 4 clearly shows negative effect of type of bank on the relationship between audit committee and ROA. The study also confirmed that there is significant moderating effect of bank type on the relationship between audit committee and ROA. Type of bank moderates the relationship between audit committee and ROA. With net interest income as a performance indicator, type

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of bank does not moderate because it is insignificant. The result from the margins plot revealed that type of bank is not a predictor hence does not moderate the relationship between audit committee and ROE. The Delta Method Boferroni (appendix) results clearly indicates all group was sharing letter hence its insignificance.

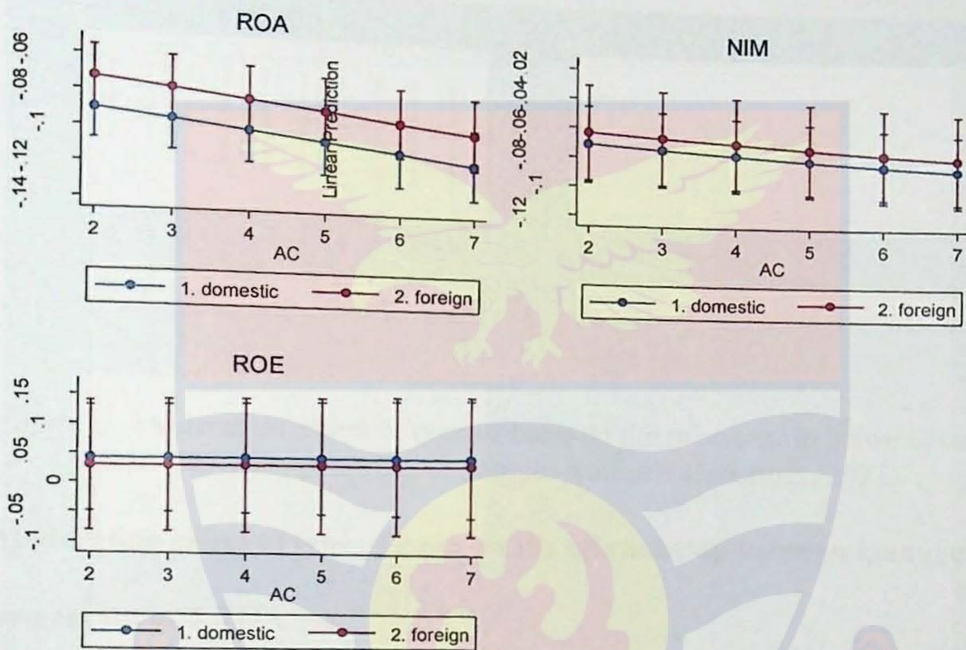

Figure 4: Interaction effect of type of bank on the relationship between audit size and performance. Source: Author's Construct (2022)

Moderating effect of type of bank on the relationship between board diversity and performance

From the result of the margins plot, the interaction in figure 5 shows a positive relationship between board diversity and ROA. Type of bank significantly moderates the relationship between board diversity and ROA. Type of bank is not a moderator of the relationship between board diversity and NIM. It was not also a predictor in terms of moderation on the relationship between board diversity and ROE. The Delta Method Boferroni (appendix) results clearly indicate no group was sharing any letter hence its significance.

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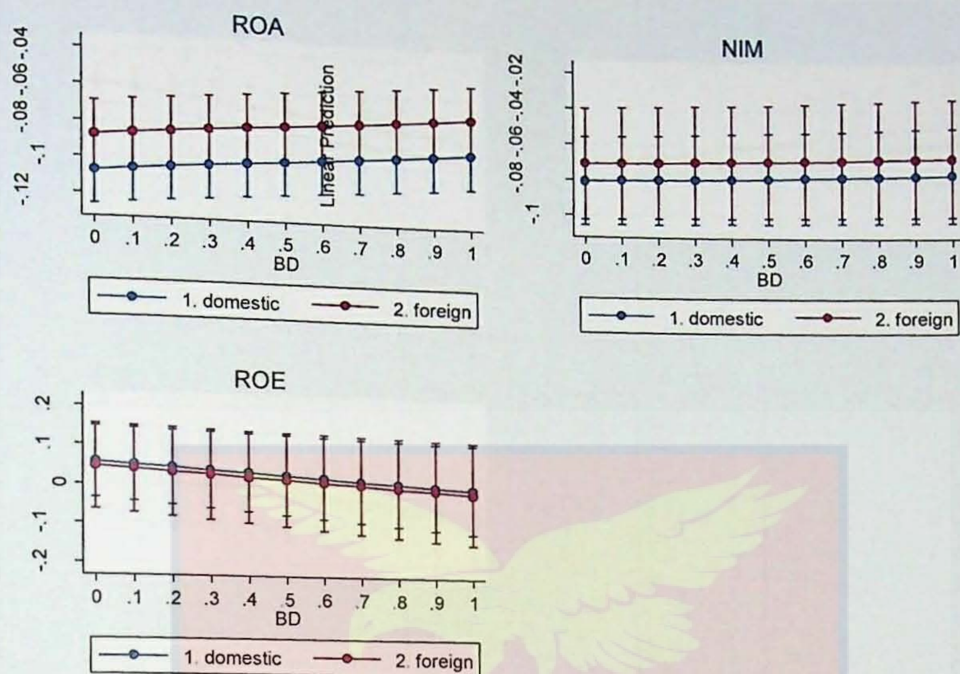

Figure 5: Moderation effect of type of bank on the relationship between board diversity and performance. Source: Author's Construct (2021)

Moderating effect of type of bank on the relationship between managerial ownership and ROA

The diagram depicts the moderation effect of type of bank on the relationship between managerial ownership and performance. From the result of the margins plot in figure six, the interaction showed a significant interaction between managerial ownership and ROA. On the contrary, type of bank did not moderate the relationship between managerial ownership and NIM. The interaction was however positive. With respect to ROE, there was a moderation effect on the relationship between managerial ownership. The delta method - Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level.

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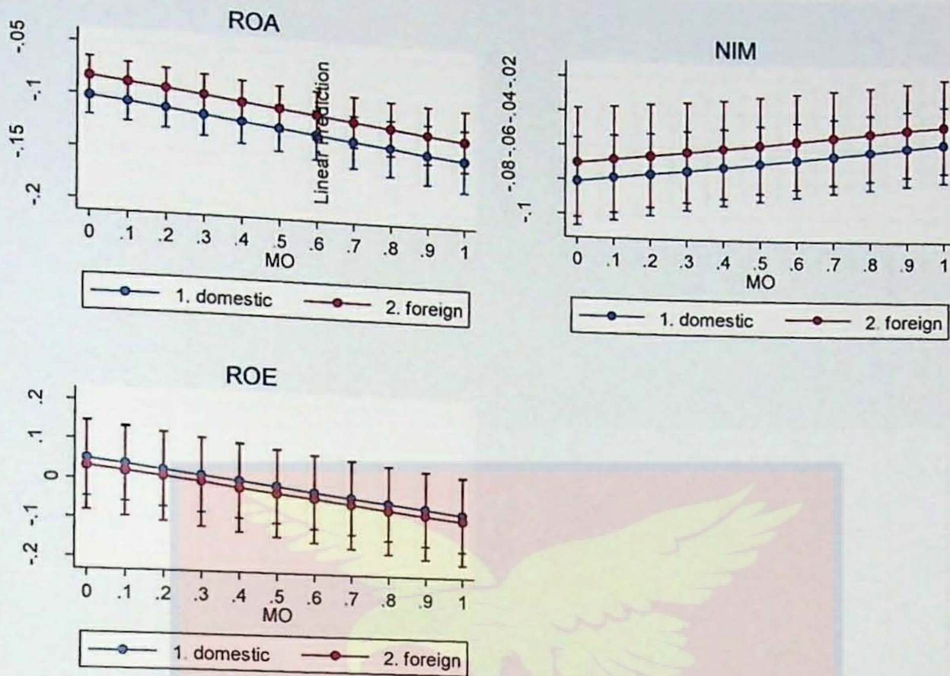

Figure 6: Moderation effect of type of bank on the relationship between managerial ownership and performance. Source: Author's Construct (2022)

Interaction effect of type of bank on the relationship between institutional ownership and ROA

The results of the margins plot indicate that type of bank does not moderate the relationship between institutional ownership and ROA. There is moderating effect of foreign and domestic banks (type of bank) on the relationship between institutional ownership and NIM. It did not also show a significant interaction of type of bank on the relationship between institutional ownership and ROE hence does not moderate the relationship. The delta method -Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level

