

**CORPORATE GOVERNANCE AND BANK PERFORMANCE IN
TANZANIA:**

**A CASE STUDY OF CRDB PLC, PUGU BRANCH DAR ES
SALAAM**

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TANZANIA:
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SALAAM**

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MBA/CM/MZC/034/T.12

**A Research Report Submitted to the School of Business in Partial Fulfillment of the
Requirement for Award of Master Degree of Business Administration in Corporate
management (MBA-CM) at Mzumbe University**

2014

CERTIFICATION

We the undersigned certify that we have read and hereby recommend for acceptance by Mzumbe University a research proposal entitled: Corporate Governance and Bank Performance in Tanzania a case study of CRDB PLC, Pugu Branch in Dar es salaam in partial fulfillment of the requirements for the award of Master Degree Business Administration in Corporate Management of Mzumbe University.

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However, I remain personally full responsible for whatever shortcoming contained in this work. None of those acknowledge in any way responsible.

DEDICATION

This work is dedicated to my parents, and classmates

ABBREVIATIONS

ASB	-	Accounting Standards Board
BOT	-	Bank of Tanzania
BOU	-	Bank of Uganda
CEO	-	Chief Executive Officer
CRDB	-	Cooperative Rural Development Bank
FASB	-	Financial Accounting Standard Board
GAAP	-	Generally Accepted Accounting Principles
GBL	-	Green Land Bank
ICB	-	International Credit Bank
ICFAI	-	Institute of Chartered Financial Analysts of India
PLC	-	Public Limited Company
SSAP	-	Statement of Standard Accounting Practice

ABSTRACT

The purpose of this study was aimed at establishing the relationship between corporate governance and bank performance in Tanzania, with reference to CRDB Bank as the case study. The study was done according to three objectives; To establish the compliance level of corporate governance at CRDB Bank TO Bank of Tanzania (BOT) codes of corporate governance, to establish the level of bank performance at CRDB Bank and to establish the relationship between BOT codes of corporate governance and bank performance of CRDB Bank.

The study employed descriptive and correlation research design. The researcher used descriptive and analytical methods to describe the variables.

The sample size was 36 respondents and data collection instruments used were questionnaires, interviews and observation. The researcher used correlation co-efficient method to examine empirically the relationship between corporate governance and bank performance. Findings on the relationship between corporate governance and bank performance indicated a significant positive relationship between corporate governance and bank performance with a correlation coefficient at $r = (.57)$, with significant value at 0.01.

It is recommended that there is a need to increase the bank performance and this can be done through increasing the level of adherence to the BOT codes of corporate governance. However since the bank performance rely much on the profits derived from loans that are issued a portfolio of investment should be made to mitigate the risk of loss and yet a conducive investment environment need to be made to encourage investors to keep their money with CRDB bank.

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CHAPTER ONE

1.0 Introduction

This chapter looks at, the background of the study, statement of the problem, research question(s), research objective of the study, scope of the study, significance of the study, rationale, and/or justification of the Study and finally Organization of the thesis or dissertation

1.1 Background of the Study

Globally, the word Corporate Governance is not new; many countries are facing with the problem of Corporate Governance of their organization. It is a very important factor because it affects performance of both individual and bank performance as whole. Good Corporate Governance practice provides a way to realize the vision of mitigating risk and optimizing performance simultaneously in today's competitive and regulatory environment (Vrajlal, 2006). According to Tandelilin (2007) implementation of good corporate governance is not only concerned about better expected return but is also concerned about better managing of risk. Bank can incur financial losses when risks are poorly managed, and may fail to meet objectives of providing services to the poor and quickly go out of business (Microfinance network report, 2000). The need for countries to have sound resilient banking systems and strong banks with good Corporate Governance then will use competition to strengthen and upgrade their institutions that will survive in an increasingly open environment (Kaheeru, 2001). According to James Wolfensohn former World Bank Group President, Corporate governance is about promoting corporate fairness, transparency and accountability (Financial Times, 1999). Governance is a requisite for survival and a gauge of how predictable the system for doing business in any country is. In developing countries, the importance of governance is to strengthen the foundation of society and chip into the global economy. (Tandelilin, 2007)

A survey done by Larzon and O'Sullivan (2003), found out that the conservative governments in the UK and US in the early 1980s played a role in promoting values which were to have a significant impact on corporate governance practices.