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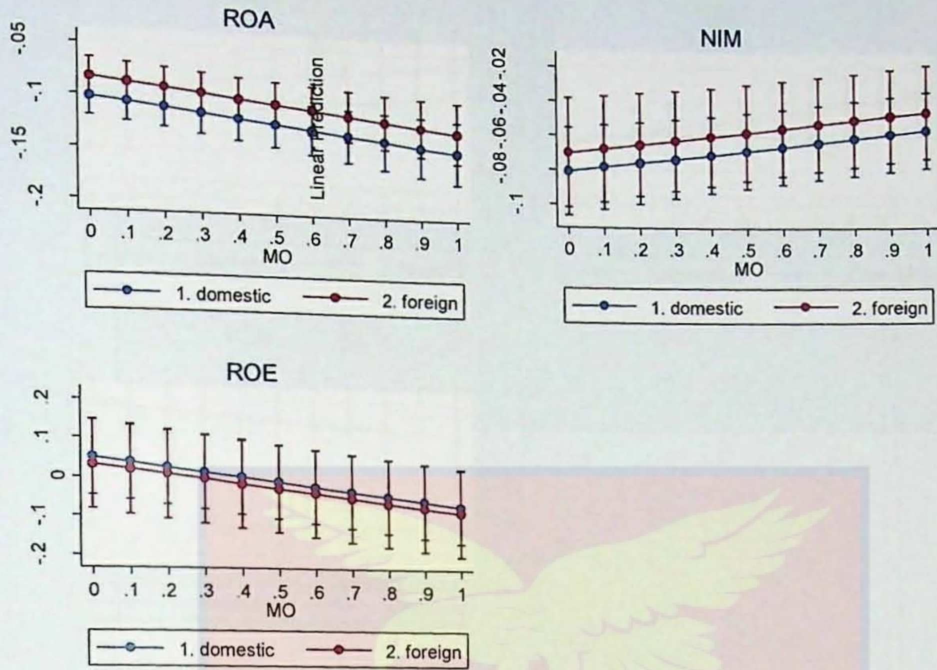

Figure 7: Moderation effect of type of bank on the relationship between institutional ownership and performance. Source: Author's Construct (2022).

Interaction effect of type of bank on the relationship between ownership concentration and ROA

Figure 8 depicts the moderating effect of foreign and domestic banks on the relationship between ownership concentration and ROA. It moderates the relationship between type of bank and ROA. Type of bank also moderates the relationship between ownership concentration and NIM. Type of bank is not a predictor hence does not moderate the relationship between ownership concentration and ROE. The delta method -Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level

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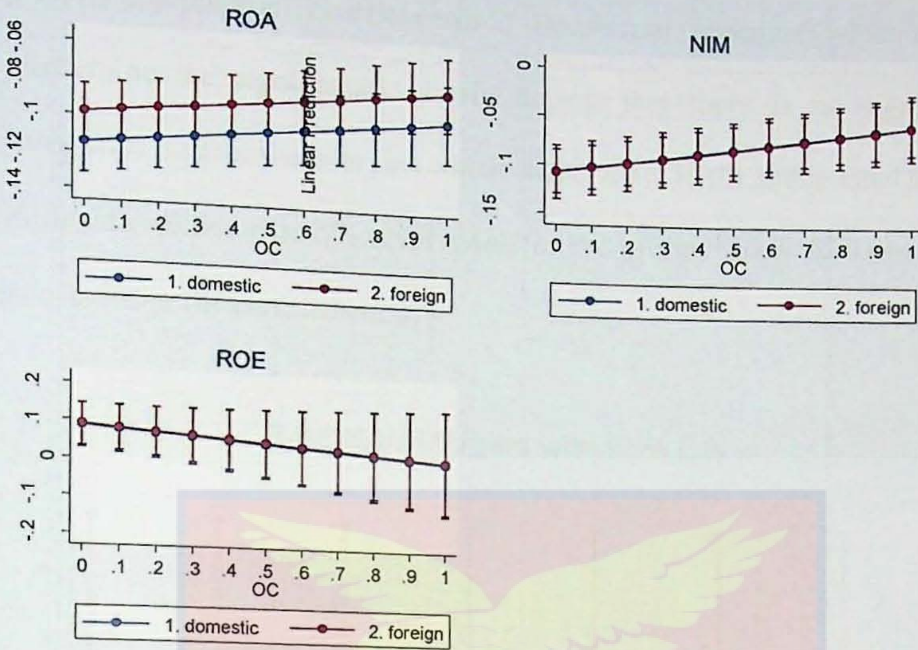

Figure 8: Moderation effect of type of bank on the relationship between ownership concentration and performance. Source: Author's Construct (2022).

Moderation effect of type of bank on the relationship between corporate governance and regulatory compliance

The fourth objective of this study is presented and discussed in this section. The moderating impact of type of bank on the relationship between corporate governance and regulatory compliance of banks in Sub Saharan Africa.

Interaction effect of type of bank on the relationship between board size on regulatory compliance

The moderation impact of type of bank (domestic or foreign) on the relationship between board size and regulatory compliance is presented in figure 9. The interaction impact of type of bank on the relationship between board size and regulatory compliance was insignificant. This implies that domestic and foreign bank does not moderate the relationship between board size and

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regulatory compliance. The delta method -Bonferroni (appendix) which is used to determine the significance clearly depicts that there is no significant relationship. It states that margins which shares letter in the group label are not significantly different at 5% level. Most of the groups share the same letter hence its insignificant interaction.

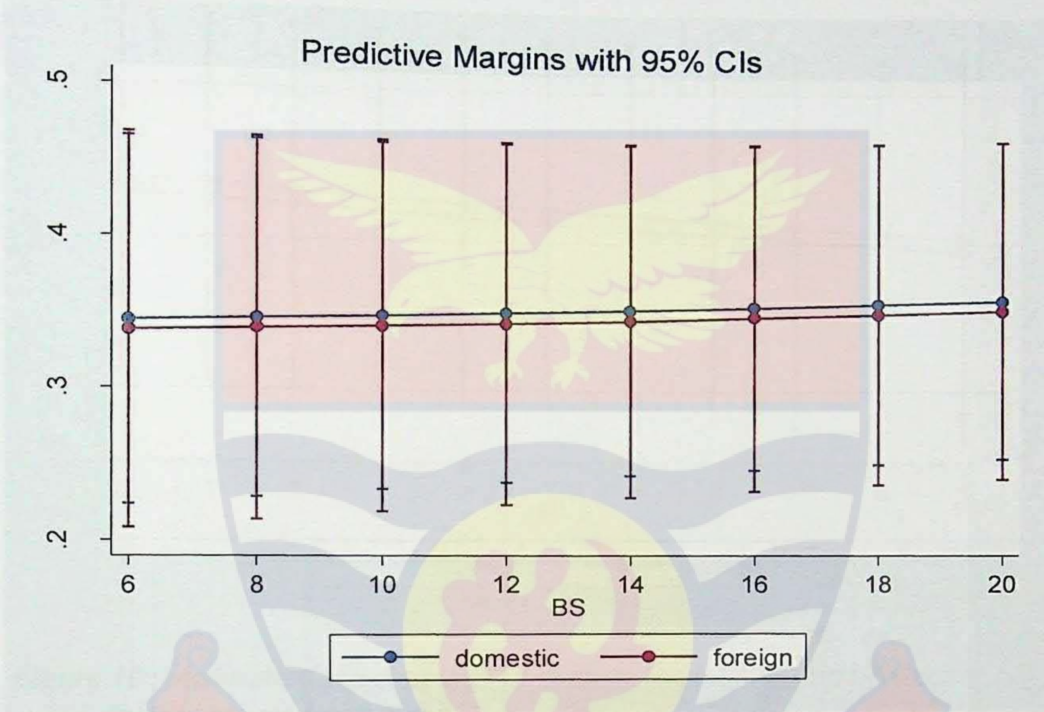

Figure 9: Moderation effect of type of bank on the relationship between board size and RC. Source: Author's Construct (2022).

Moderation effect of type of bank on the relationship between board independence on regulatory compliance

This section presents the interaction effect of type of bank on the relationship between board independence and regulatory compliance. From the figure 10, type of bank which are domestic or foreign interact positively with the relationship between board size and ROA. The interaction effect of type of bank on the relationship between board size and regulatory compliance was insignificant hence does not moderate the relationship the delta method -

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Bonferroni (appendix) which is used to determine the significance clearly depicts that there is no significant relationship. It states that margins which shares letter in the group label are not significantly different at 5% level. Most of the groups share the same letter hence its insignificant interaction.