Furthermore in United Kingdom, a number of factors have contributed to raising the issue of corporate governance to prominence internationally: the collapse of a number of large corporations and hostile takeovers particularly in the UK and the US, the increasing power of corporations and the antisocial behaviour of some corporations. The collapse of major corporations in the UK has contributed significantly to raising the profile of corporate governance in the UK itself and gradually around the world. The fall of the Bank of Credit and Commerce International (BCCI) and the Maxwell raid on pension funds of the Mirror Group of newspapers in the UK have had a significant impact on subsequent developments in corporate governance worldwide (World Bank, 2000).

Similarly in Asia, Claessen and Fan (2003) study corporate governance in Asia. They find that agency problems arise from certain ownership structures. Conventional corporate governance mechanisms (through takeovers and boards of directors) are not strong enough to relieve the agency problems in Asia. Firms use other mechanisms to reduce their agency problems (for example, employing reputable auditors), although they have only limited effectiveness. The low transparency of Asian corporations relates to these agency problems and the prevalence of connection-based transactions that motivate all owners and investors to protect rents. The rents often appear from government actions, including a large safety net provided to the financial sector. Forms of crony capitalism (i.e., the combination of weak corporate governance and government interference) are not only leading to poor performance and risky financing patterns but also conducive to macro economic crises. Their survey suggests that corporate governance in Asia, including Indonesia, remains unresolved problems, both in conceptual and empirical matters of corporate governance in banking sector.

The research also attempts to cover the unresolved problem by examining the relationship sensitivity between corporate governance and performance for domestic-owned banks versus foreign-owned banks (Claessen and Fan, 2003).

Moreover, Hanazaki and Liu(2003), found that the poor banking practices in Asia as reported by the World Bank are particularly related to the Asian crisis where banks provided credit to companies under the influence of the political elite. Either one family, or a corporation under a family's control, generally own Asian firms. Such families have close connections with the government, and politicians, and dominate the national economy to a large extent. Using these connections, corporations have been able to borrow funds from banks without the proper disclosure of the information required to enable full evaluation of company performance and establish creditworthiness (World Bank, 2000).

In African countries such as Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. This is in recognition of the failure of the critical role of corporate governance in the success or failure of companies (Ogbechie, 2006). Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster good corporate performance. Corporate governance therefore refers to the processes and structures by which the business and affairs of institutions are directed and managed in order to improve long term shareholders' value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Ogbechie, 2006).

Heidi and Marleen (2003) explain that banking supervision cannot function well if sound corporate governance is not in place. As a result, banking supervisors have strong interest in ensuring that there is effective corporate governance at every banking organization in an increasingly open environment (Kashif, 2008). Several events are

therefore responsible for the heightened interest in corporate governance especially in both developed and developing countries. This concept of corporate governance of banks and every large firm have been a priority on the policy agenda in developed market economics for over a decade.

Akpan, (2007) and Uwuigbe (2011) explained that in developing economics, the banking sector among other sectors has also witnessed several cases of collapses, some of which include Savannah Bank Plc and Society General Bank Ltd of Nigeria among others. Although corporate governance in developing economies has recently received a lot of attention, yet corporate governance of banks in developing economies as it relates to financial performance has almost been ignored by researchers (Ntim,2009). Even in developed economies the corporate governance of banks and their financial performances has only been discussed recently in literature (Macey and O' Hara, 2011).

In east African countries such Uganda, the factors responsible for poor corporate performance especially in banks emanate from lack of transparency, accountability and poor ethical conduct (Kibirango, 1999). Commercial banks failures have been linked to self-inflicted causes resulting from bank owners; ICB(International Credit Bank), GBL(Greenland Bank), and Coop Bank were afflicted with the one-man management syndrome of corporate governance exemplified by Thomas Kato (ICB), Sulaiman Kiggundu (GBL) and USAID (Co-op Bank). There was no separation between senior management and the board of directors in ICB or GBL and that management took little account of depositor's interests. The board of ICB consisted of 4 members of the Kato family including a six -year- old child. GBL had two boards of directors but neither had a say in the running of the bank for instance ICBs audit report cited connected or insider lending to a tune of US\$4 billion. In the case of GBL the July 1998 Bank of Uganda (BOU) Audit Report stated that as per 30th June 1998, Insider lending stood at US\$22,722 million representing 47 percent of customer deposits and accounting for 55 percent of the total loan portfolio yet the maximum amount the bank could lend according to FIS

1993 was Ushs.975 million only. The report also cited that in most cases credit was extended on sole instructions of then Managing Director without any or minimal documentation (BOU, 1999).