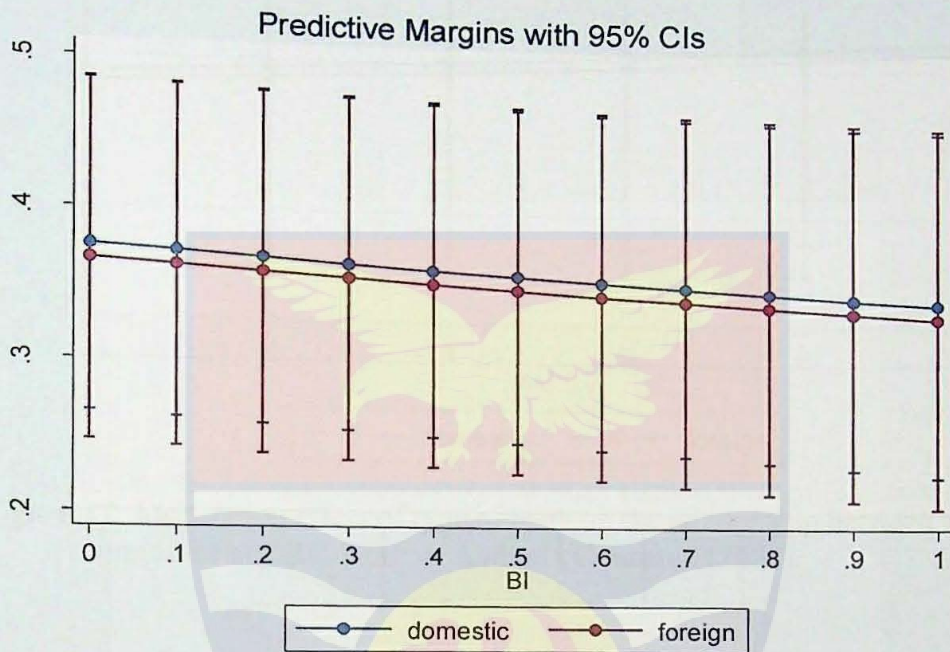

Figure 10: Moderation effect of type of bank on the relationship between board independence and RC.
Source: Author's Construct (2022)

Moderation effect of type of bank on the relationship between audit committee on regulatory compliance

Figure 11 below depicts the moderating effect of type of bank on the relationship between audit committee and RC. Type of bank insignificantly interact the relationship between audit committee and regulatory compliance. This implies that type of bank is not a predictor or does not moderate the relationship. This is validated by the output of the delta method -Bonferroni (appendix). Most of margins in the group share the same letters hence depict the insignificant interaction.

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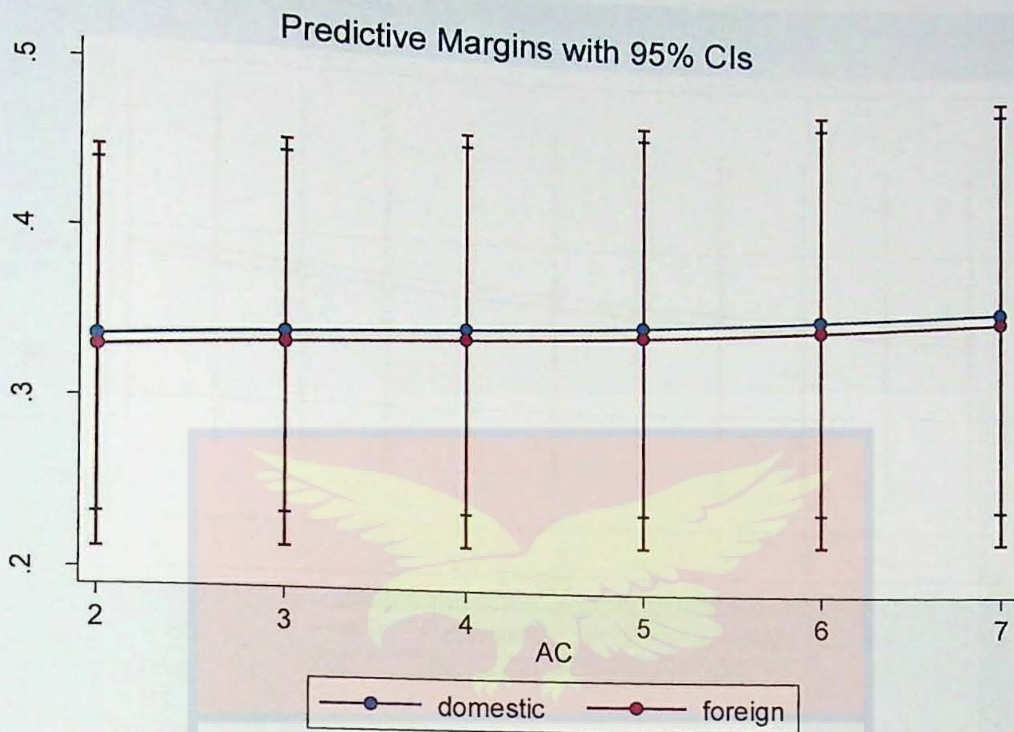

Figure 11: Moderation effect of type of bank on the relationship between audit committee and RC. Source: Author's Construct (2022).

Moderation effect of type of bank on the relationship between board diversity on regulatory compliance

The moderating effect of type of bank on the relationship between board diversity and RC is depicted in figure 12 below. Type of bank was not a predictor of relationship between board diversity and regulatory compliance. This means that type of bank does not moderate the relationship. This is validated by the output of the delta method -Bonferroni (appendix). Most of margins in the group share the same letters hence depict the insignificant interaction.

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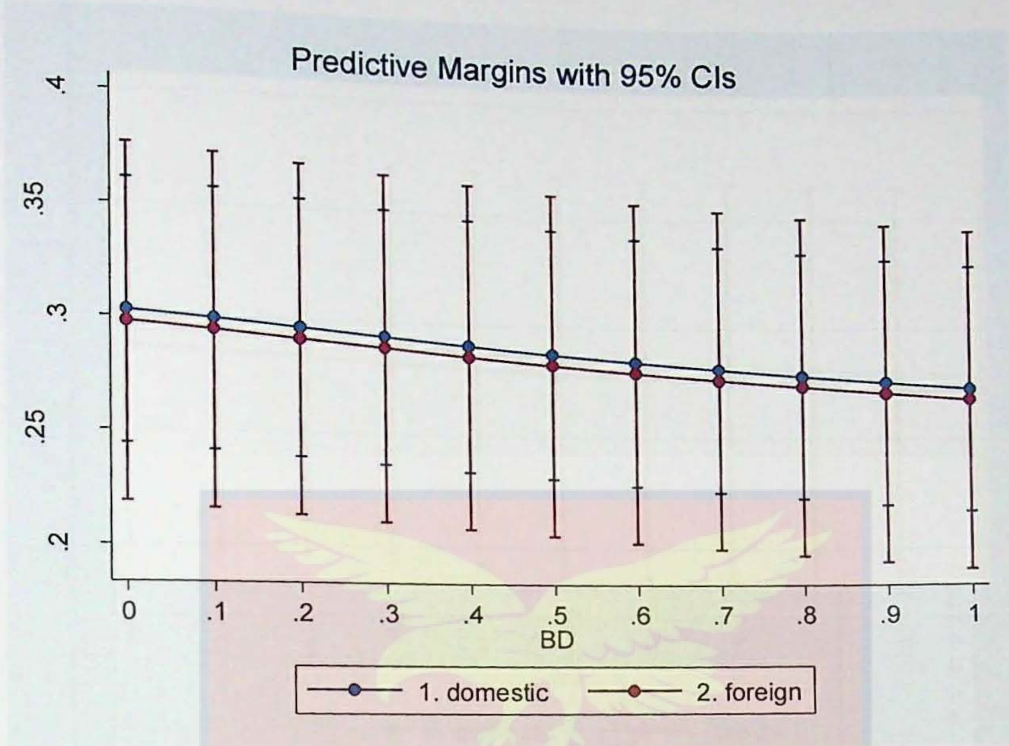

Figure 12: Moderation effect of type of bank on the relationship between board diversity and RC. Source: Author's Construct (2022).

Moderation effect of type of bank on the relationship between managerial ownership on regulatory compliance

The moderating effect of type of bank on the relationship between managerial ownership and RC is demonstrated in figure 12. The moderating effect of type of bank does not moderate the relationship between managerial ownership and RC. This implies that type of bank is not a predictor in explaining the relationship between managerial ownership and RC. The delta method - Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level.

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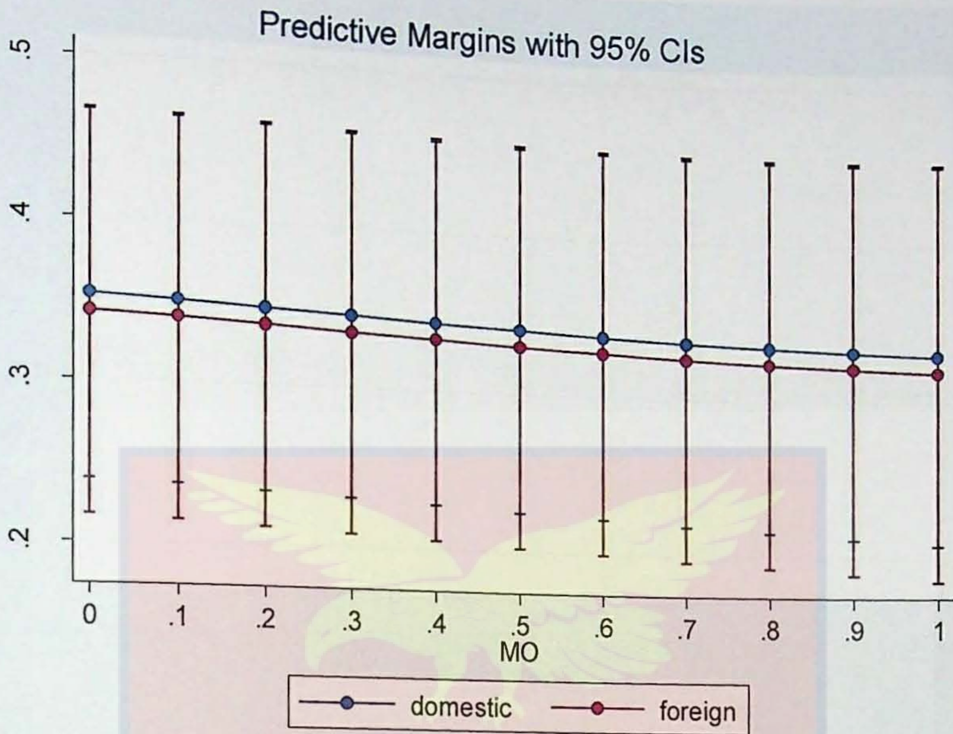

Figure 13: Moderation effect of type of bank on the relationship between managerial ownership and RC. Source: Author's Construct (2022).

Moderation effect of type of bank on the relationship between institutional ownership on regulatory compliance

figure 14 below showed the moderating effect of type of bank on the relationship between institutional ownership and RC. The moderating effect of type of bank significantly moderates the relationship between institutional ownership and RC. The relationship is also positive. They outcome of the Delta Method Boferroni (Appendix) is used to measure the significance of the margins plot.

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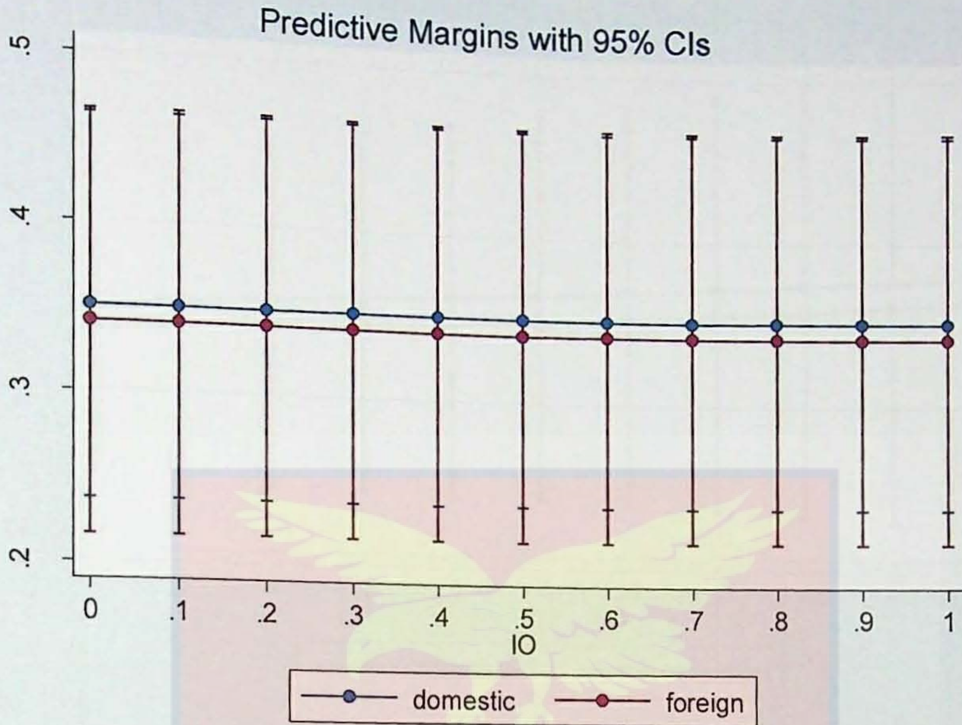

Figure 14: Moderation effect of type of bank on the relationship between institutional ownership and RC. Source: Author's Construct (2021)

Moderation effect of type of bank on the relationship between ownership concentration on regulatory compliance

Figure 15 showed the moderating effect of domestic and foreign banks on the relationship between ownership concentration and RC. The moderating effect of type of bank insignificantly moderates the relationship between ownership concentration and RC. Domestic banks in Sub Saharan Africa performed better than foreign banks. The delta method -Bonferroni (appendix) is used to determine the significance or otherwise of the margins plot. It states that margins which shares letter in the group label are not significantly different at 5% level.

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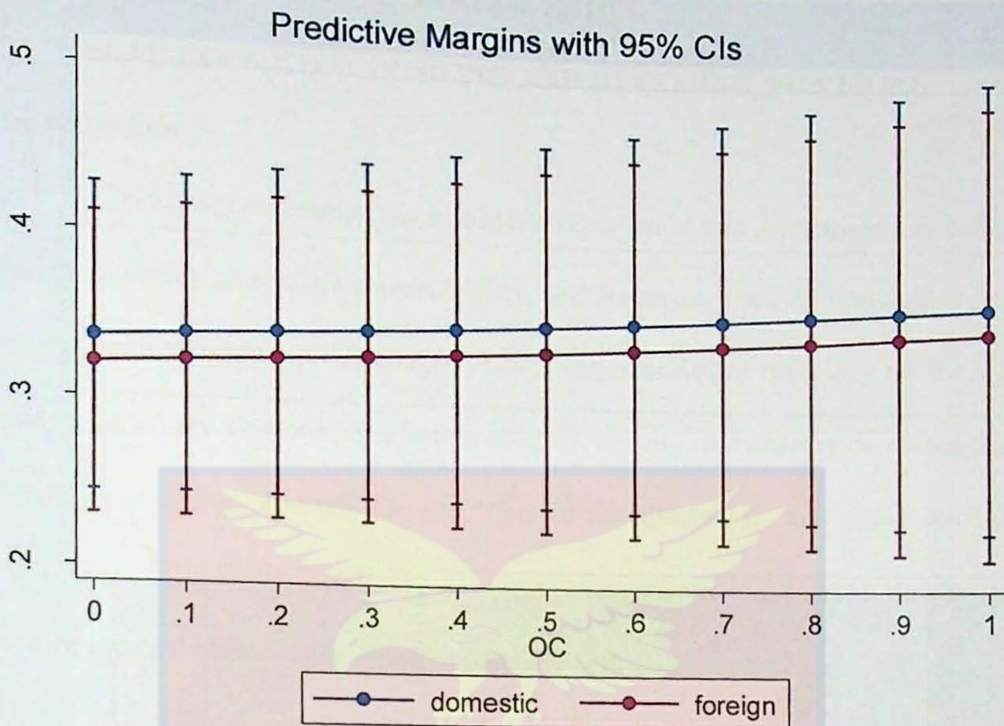

Figure 15: Moderation effect of type of bank on the relationship between ownership concentration and RC. Source: Author's Construct (2021)

Chapter summary

This chapter focused on the moderation effect of foreign and domestic banks on the relationship between corporate governance and performance of banks as well as corporate governance and regulatory compliance. Type of bank significantly moderated with the effect of corporate governance and performance of banks. Type of bank did not significantly moderate the effect of corporate governance and regulatory compliance.

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CHAPTER EIGHT

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary, conclusion and recommendation for practice, policy and future research. First and foremost, the key findings of the study are highlighted in this chapter. Some implications of the study for theory and research are also provided in this chapter. Finally, the chapter discusses the limitations of the research. On the basis of the limitations and some critical outcome of the study, a number of suggestions are made for the purposes of future inquiry where other research can focus on.

Summary

Examining the effect of corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa was the primary objective of this study. To address this objective, four objectives were established. Board size, board independence, audit committee, board diversity, managerial ownership, institutional ownership, and ownership concentration were the corporate governance variables. Two control variables were also used. They were financial leverage and firm size. Three performance indicators were employed in this work. They were return on asset, net interest income and return on equity. A compliance index based on the corporate governance codes or guidelines derived from the OECD was used as a benchmark or compliance index for the regulatory compliance. This was compiled from the annual report of the banks and comprehensively analyzed. Type of bank which were domestic or foreign was used as moderators to interact the relationships between corporate governance and performance as well as regulatory compliance.

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Five countries were selected for the study. These countries were Ghana, Kenya, Nigeria, Botswana and Malawi. The data for the study constituted fourty one banks which were listed on the stock exchange of the five countries. The period for the data span from 2011 to 2020. The Generalised Method of Moment was employed as the estimation technique for the analyses of the data.