In addition to that, the intervention by central bank of Uganda through the closure of at least three commercial Banks in 1999, a number of Commercial Banks in Uganda have continued to register poor financial Performance, for instance, National Bank of Commerce in 2001/2002 reported a loss of 729,000,000/= and the banks liabilities swelled to 5 billion in year 2002 from 2.3billion Ugandan Shillings in 2001. Citibanks profits fell from Ug. Shs.4.1bn. in year 2001 to 2.3bn/= in year 2002 (Aggrey, 2003), Similarly, the Balance sheet position of Stanbic Bank (U) ltd. for year 2001 declined by 14.24 per cent compared with a growth of 19.19 per cent in 2000. Loans and advances, which comprised 32.95 percent of total assets declined by 24.42 percent, and the efficiency ratio deteriorated from 31.65 percent to 35.07 percent (Stanbic Bank Uganda, 2001).

In the United Republic of Tanzania which comprises of Mainland and Zanzibar, The importance of corporate governance for economic development is increasingly being recognised by policymakers and regulators. The transfer of the ownership of corporations from state to private shareholders reflects this recognition. Private shareholding, operating in a market economy, is considered more effective in controlling management than government shareholding in a centrally controlled system (Bagachwa et al., 1992). This, in turn, should result in the efficient allocation of society's resources (URT, 2001). The introduction, by the Steering Committee on Corporate Governance in Tanzania, of guidelines for corporate governance for Tanzania; and the development and recommendation of principles for effective corporate governance by the Capital Markets and Securities Authority (CMSA), are further indications that corporate governance is beginning to receive increased attention. Policymakers and regulators view the adoption of the recommended practices as an important step in influencing the behaviour of

managers and directors with regard to effective discharge of their roles in promoting shareholder interests.

The contextualization of the study was based on CRDB bank PLC, Pugu branch; In CRDB bank PLC Pugu branch the application of varying accounting and auditing standards is a big challenge to corporate governance (Clarke and Clegg, 1998). This problem emanates from the use of various financial accounting standards by corporations whose operations span different countries in the preparation and presentation of financial statements (Bradley et al., 1999). For example, US Corporations employ an American system of GAAPs developed by FASB, whereas UK-based corporations apply a different set of accounting standards (SSAPs) developed by the Accounting Standards Board (ASB) and the Financial Reporting Council (FRC). This use of different accounting standards makes the evaluation of performance across companies operating globally difficult (Bradley et al., 1999). This challenge has led to the need to harmonize standards through the use of accounting standards promoted by the International Accounting Standards Board (IASB).

1.2 Statement of the problem

Studies on bank corporate governance have normally focused on a single aspect of governance, such as the role of directors or that of shareholders while omitting other factors and interactions that may be important within the governance framework. Feasible among these few studies is the one by Adams and Mehran (2000) for a sample of US companies, where they examined the effects of board size and composition on value. Another weakness is that such researches are often limited to the largest, actively traded organizations, many of which show little variation in their ownership, management and board structure and also measure performance as market value.

While other studies on corporate governance such as of Nyaga (2012) and ssekanjako (2013) have based on establishing corporate governance through roles of board of directors and rights of shareholders, and neglecting the operating performance variable

as proxies for performance, this study employed the accounting operating performance variables to investigate the existence of any relationship between corporate governance and performance of banks.

1.3 Research questions

This study intended to address the following specific questions

- i. To what extent is corporate governance at CRDB Bank compliant to BOT code of corporate governance?
- ii. What is the level of bank performance at CRDB bank?
- iii. To what extent do adoption of BOT code of corporate governance related with bank performance in Tanzania?

1.4 Objectives

- i. To establish the compliance level of corporate governance at CRDB bank to Bank of Tanzania (BOT) code of corporate governance
- ii. To determine the level of bank performance at CRDB bank
- iii. To establish the relationship between bank performance at CRDB with adoption of Bank of Tanzania (BOT) code of corporate governance

1.5 Scope of the study

The study was conducted in CRDB bank, Pugu branch, Dar es Salaam, This study was concerned with determining the level of corporate governance at CRDB bank in relation to BOT codes of corporate governance, to determine the level of bank performance and to establish if there is a significant relationship between corporate governance and bank performance at CRDB Pugu branch, Dar es Salaam, Tanzania.

1.6 Significance of the study

The findings of this study will be significant in assisting the government and interested body to lay corporate strategies for the promotions and increase the level of performance.