Key Findings of the Study

The effect of corporate governance on performance of banks in Sub Saharan Africa was the first objective of the study

1. It was deduced first and foremost, that the board characteristics of corporate governance with much emphasis to board size, board independence, audit committee and board diversity were all predictors of performance of banks using return on asset, net interest margin and return on equity as performance indicators. With respect to the ownership characteristics, managerial ownership and concentrated ownership were all predictors of return on asset. Institutional ownership was, however, not a predictor of return on asset. Institutional investors and ownership concentration were all predictors of net interest income. Managerial ownership was also not a predictor of net interest margin and finally managerial ownership was a predictor of return on equity.
2. The second objective was to establish the effect of corporate governance on regulatory performance. (Board size, board independence, audit committee and board diversity) which constitute the board characteristics were all predictors of regulatory compliance. With respect to ownership characteristics, managerial ownership was the only

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predictor. Both institutional ownership and ownership concentration were not predictors of regulatory compliance.

3. The third objective was to examine the effect of type of bank (domestic and foreign) on the relationship between corporate governance and performance. Though the findings were mixed results, it was clearly established that foreign banks significantly moderate the relationship between corporate governance and performance (ROA) of banks than the domestic banks.
4. The final objective was to establish the effect of type of bank (domestic and foreign) on the relationship between corporate governance and regulatory compliance. As far as the moderation effect of type of bank on the relationship between corporate governance and regulatory compliance is concerned, only institutional ownership was significant.

Implication of the Research to Practice

The findings of this study present several important implications for management of organisations based on the findings of the study. The study proposes some implications for management in handling corporate governance and its related issues. These implications are mainly based on the findings of the study.

From the results of the descriptive statistics, it can be inferred that return on asset, net interest margin and return on equity recorded 3% and 6% 16.87 respectfully. Most of the banks really complied to the regulation with mean value of 89.9%. The average board size was 10.72 which was relatively high. Board independence was very impressive. It means that in practice, the presence of independent directors is to check and ensure that the right decisions are taken

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protect the shareholders, they are sometimes at variance with the executive directors who seem to know and have all information about the firms. The outcome of the size of audit committee size predicts the performance of banks. From the result, increasing the number of audit members would not amount to any significant profitability. Tactically and practically, it is instructive to keep a relative low number by relying on directors who are competent and having the requisite knowledge and expertise.

Women representation on boards should be encouraged because they influence performance. This logic holds when board is measured with return on asset as a performance indicator. The logic of women representation on boards was defeated when the performance indicator was measured with return on equity and net interest. Having more women on board will negatively affect the performance of banks. With respect to managerial ownership, the fact that directors' own shares in a bank does not necessarily mean it will translate into profitability. The quantum of shares held by directors and managers of the banks matter. The same narrative is true with institutional ownership. Banks are encouraged to have ownership concentration because it leads to or influences performance.

Board size is also a predictor of regulatory compliance. The findings showed that large board size enhances regulatory compliance. They will conform to corporate governance codes and guidelines. Independent directors are also a predictor of regulatory compliance. The banks should have less of them as for as regulatory compliance is concerned. Once the size of audit committee increases, regulatory compliance is enhanced. Directors should hold less shares in the company for regulatory compliance to be enhanced.

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as well as adhering to the necessary disclosures for the purposes of protecting the minority shareholders. The average number of audit committee members is also manageable. It had a mean mark of 4.4.

The mean value for board diversity depicts women are less represented on boards. In fact, there are quite a number of banks who didn't have any woman been represented on their boards during the period of this study. Directors and managers owning shares of the bank was quite unimpressive. Managerial ownership was very low. Most of the shares were owned by institutions. They constitute the highest shareholdings. Concentrated ownership was also impressive.

There is an inverse relationship between size of a board and performance as it was revealed in the result. Both return on asset and net interest margin were consistent with the result. Practically, the outcome shows that maintaining a large sized board is detrimental to the performance of banks. The negative outcome implies that keeping a large sized board will be unproductive. This implies that as more directors get appointed to the boards of the firm, decision making may prolong because of divergent views which in the long run may negatively have an impact on the performance of banks. Considering the remunerations and allowances for each of the board of directors, it is prudent to have less of them so that the resources of the firms can be put in good use. With respect to return on equity, board size had significant and positive impact. The result was at variance with ROA and NIM.

The study results indicated that board independence was a predictor of performance but resulted in a negative relationship. Independent directors are most of the time unare of the strength and weakness of the firms. In their bid to

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Institutional shareholders and ownership concentration do not have effect on regulatory compliance.

A moderating variable can contribute to the strength and form of a relation between two variables. The effect between corporate governance on regulatory compliance was moderated with type of bank (domestic and foreign) however, type of bank significantly interacted with only one variable which happens to be institutional ownership.

Implications of the Study to Policy

This research put forward a number of issues policymakers, regulators and stakeholders must address to promote and sustain corporate governance and its related issues. First of all, policy makers should ensure that board size of a firm are kept at the minimum number to protect the resources of the firm. It will also address the problem of free riders. In other to properly address this issue, competent and well qualified people should be considered for appointment to the board of directors. This will lead to efficiency and the scarce resources of the banks will be put in good use. Shareholders should have the confidence to terminate the contract of any director who is under performing.

Secondly, for the boards to succeed, stakeholders should ensure that there is cooperation between independent directors and executive directors. They should disclose all material information to them to make their work easier. The views and contributions of the independent directors should be considered in order to build a strong and formidable institutions. Without the cooperation of executive directors, the presence of independent directors will be a disservice to the banks.

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Another important policy related issue is that the government through their central banks as regulators should ensure that directors who are appointed to the board are duly qualified. They should go beyond the certificate they possess and take into consideration their track record and their achievement in the corporate world.

A mandatory code of corporate governance should be adopted at the national level. However, the regulators should engage broader stakeholders in drafting these codes. The regulators should be monitoring these banks and try to establish why some banks deviate from these regulatory compliances. Through that engagement, they can revise the codes of corporate governance from time to time so that it becomes friendly and working document for all the banks.

Finally, board of directors should be made to face the full rigors of the law if they fail to live up to expectation. Innocent shareholders shouldn't lose their investments because of the actions and inactions of board of directors. They should be accountable to the shareholders of the banks.

Contribution to theory

As part of contribution to the agency theory, corporate governance is expected to result in increased performance of banks; however, the agent, by virtue of his activities, tends to maximize the economic objectives of the at the expense of the principal. Corporation owners bear the consequences of actions taken by managers. The agent may not always act in the interest of the principal even when both parties want to maximize the benefit which consequently will impede the performance of the corporation.

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Recommendations

This study shows that addressing issues with respect to corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa is indispensable for financial stability and growth in the Sub Region. Transparency and accountability are ensured when directors are appointed through due process, which promotes sound corporate governance. Local investors are also needed to enforce corporate governance by expressing their own views and exercising their voting rights. The size of a board should not be large because of the cost associated with it. The caveat should be competence and efficiency.

1. Independent directors should be given the needed support by the executive directors in order to discharge their duties professionally. All necessary information should be disclosed to them. They should not be compromised.
2. Shareholders with large shareholdings are able to protect their shareholdings through the monitoring role. Collectively, they are able to monitor the managers of the banks so that best decisions and policies are implanted. Truth is, if the banks should collapse, they are going to lose significant proportion of their investment so they always make sure that the right decisions are taken
3. Managerial ownership in this current study is abysmal. When managers have substantial shareholdings in a bank, they are very circumspect with the decisions that they take and the reverse is true. Since their shareholding is woefully inadequate, it will have negative effect on profitability as the current study depicts

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4. With respect to compliance of the banks, keeping a large board will be beneficial to the banks. They see to it that all codes, rules, standard practice established by the regulators are adhered to
5. The regulators too should from time to time modify and update the corporate governance to meet the current trend of business. They should engage the banks in formulating and drafting these codes so that the views of the banks are taken into consideration

Contribution to Knowledge

Sub-Saharan Africa was examined with respect to corporate governance, regulatory compliance, and performance. The results or findings contribute to the study in quite a number of ways. To begin with, the study had to go by the rules of corporate governance as set forth by the Organisation for Economic Co-operation and Development (OECD). In addition to being a public policy instrument, the Principles of Corporate Governance are intended to help governments and regulators assess and improve their legal, regulatory, and institutional framework for corporate governance.

Corporate governance regulations based on this standard are considered to be benchmarks internationally. Countries have developed their own codes based on OECD guidelines. The study evaluated the annual report of the various banks based on best international practices in order get a benchmark that will serve as a common regulation for all the country under study. Secondly, the study introduced an interacting variable, type of banks (domestic or foreign) to establish its relationship with both performance and regulatory to ascertain whether there is interaction effect. The study has contributed to knowledge that

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type of bank has an interaction effect on the relationship between corporate governance and performance (ROA).

It is remarkable to note that all almost all the independent variables used in this study had the same result with return on asset, net interest income and return on equity. With the exception of board diversity that both ROA and NIM had different result which are inconclusive, all the results were the same for both ROA and NIM. This, to some extent gives some validation to the research findings.

Finally, regression results are normally presented in a table format which makes hard for interpreting effect of interaction. With the help of margins and margins plot, one is able do multiple comparison of result with interaction. It also visualizes the result in a simple manner.

Conclusions of the Study

With respect to corporate governance, this study found that bank performance relating to return on assets depends on the size, independence, diversity, and ownership of boards of directors. The net interest income performance of banks is also affected by their board size, their independence, their audit committee, their diversity and their managerial, institutional and concentration ownership. Almost all the corporate governance variables used with ROA, NIM and ROE as performance indicators were predictors or significant.

It is instructive to conclude that banks should be circumspect with size of board of directors of firms or banks. Though it a predictor of performance, it is inversely related. Having large board size reduces performances because of the cost associated with the payment of remuneration and other allowances of

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these board members. To reverse this trend, it is imperative that banks maintain small number of board size to protect the scarce resources of shareholders. To deal with this issue substantively, highly skilled professional with good track record should be brought on board to steer the affairs of the banks. It is not just about numbers in terms of quantity, but it about the quality of the work that will be executed those matters. The few ones that will be hired should be well motivated so that they will discharge their duties professionally.

Representation of women on boards still remains inconclusive. Though it's a predictor of ROA, NIM and ROE, it has a positive relationship with ROA and a negative relationship with NIM and ROE. Large number of women on boards influence performance with ROA. They contribute in their own small way to enhance profitability. Arguing from that perspective, one can conclude that banks should endeavour to increase the number of women on their board. The reverse is true when board which constitute the women representation is measured with NIM and ROE. Large number of women reduces the profitability of banks. Banks should rather maintain a small number of women on the boards in order to enhance profitability.

Shareholders who have more than 5% of shares of the total shareholdings of banks (ownership concentration) have positive and significant effect on performance. Banks are therefore encouraged to have more shareholders in that category in other to increase profitability. Collectively, these shareholders are able to monitor the activities of the board of directors so that appropriate checks and balances are adhered to. Ownership structure was however not significant with ROE.

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Audit committee members also predict performance of banks. It should, however, correlates with a small number. Large audit committee is a disincentive to the banks. Qualified and professional ones should be appointed to assist in the internal audit of the banks.

In terms of regulatory compliance, it can be concluded that large board size will enhance compliance. The board will use their large size to monitor the activities of the banks to ensure that all regulations in terms of compliance established by the regulator are adhered to. Large audit committee facilitate regulatory compliance. They make sure all accounting standards and best international practices are conformed to and this has a positive impact on regulatory compliance.

With the help of margins plot which was used for the purposes of moderation, it was concluded that domestic and foreign banks significantly moderate significantly with return on asset. With the exception of institutional ownership, it did not significantly moderate the relationship between corporate governance and regulatory compliance.

Suggestions for further research

The following suggestions may be beneficial for future research on corporate governance, regulatory compliance and performance of banks in Sub Saharan Africa. First, future research or study should consider a mixed method approach in order to give meaning to the quantitative result. In fact, future research should involve the directors of the company as well as the regulators as well. That will lead to a broader view and perspective to the study.

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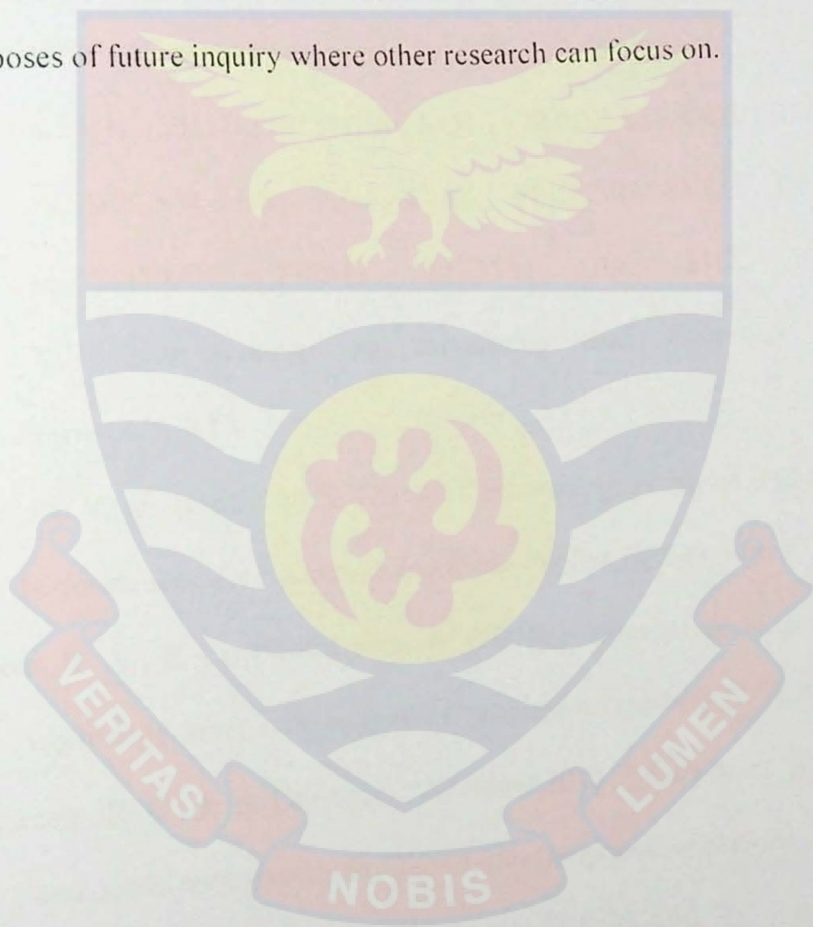
Chapter summary

This chapter focused on the summary, conclusion and recommendation for practice, policy and future research as well as contribution to theory. The key findings of the study were discussed in this chapter. Some implications of the study for theory and research were also provided in this chapter. Finally, the chapter outlined the limitations of the research. On the basis of the limitations and some critical outcome of the study, a number of suggestions were made for the purposes of future inquiry where other research can focus on.



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APPENDICES

1. OECD Checklist on corporate governance guidelines and principles

ITEMS ITEMS	TOTAL NUMER OF DISCLOSED ITEM	ITEMS DISCLOSED BY BANK	COMPLIANCE %
THE RIGHT OF SHAREHOLDERS			
1. participate and vote in during general shareholder meetings 2. Sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting should be furnished to the shareholder 3. Shareholders should be able to vote in person or in absentia 4. Shareholders should have his or her share in the profits of the corporation. 5. There should be opportunity provided for shareholders to ask questions of the board and to place items on the agenda at general meetings, subject to reasonable limitations			
THE EQUITABLE TREATMENT OF SHAREHOLDERS			
6. Abusive self-dealing and insider trading should be forbidden 7. Board members and managers should be required to disclose any material interests in transactions. 8. Opportunity should be given to all shareholders to obtain effective redress for violation of their rights 9. Shareholders of the same class should be treated equally 10. Procedures and processes for general shareholder meetings should permit for equitable treatment of all shareholders			
THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE			
11. The corporate governance mechanism should assure that the rights of stakeholders are protected by law are respected 12. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights. 13. The corporate governance framework should allow performance-enhancing mechanisms for participation of stakeholder 14. Where stakeholders participate in the corporate governance process, they should have access to relevant information			

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15. When committees of the board are established, their mandate, composition and working procedures should be well disclosed and defined and by the board.			
16. Whether the chairman is a non-executive director?			
17. The experience of the board members should be disclosed in the annual report			
DISCLOSURE AND TRANSPARENCY			
18. Objectives of the company should be well stated			
19. Board members and key executives and their remuneration should be disclosed			
20. Major share ownership			
21. Accounting Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit			
22. The structure of governance and policies			
23. The operating and financial results of the company should be disclosed			
THE RESPONSIBILITIES OF THE BOARD			
24. The board should comply with applicable law and take into consideration the interests of stakeholders.			
25. Managing and monitoring potential conflicts of interest of board members, management, and shareholders, including misapplication of firm's assets and abuse in related party transactions			
26. Boards should assign a sufficient number of independent directors capable of exercising independent judgement			
27. Whether the annual report include a separate report on corporate governance			
28. Do the company institute policies that take into consideration the safety and welfare of employees?			
29. Do policies of the company take into consideration the environment?			
30. Whether the secretary of the company is trained in legal. accountancy or company secretarial practices			