The expected study result will provide substantial information to policy makers for the necessary pro- planning of corporate governance so as to maximize performance

The study will develop awareness among scholars, educationalists, workers and other interested parties in the countries about the corporate governance and bank performance.

The result of the study may also answer many questions and doubts about the corporate governance and bank performance among microfinance institutions

The study is expected to be useful to the Ministry of finance to understand the problem of corporate governance for workers in financial institutions.

1.7 Justification of the Study

Studies on bank governance are therefore important because banks play important roles in monitoring for their corporate clients to safeguard their credit against corporate financial distress and bankruptcy. An expose by Prowse (1997) shows that research on corporate governance applied to financial intermediaries especially banks, is indeed scarce. This shortage is confirmed in Oman (2001); Goswami (2001); Lin (2001); Malherbe and Segal (2001) and Arun and Turner (2002). They held a consensus that although the subject of corporate governance in developing economies has recently received a lot of attention in the literature, however, the corporate governance of banks in developing economies has been almost ignored by researchers. The idea was also shared by Caprio and Levine (2001). Macey and O'Hara (2002) shared the same opinion and noted that even in developed economies; the corporate governance of banks has only recently been discussed in the literature. To the best of the researchers knowledge, apart from the few studies by Caprio and Levine (2002), Peek and Rosengren (2000) on

corporate governance and bank performance, very little or no empirical studies have been carried out specifically on this subject especially in developing economies like Tanzania. Furthermore, banks are very opaque, which makes the information asymmetry and the agency problem particularly serious (Biserka, 2007). This also necessitates the study on bank governance.

1.8 Organization of the thesis or dissertation

The thesis was organized in the form of chapters, that is to say chapter one focuses on the background of the study, statement of the problem, research question(s), research objective of the study, scope of the study, significance of the study, rationale, and/or justification of the Study and finally Organization of the thesis or dissertation. Chapter two looks at the theoretical part, empirical part, and conceptual framework. Chapter three looks at the study area, population, sampling technique, methods of data collection, and data analysis. Chapter four looks at presentation of findings analysis and discussion while chapter five looks at summary of the findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the theoretical part, empirical part, and conceptual framework and research model hypotheses on the corporate governance and bank performance in relation to the study.

2.1 Theoretical literature review

The study employed theory of Agency by Jensen and Meckling (1976) and Eisenhardt (1989) and stewardship theory by Donaldson & Preston, (1995) and Freeman 1984).

2.1.1 Agency Theory

This view is based on the idea that in a modern corporation, there is separation of ownership (principal) and management (agent), and this leads to costs associated with resolving conflict between the owners and the agents (Berle & Means, 1932; Jensen & Meckling, 1976; Eisenhardt, 1989). The fundamental premise of agency theory is that the managers' act out of self-interest and are self centered, thereby, giving less attention to shareholder interests. The managers who possess superior knowledge and expertise about the firm are in a position to pursue self-interests rather than shareholders (owners) interests (Fama, 1980; Fama & Jensen, 1983). This pursuit of self-interests increases the costs to the firm, which may include the costs of structuring the contracts, costs of monitoring and controlling the behaviour of the agents, and loss incurred due to sub-optimal decisions being taken by the agents. Shareholder interests can clearly be compromised if managers maximize their self-interest at the expense of organisational profitability, i.e., the managers expropriating shareholders interests. In essence, the managers cannot be trusted and therefore there is a need for strict monitoring of management by the board, in order to protect shareholder's interest.

Adam Smith (Smith 1937) makes a caustic remark about the agency problem:-

“The directors of such companies, however, being the managers of other people’s money than their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private co-partnery frequently watch over them...Negligence and profusion, therefore, must always prevail more or less, in the management of the affairs of such a company.”

Jensen & Meckling (1976) further define agency relationship and identify agency costs. Agency relationship is a contract under which “one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent”. Conflict of interests between managers or controlling shareholder, and outside or minority shareholders refer to the tendency that the former may extract “perquisites ” (or perks) out of a firm’s resources and less interested to pursue new profitable ventures. Agency costs include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interests between the principal and the agent. The share price that shareholders (principal) pay reflects such agency costs. To increase firm value, one must therefore reduce agency costs. This is one way to view the linkage between corporate governance and corporate performance. Fama (1980) aptly comments that separation of ownership and control can be explained as a result of “efficient form of economic organization”.

In summary, with its root in industrial and organizational economics, Agency Theory assumes that human behavior is opportunistic and self-serving. Therefore, the theory prescribes strong director and shareholder control. It advocates fundamental function of the board of directors is to control managerial behavior and ensure that managers act in the interests of shareholders

Further, in a large corporation with widely dispersed ownership, small shareholders do not have a sufficient payoff to expend resources for monitoring the behaviour of managers or agents. Eisenhardt (1989,) explains that the challenges of agency problem arrives when —(a) there is opportunism on the side of the agent coupled with excess presumption on the side of the principle causing an agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing (information gap)), (c) misuse of power and trust by the agent. Consequently, the monitoring of management activities is seen as a fundamental duty of a board, so that agency problems can be minimized, and superior organizational performance can be achieved.

Agency theory as posited by Jensen and Meckling, (1976) assumes that agency problems can be resolved with appropriately designed contracts by specifying the rights belonging to agents and principals. Fama and Jensen, (1983,) refer to such contracts as —internal rules of the game which specify the rights of each agent in the organization, performance criteria on which agents are evaluated and the payoff functions they face. However, unforeseen events or circumstances require allocation of residual rights, most of which end up with the agents (managers), giving them discretion to allocate funds as they choose (Shleifer & Vishny, 1997). The inability or difficulty in writing perfect contracts, therefore, leads to increased managerial discretion which encapsulates the same agency problem. Further, when principals monitor agents to ensure that agents act in the best interests of the principals, they incur monitoring costs, which further reduce the value of the firm. Given the problems in mitigating agency problems through the use of contracts, scholars have suggested various governance mechanisms to address the agency problems.

Although Agency Theory is the dominant perspective in corporate governance studies, it has been criticized (Hoskisson et al. 2000; Blair 1995; Perrow 1986) because of its limited ability to explain sociological and psychological mechanisms inherent of the principal-agent interactions (Davis & Thompson 1994; Davis et al. 1997). For example,

outside directors as emphasized by Agency Theory, with only legal power, may not possess sufficient expertise and seldom have close social ties with top managers.

2.1.2 Stewardship theory

The stewardship theory, also known as the stakeholders' theory, adopts a different approach from the agency theory. It starts from the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders. The stakeholders' theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives (Donaldson & Preston, 1995; Freeman, 1984). Successful organizations are judged by their ability to add value for all their stakeholders. Some scholars consider the natural environment to be a key stakeholder (Starik&Rands, 1995; Dunphy et al., 2003). Stewardship theory is proposed as an alternative perspective to Agency Theory. Stewardship theorists assume that managers are good stewards of the firms. They are trustworthy and work diligently to attain high corporate profit and shareholders' returns (Donaldson & Davis 1994). These stewards can cooperate and work closely with the principal to achieve a "goal alignment" (Davis et al. 1997). In an empirical study by Tian and Lau (2001) among Chinese shareholding companies to contrast Agency and Stewardship Theories, they find that the stewardship hypothesis received stronger support. At the methodological level, Tian and Lau (2001) use two different board composition measures, i.e. independent directors and affiliated directors, to highlight their differences in motivation, firm-specific knowledge, information advantage, interpersonal relationship and mutual trust with the managers, along which dimensions that agency and stewardship theories diverge from each other. CEO duality (i.e. the roles of Chairman of the board and CEO are held by one person) is also seen as a supporting attribute to the stewardship theory and used in the test by Tian and Lau (2001).

Phan (2001) suggests that whether the assumptions of Agency Theory can be generalized to emerging markets, with their different sociological, economic, and developmental fundamentals, remains an important research question.

Agency theory thus provides a basis for firm governance through the use of internal and external mechanisms (Weir et al., 2002; Roberts et al., 2005). The governance mechanisms are designed to —protect shareholder interests, minimize agency costs and ensure agent-principal interest alignment^l (Davis et al, 1997).

Stakeholders can be instrumental to corporate success and have moral and legal rights (Donaldson & Preston, 1995; Ulrich, 2008). When stakeholders get what they want from a firm, they return to the firm for more (Freeman, 1984; Freeman & McVea, 2001). Therefore, corporate leaders have to consider the claims of stakeholders when making decisions (Blair, 1995) and conduct business responsibly towards the stakeholders (Manville & Ober, 2003; White, 2009). Participation of stakeholders in corporate decision-making can enhance efficiency (Turnbull, 1994) and reduce conflicts (Rothman & Friedman, 2001).