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2. DESCRIPTIVE STATISTICS

Date: 01/21/22 Time:12:00

Sample: 2011 2020

	ROA	NIM	ROE	RC	BS	BI	AC	BD	MO	IO	OC	LV	FS
Mean	0.036752	0.060650	0.168723	0.899561	10.72195	0.700575	4.400000	0.214579	0.030572	0.749809	0.627405	0.736932	396.2988
Median	0.027350	0.061800	0.155250	0.912300	10.00000	0.727200	4.000000	0.210500	0.002100	0.772300	0.678200	0.834900	16.32300
Maximum	0.328900	0.418800	0.988900	0.985600	19.00000	0.923100	7.000000	0.923100	0.327600	0.999000	0.978000	0.994700	155774.0
Minimum	-0.065600	0.000000	0.000200	0.433200	5.000000	0.033300	2.000000	0.000000	0.000000	0.318300	0.000000	0.001200	10.03740
Std. Dev.	0.043679	0.040086	0.137241	0.062499	2.804250	0.139249	1.172630	0.138555	0.061220	0.165059	0.234109	0.268931	7692.320
Skewness	3.334797	2.562861	2.096345	-1.773158	0.953528	-1.300365	0.386954	1.280507	2.402472	-0.756342	-0.794408	-2.046221	20.17430
Kurtosis	16.64298	21.57857	11.58963	10.53481	3.739368	5.484873	2.123010	7.443851	8.186068	2.985140	2.953961	5.592710	408.0023
Jarque-Bera	3939.663	6345.371	1560.740	1184.723	71.46865	221.0309	23.37080	449.4044	853.8726	39.09410	43.16023	400.9497	2829937.
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000008	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	15.06836	24.86635	69.17660	368.8200	4396.000	287.2357	1804.000	87.97730	12.53466	307.4218	257.2362	302.1421	162482.5
Sum Sq. Dev.	0.780328	0.657214	7.703547	1.597597	3216.302	7.930674	562.4000	7.851793	1.532878	11.14293	22.41608	29.58053	2.42E+10
Observations	410	410	410	410	410	410	410	410	410	410	410	410	410

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3. REGRESSION WITH ROA AS DEPENDENT VARIABLE

Dependent Variable: ROA

Method: Panel Generalized Method of Moments

Transformation: First Differences

Date: 12/09/21 Time: 07:49

Sample (adjusted): 2013 2020

Periods included: 8

Cross-sections included: 41

Total panel (balanced) observations: 328

White period instrument weighting matrix

White period standard errors & covariance (d.f. corrected)

Instrument specification: @DYN(ROA,-2) BS(-1) BI(-1) AC(-1) BD (-1) MO(-1)

IO(-1) OC(-1) LV(-1) FS (-1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA(-1)	-0.112609	0.012341	-9.125089	0.0000
BS	-0.008379	0.001595	-5.252804	0.0000
BI	-0.050903	0.013031	-3.906343	0.0001
AC	-0.008003	0.001033	-7.744636	0.0000
BD	0.022319	0.005279	4.227865	0.0000
MO	-0.182478	0.068396	-2.667972	0.0080
IO	-0.000263	0.000396	-0.665255	0.5064
OC	0.335654	0.037718	8.898980	0.0000
LV	-0.110274	0.003210	-34.35177	0.0000
FS	2.33E-07	2.89E-07	0.806145	0.4208

Effects Specification

Cross-section fixed (first differences)

Mean dependent var	-0.001456	S.D. dependent var	0.056618

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S.E. of regression	0.057170	Sum squared resid	1.039365
J-statistic	29.20598	Instrument rank	41
Prob(J-statistic)	0.558507		

Arellano-Bond Serial Correlation Test

Equation: Untitled

Date: 12/09/21 Time: 08:06

Sample: 2011 2020

Included observations: 328

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	-0.607144	-0.343191	0.565254	0.5438
AR(2)	-1.758837	-0.116529	0.066254	0.0786

4. REGRESSION WITH NIM AS DEPENDENT VARIABLE

Dependent Variable: NIM

Method: Panel Generalized Method of Moments

Transformation: First Differences

Date: 12/05/21 Time: 15:49

Sample (adjusted): 2013 2020

Periods included: 8

Cross-sections included: 41

Total panel (balanced) observations: 328

White period instrument weighting matrix

White period standard errors & covariance (d.f. corrected)

Instrument specification: @DYN(NIM,-2) BS(-1) BI(-1) AC(-1) BD(-1) MO(-1)

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IO(-1) OC(-1) LV(-1) FS(-1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NIM(-1)	-0.018662	0.006157	-3.031048	0.0026
BS	-0.002635	0.000739	-3.564633	0.0004
BI	-0.140731	0.007086	-19.86043	0.0000
AC	-0.007633	0.001325	-5.762140	0.0000
BD	-0.035413	0.012139	-2.917196	0.0038
MO	-0.001094	0.060587	-0.018064	0.9856
IO	-0.000445	0.000149	-2.992892	0.0030
OC	0.148313	0.015966	9.289296	0.0000
LV	0.042336	0.004074	10.39071	0.0000
FS	4.38E-07	3.00E-07	1.460039	0.1453

Effects Specification

Cross-section fixed (first differences)

Mean dependent var	-0.002646	S.D. dependent var	0.046606
S.E. of regression	0.046893	Sum squared resid	0.699273
J-statistic	27.30722	Instrument rank	41
Prob(J-statistic)	0.656657		

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Arellano-Bond Serial Correlation Test

Equation: Untitled

Date: 12/05/21 Time: 16:07

Sample: 2011 2020

Included observations: 328

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	-8.467680	-0.314004	0.037083	0.0000
AR(2)	-0.357612	-0.027901	0.078020	0.7206

5. REGRESSION WITH ROE AS DEPENDENT VARIABLE

Dependent Variable: ROE

Method: Panel Generalized Method of Moments

Transformation: First Differences

Date: 12/29/21 Time: 03:01

Sample (adjusted): 2013 2020

Periods included: 8

Cross-sections included: 41

Total panel (balanced) observations: 328

White period instrument weighting matrix

White period standard errors & covariance (d.f. corrected)

Instrument specification: @DYN(ROE,-2) BS(-1) BI(-1) AC(-1) BD(-1) MO(-1)

IO(-1) OC(-1) LV(-1) FS(-1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROE(-1)	0.398512	0.022476	17.73031	0.0000
BS	0.013784	0.005028	2.741335	0.0065
BI	-0.202430	0.044519	-4.547060	0.0000
AC	-0.052073	0.009846	-5.288959	0.0000
BD	-0.195895	0.041540	-4.715788	0.0000
MO	-0.575198	0.246214	-2.336175	0.0201
IO	-0.002293	0.002646	-0.866605	0.3868
OC	-0.311503	0.163556	-1.904569	0.0577
LV	0.039673	0.036464	1.088009	0.2774
FS	2.63E-07	3.39E-06	0.077670	0.9381

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Effects Specification			
Cross-section fixed (first differences)			
Mean dependent var	-0.011761	S.D. dependent var	0.129426
S.E. of regression	0.172966	Sum squared resid	9.513631
J-statistic	29.76000	Instrument rank	41
Prob(J-statistic)	0.529715		

Arellano-Bond Serial Correlation Test

Equation: Untitled

Date: 12/29/21 Time: 03:02

Sample: 2011 2020

Included observations: 328

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	-1.977775	-4.471098	2.260671	0.0480
AR(2)	0.320873	0.362165	1.128687	0.7483

6. REGRESSION WITH RC AS DEPENDENT VARIABLE

Dependent Variable: RC

Method: Panel Generalized Method of Moments

Transformation: First Differences

Date: 12/09/21 Time: 07:32

Sample (adjusted): 2013 2020

Periods included: 8

Cross-sections included: 41

Total panel (balanced) observations: 328

White period instrument weighting matrix

White period standard errors & covariance (d.f. corrected)

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Instrument specification: @DYN(RC,-2) BS(-1) BI(-1) AC(-1) BD(-1) MO(-1)

IO(-1) OC(-1) LV(-1) FS(-1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RC(-1)	0.263248	0.040752	6.459686	0.0000
BS	0.006711	0.003308	2.029127	0.0433
BI	-0.061326	0.024401	-2.513227	0.0125
AC	0.012760	0.003423	3.727897	0.0002
BD	-0.069098	0.024135	-2.862986	0.0045
MO	-0.383622	0.148984	-2.574926	0.0105
IO	0.000268	0.000593	0.450952	0.6523
OC	-0.025833	0.122311	-0.211209	0.8329
LV	0.004475	0.026058	0.171730	0.8638
FS	-2.10E-06	2.03E-06	-1.034496	0.3017

Effects Specification

Cross-section fixed (first differences)

Mean dependent var	-0.005136	S.D. dependent var	0.062680
S.E. of regression	0.074277	Sum squared resid	1.754407
J-statistic	33.45743	Instrument rank	41
Prob(J-statistic)	0.348838		

Arellano-Bond Serial Correlation Test

Equation: Untitled

Date: 12/09/21 Time: 07:34

Sample: 2011 2020

Included observations: 328

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	-0.150683	-0.730189	4.845864	0.8802

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```
AR(2)            0.000922   0.001028   1.114917     0.9993
```

margin, at(bs=(6(2)20)) over(bank_type) pwcompare (group) mcompare(bonferroni) (MODERATION, ROA)