According to Kaptein and Van Tulder (2003), corporations adopt reactive or proactive approaches when integrating stakeholders' concerns in decision making. A corporation adopts a reactive approach when it does not integrate stakeholders into its corporate decision making processes. This results into a misalignment of organizational goals and stakeholder demands (Mackenzie, 2007). Some authors attribute scandals such as those of Enron and WorldCom to the failure to consider stakeholder concerns in decision making (Currall & Epstein, 2003; Turnbull, 2002; Watkins, 2003; Zandstra, 2002). Following these scandals, some governments set up new regulations to align the interests of stakeholders with corporate conduct. For example, the Sarbanes-Oxley Act (SOA) was passed as a result of the collapse of Enron and WorldCom.

Adams (2002) argues that the stewardship theory remains the theoretical foundation for much regulation and legislation. A proactive approach is used by corporations that integrate stakeholders' concerns into their decision-making processes and that establish necessary governance structures (de Wit et al., 2006).

Theoretical underpinnings for the extant research in corporate governance come from the classic thesis, "The Modern Corporation and Private Property" by Berle & Means (1932). The thesis describes a fundamental agency problem in modern firms where there is a separation of ownership and control. Such separation has been clearly expressed by the authors' own statements: - "It has often been said that the owner of a horse is responsible. If the horse lives he must feed it. If the horse dies he must bury it. No such responsibility attaches to a share of stock. The owner is practically powerless through his own efforts to affect the underlying property. The spiritual values that formerly went with ownership have been separated from it...the responsibility and the substance which have been an integral part of ownership in the past are being transferred to a separate group in whose hands lies control."

In summary, the stewardship theory suggests that a firm's board of directors and its CEO, acting as stewards, are more motivated to act in the best interests of the firm rather than for their own selfish interests. This is because, over time, senior executives tend to view a firm as an extension of themselves (Clarke, 2004; Wheelen & Hunger, 2002). Therefore, the stewardship theory argues that, compared to shareholders, a firm's top management cares more about the firm's long term success (Mallin, 2004).

2.1.3 Corporate governance

Ramon (2001) found that it is difficult to define the concept of corporate governance in a universally acceptable way because definitions vary from country to country. Moreover, countries differ from each other in terms of culture, legal systems and historical

developments (Ramon, 2001). This explains why there is a wide range of definitions of the concept of corporate governance.

Oman (2001) defined corporate governance as a term refers to the private and public institutions that include laws, regulations and the business practices which governs the relationship between the corporate managers and the stakeholders.

The Ministry of Finance, Singapore (corporate governance 2001) defines corporate governance as “the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).” (Fin, 2004, pp 13-14).

La Porta, Silanes and Shliefer (2000, 2002) viewed corporate governance as a set of mechanisms through which outside investors (shareholders) protect themselves from inside investors (managers). The Organization for Economic Cooperation and Development provides another perspective by stating that “corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, managers, shareholders and other stakeholders, and spells out the rules and procedure for making decisions on corporate affairs. By doing this, it also provides the structures through which the company objectives are set, and the means of attaining those objectives and monitoring performance as cited by (Khan 2011).

The Bank of Tanzania (BOT) has provided codes or guidelines for corporate governance among banks and financial institution in Tanzania which involves the manner in which the business and affairs of individual institutions are governed by their boards of

directors and senior management, and in particular, how banking institutions set corporate objectives, operate the bank's business on a day-to-day basis, meet the obligation of accountability to their shareholders and take into account the interests of other recognised stakeholders, align corporate activities and behaviour with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations, and Protect the interests of depositors. (BOT guidelines for boards of directors of Banks and financial institutions, 2008).

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations. A well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels. In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the enterprise. "Despite this widespread interest on the matter, the concept that is corporate governance is poorly defined because it potentially covers a large number of distinct economic phenomenon. As a result different people have come up with different definitions that basically reflect their special interest in the field" (e.viaminvest.com – The Corporate Finance's Encyclopedia).

Certain group focuses on corporate governance as the protection of shareholders targeting mainly the minority shareholders. As an example, the following phrases were quoted from the book of Zinkin J. and Wallace P. (2005).

“If the position of stockholders cannot be well protested by contract, then how is it made viable? There are two mechanisms in particular that serve this function. One is the law: rules that require managers (agents) to act in the best interests of stockholders (principals). The other is governance: a set of provisions that enable the stockholders by exercising voting power to compel those in operating control of the firm to respect their interests. Legal rules can best address relatively clear conflicts of interests; managerial competences, except in occasional cases such as Enron and Parmalat, fall in the domain of governance. Obviously corporate governance is not a problem for the 100%-owner manager of a business. Nor is it much of a problem for the majority stockholders (or group) which controls the Board of Directors and can fire the managers any time. (Protection for minority interests in such a firm will have to come primarily from legal rights, since their voting power is generally ineffectual.) So CG is an issue mainly for minority stockholders, in a firm controlled by the managers where there are no significant stockholders that can easily work together.” (Scott, 2002).

McNutt (2010) argues that the concept of governance has been applied in both economics and law for centuries and it has been understood to mean enforcement of contracts, protection of property rights and collective action. In fact, governance is associated with people operating within organizations. Organizations allow for achieving outcomes beyond the reach of a single person (Scott, 2003). Nevertheless, organizations must be governed properly in order for them to achieve their objectives.

According to Francis (2000) the concept of corporate governance gained prominence in the 1980s because this period was characterized by stock market crashes in different parts of the world and failure of some corporations due to poor governance practices.

Corporate collapse was the predominant driver for change to corporate governance codes (United Nations, 1999). As more corporate entities in different parts of the world collapsed in 1980s, there was a change of attitude with much higher performance expectations being placed on management boards of firms. There was also a growing realization that managers are to run firms while boards are to ensure that firms are run effectively and in the right direction (Adams, 2002). Directors and managers require different sets of skills and managers do not necessarily make good directors.

The narrow approach of corporate governance views the subject as the mechanism, through which shareholders are assured that managers will act in their interests.

Shleifer and Vishny (1997) define corporate governance as the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn a return on their investment. Corporate governance operates in a different context in banking sector compared to other economic sectors.

OECD (2011) asserts that corporate governance requirements and practices are typically influenced by an array of legal domains, such as company law, securities regulation, accounting and auditing standards, insolvency law, contract law, labour law and tax law. Under these circumstances, there is a risk that the variety of legal influences may cause unintentional overlaps and even conflicts, which may frustrate the ability to improve corporate governance. When looking at the legal and regulatory framework, it is therefore important to be aware of this risk and take measures to limit it.

Macey and O'Hara (2001) argue that a broader view of corporate governance should be adopted in the case of banking institutions. They also argue that because of the peculiar contractual form of banking, corporate governance mechanisms for banks should encapsulate depositors as well as shareholders.

The corporate form of organization of economic activity is a powerful force for growth. The regulatory and legal environment in which corporations operate is therefore crucial for overall economic outcomes. Policymakers have a responsibility to put in place a framework that is flexible enough to meet the needs of corporations operating in widely different circumstances, facilitating their development of new opportunities to create value and to determine the most efficient deployment of resources. This requires a focus on the ultimate economic outcomes from interventions. When considering different policy options, it is also useful to undertake an analysis of how key variables affect the functioning of markets, such as incentive structures, the efficiency of self-regulatory systems and the way systemic conflicts of interest are dealt with (OECD 2011).

The Australian Standard (2003) defines corporate governance as the process by which organizations are directed, controlled and held to account. This implies that corporate governance encompasses the authority, accountability, stewardship, leadership, direction and control exercised in the process of managing organizations. Since this definition recognizes the need for checks and balances in the process of managing organizations, it can be considered to be more comprehensive (Gregory, 2000). Moreover, it is similar to the definitions provided by the Audit Commission (2009) and (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives 2007) CIPFA/SOLACE which emphasize the core aspects of accountability and control in the governance of organizations.

OECD (2011), the ownership structure has important implications for the corporate governance framework. In many economies, major shareholders control most companies, in some cases through differential voting rights or complex ownership and control structures that allow them to maintain control with relatively little equity. In other cases, ownership is controlled by the state, raising additional governance challenges. Controlling shareholders have a strong incentive to monitor closely the company and its management, with beneficial effects on the governance of the company,

but their interests may also conflict with the interests of minority shareholders. In worst cases, controlling shareholders extract private benefits at the expense of minority shareholders.

In the course of developing a strong disclosure regime, the channels, timing and procedures for disseminating corporate information can be just as important as the content of the information itself. Material information needs to reach the market and the concerned authorities in a cost-effective, easily accessible, predictable and timely fashion. (OECD 2011).