```
--------------------------------------------
             |     Delta-method    Bonferroni
             |  Margin   Std. Err.    Groups
-------------+--------------------------------
_at#bank_type |
1#1. domestic | -.0825007  .0078415     LM
 1#2. foreign | -.0716584  .0087644
2#1. domestic | -.0903182  .0083429     JK
 2#2. foreign | -.0794759  .0091823     M
3#1. domestic | -.0981357  .0088881     HI
 3#2. foreign | -.0872934  .0096485     KL
4#1. domestic | -.1059532  .0094695     FG
 4#2. foreign |  -.095111  .0101564     IJ
5#1. domestic | -.1137707  .0100809     DE
 5#2. foreign | -.1029285  .0106999     GH
6#1. domestic | -.1215882   .010717     BC
 6#2. foreign |  -.110746   .011274     EF
7#1. domestic | -.1294057  .0113738     A
 7#2. foreign | -.1185635  .0118742     CD
8#1. domestic | -.1372232  .0120479
 8#2. foreign |  -.126381  .0124968     AB
----------------------------------------------
```

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

1. NIM (BS) (MODERATION)

```
--------------------------------------------
             |     Delta-method Bonferroni
             |  Margin   Std. Err.    Groups
-------------+--------------------------------
```


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_at#bank_type	Margin	Std. Err.	Groups
1#1. domestic	-.0750522	.0133707	A
1#2. foreign	-.0672958	.0164849	A
2#1. domestic	-.0767724	.0131248	A
2#2. foreign	-.069016	.0162506	A
3#1. domestic	-.0784926	.0129103	A
3#2. foreign	-.0707362	.016042	A
4#1. domestic	-.0802128	.0127288	A
4#2. foreign	-.0724564	.01586	A
5#1. domestic	-.081933	.0125817	A
5#2. foreign	-.0741766	.0157055	A
6#1. domestic	-.0836532	.0124703	A
6#2. foreign	-.0758968	.0155794	A
7#1. domestic	-.0853734	.0123954	A
7#2. foreign	-.077617	.0154823	A
8#1. domestic	-.0870936	.0123579	A
8#2. foreign	-.0793372	.0154149	A

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

7. ROE (BS) (MODERATION)

	Margin	Delta-method Std. Err.	Bonferroni Groups
_at#bank_type			
1#1. domestic	.0200833	.0467129	A IJKLMNO
1#2. foreign	.0179543	.0575865	ABCDEFGH
2#1. domestic	.0288652	.0474388	B
2#2. foreign	.0267361	.0582069	I
3#1. domestic	.037647	.0482587	C
3#2. foreign	.0355179	.0589067	J
4#1. domestic	.0464288	.049168	D

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```
4#2. foreign | .0442998 .0596832 K
5#1. domestic | .0552106 .0501619 E
5#2. foreign | .0530816 .0605335 L
6#1. domestic | .0639924 .0512354 F
6#2. foreign | .0618634 .0614544 M
7#1. domestic | .0727743 .0523835 G
7#2. foreign | .0706452 .0624428 N
8#1. domestic | .0815561 .0536017 H
8#2. foreign | .079427 .0634957 O
-----------------------------------------------------
```

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

2. margin, at(bi=(0(0.1)1)) over(bank_type) pwcompare (group) mcompare(bonferroni) (MODERATION)

```
3.
4.  --------------------------------------------------
5.              |   Delta-method    Bonferroni
6.              |   Margin  Std. Err.    Groups
7.  ------------+-------------------------------------
8.  _at#bank_type |
9.   1#1. domestic | -.0683383  .0080034       M O
10.  1#2. foreign | -.046857  .0081911
11.  2#1. domestic | -.0734522  .0081444      K N
12.  2#2. foreign | -.0519708  .0083107
13.  3#1. domestic | -.0785661  .0083032     I L
14.  3#2. foreign | -.0570847  .0084485
15.  4#1. domestic |  -.08368  .0084789    G J
16.  4#2. foreign | -.0621986  .0086037        O
17.  5#1. domestic | -.0887939  .0086705    E H
18.  5#2. foreign | -.0673125  .0087754       N
19.  6#1. domestic | -.0939078  .0088769   D F
20.  6#2. foreign | -.0724264  .0089625       L
21.  7#1. domestic | -.0990217  .0090972  BC
```


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```
22.  7#2. foreign | -.0775403  .0091642        J M
23.  8#1. domestic | -.1041356  .0093302  A
24.  8#2. foreign | -.0826542  .0093796       H K
25.  9#1. domestic | -.1092495  .0095752
26.  9#2. foreign | -.0877681  .0096076       F I
27. 10#1. domestic | -.1143634  .0098312
28. 10#2. foreign | -.092882  .0098474   C  G
29. 11#1. domestic | -.1194773  .0100974
30. 11#2. foreign | -.0979959  .0100982  AB DE
31. ------------------------------------------------------------
```

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

ROA (BI)

margin, at(bi=(0(0.1)1)) over(bank_type) pwcompare (group) mcompare(bonferroni)

```
------------------------------------------------------
              |        Delta-method    Bonferroni
              |   Margin   Std. Err.      Groups
--------------+---------------------------------------
_at#bank_type |
1#1. domestic | -.0683383  .0080034          M O
 1#2. foreign | -.046857  .0081911
2#1. domestic | -.0734522  .0081444         K N
 2#2. foreign | -.0519708  .0083107
3#1. domestic | -.0785661  .0083032       I  L
 3#2. foreign | -.0570847  .0084485
4#1. domestic |  -.08368  .0084789      G J
 4#2. foreign | -.0621986  .0086037          O
5#1. domestic | -.0887939  .0086705      E H
 5#2. foreign | -.0673125  .0087754         N
6#1. domestic | -.0939078  .0088769     D F
 6#2. foreign | -.0724264  .0089625         L
7#1. domestic | -.0990217  .0090972    BC
```


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```
 7#2. foreign | -.0775403  .0091642       J M
8#1. domestic | -.1041356  .0093302  A
 8#2. foreign | -.0826542  .0093796      H K
9#1. domestic | -.1092495  .0095752
 9#2. foreign | -.0877681  .0096076     F I
10#1. domestic | -.1143634  .0098312
 10#2. foreign | -.092882  .0098474  C G
11#1. domestic | -.1194773  .0100974
 11#2. foreign | -.0979959  .0100982  AB DE
---------------------------------------------------
```

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

NIM (BI) margin, at(mo=(0(0.1)1)) over(bank_type) pwcompare (group) mcompare(bonferroni)

```
-------------------------------------------------------------
               |       Delta-method       Bonferroni
               |   Margin   Std. Err.        Groups
---------------+---------------------------------------------
 _at#bank_type |
1#1. domestic |  .0006353  .0105012              TU
 1#2. foreign |  .0125006  .013613               U
2#1. domestic | -.0108697  .0108018              RS
 2#2. foreign |  .0009956  .0139512              S
3#1. domestic | -.0223747  .0111114             PQ
 3#2. foreign | -.0105094  .0142948             Q T
4#1. domestic | -.0338797  .0114294            NO
 4#2. foreign | -.0220144  .0146434            O R
5#1. domestic | -.0453848  .011755            LM
 5#2. foreign | -.0335194  .0149966           M P
6#1. domestic | -.0568898  .0120876          JK
 6#2. foreign | -.0450244  .0153541          K N
7#1. domestic | -.0683948  .0124267         HI
 7#2. foreign | -.0565294  .0157157         I L
```


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```
8#1. domestic | -.0798998 .0127718     FG
8#2. foreign | -.0680344 .016081       G J
9#1. domestic | -.0914048 .0131223     DE
9#2. foreign | -.0795394 .0164497      E H
10#1. domestic | -.1029098 .0134779    BC
10#2. foreign | -.0910444 .0168218     C F
11#1. domestic | -.1144148 .0138382    A
11#2. foreign | -.1025494 .0171969     AB D
------------------------------------------------------------
Note: Margins sharing a letter in the group label are not
    significantly different at the 5% level.
```

ROE (BI) margin, at(mo=(0(0.1)1)) over(bank_type) pwcompare (group) mcompare(bonferroni)

```
|          Delta-method Bonferroni
           |  Margin  Std. Err.    Groups
---------------+----------------------------------
 _at#bank_type |
1#1. domestic | .0489654 .0415664      A
 1#2. foreign | .035976 .0506703       A
2#1. domestic | .0483037 .0425299      A
 2#2. foreign | .0353143 .0516996      A
3#1. domestic | .047642 .0435276       A
 3#2. foreign | .0346526 .0527547      A
4#1. domestic | .0469802 .0445572      A
 4#2. foreign | .0339909 .053834       A
5#1. domestic | .0463185 .0456166      A
 5#2. foreign | .0333291 .054936       A
6#1. domestic | .0456568 .0467036      A
 6#2. foreign | .0326674 .0560595      A
7#1. domestic | .0449951 .0478165      A
 7#2. foreign | .0320057 .0572031      A
8#1. domestic | .0443334 .0489534      A
 8#2. foreign | .031344 .0583658       A
```


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9#1. domestic |	.0436716	.0501127	A
9#2. foreign |	.0306822	.0595463	A
10#1. domestic |	.0430099	.051293	A
10#2. foreign |	.0300205	.0607436	A
11#1. domestic |	.0423482	.0524927	A
11#2. foreign |	.0293588	.0619568	A

Note: Margins sharing a letter in the group label are not significantly different at the 5% level.

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