2.2. Empirical literature review

2.2.1 Bank performance

Singla HK (2008), in his paper, 'financial performance of banks in India,' in ICFAI Journal of Bank Management No 7, has examined how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time

Pinteris (2002) provides that, there is a negative relationship between bank ownership concentration and bank performance. Mester (1993) document that public-owned banks and mutual bank shave slight cost and profit advantages over their private banks. While Altunbas, Evans and Molyneux (2001) also find that there is little evidence to suggest that private owned banks are more efficient than their mutual and state-owned firm counterparts. The results are different from previous evidence provided by O'Hara (1981) and Nichols (1967), suggesting that management of mutual banks is less efficient

than management of private-owned banks. On the other hand, La Porta, Lopez-de-Silanes, and Shleifer (2000) provide contradictory empirical evidence Goldberg, Dages, and Kinney (2000) compare the bank performance of domestic- and foreign-owned banks in Argentina and Mexico. They find that foreign banks generally have higher loan growth rates than do domestic private owned banks which have lower volatility of lending that contributes to lower overall volatility of credit. Additionally, in both of countries, foreign banks show notable credit growth during crisis periods Ram Mohan TT(2003) , in his paper ‘Long run performance of public and private sector bank stocks” Vol 37, has made an attempt to compare the three categories of banks- Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks. The conclusion points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.

Uppal and Kaur (2007), in their paper titled, “Analysis of the efficiency of all the bank groups in the post banking sector reforms era”. Their time period of study was related to second post banking sector reforms (1999-2000 to 2004-05).The paper concludes that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks. This paper also suggests some measures for the improvement of efficiency of Indian nationalized banks. The sample of the study in Indian banking industry which comprises five different ownership groups and the ratio method is used to calculate the efficiency of different bank groups. New private sector banks are compelling with foreign banks for continuous improvement in their performance.

Nigmonov (2010) conducted study on bank performance in Uzbekistan for the period of 2004-2006. The results show that inefficiency is due to the technical efficiency and overall bank average efficiency level reduced. Basher (2000) examines the performance of Islamic banks of eight Middle East Countries. The important indicators are return on assets, return on equity, and profit before tax and non interest margin.

Munawar Iqbal (2001 and 2004) compares Islamic and conventional banking in the Nineties and included 12 banks into his study sample. He calculated the development of Islamic banking industry during 1990-98 and found that capital assets ratio, liquidity ratio, deployment ratio, cost/income ratio, profitability ratio, return on asset and return on equity ratio and concluded that both return on assets (ROA) and return on equity (ROE) for the Islamic banks are substantially higher than the conventional banks.

Baysinger, (1989) also emphasized the importance of current ration as a measure of an organization's liquidity. Liquidity ratios are the ration's that measure the ability of company to meet its short term debt obligations. These ratios measure the ability of company to pay off its short- term liabilities when the fall due. The liquidity ratios are a result of dividing cash and other liquid assets by the short term borrowings and current liabilities. They show the number of times the short term debt obligations are covered by the cash and liquid assets.

Lasher, (2008) then financial reporting is the "communication of financial information useful for making investment, credit, and other business decisions" (Wild, Shaw, & Chiappetta, 2009) Such communications include general purpose financial statements such as income statements, balance sheets, equity reports, cash flow reports, and notes to these statements. Additionally, items such as SEC filings, press releases, meeting minutes, and auditor's reports are also included in financial reporting many financial reports, or the accounts and data they represent, are subject to various regulations and standards from organizations such as the Securities Exchange Commission (SEC), the

Financial Accounting Standards Board (FASB), and the International Accounting Standards Board (IASB). Financial statements should be understandable, relevant, reliable and comparable. Reported assets, liabilities, equity, income and expenses are directly related to an organization's financial position.

Financial statements are intended to be understandable by readers who have "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently (Wild, Shaw, & Chiappetta, 2009).

2.2.2 The relationship between corporate governance and bank performance

Empirical evidence on the relationship between corporate governance and performance is mixed. For examples, La Porta, Lopez-de-Silanes, Shleifer, and Vishny (2002) find evidence of higher firm performance in countries with better protection of minority shareholders. Klapper and Love (2003) report that better corporate governance is highly correlated with better operating performance. They also document that firm-level corporate governance provision matter happens more in countries with weak legal environments.

Fama and Jensen (1983) argued that corporate governance does affect firm performance. They found that the majority of larger firms with stronger governance controls are rewarded over the long-term. Klein, Shapiro, and Young (2004) examined the relationship between corporate governance and firm value by using the Corporate Governance Index (CGI) and Tobin's Q, which measures the firm's value. The results conclude that corporate governance does matter in firm value.

Carse (2000) also argued that a strong corporate governance standard is particularly important for banks. This is because most of funds that banks use for business belong to their creditors and depositors. The failure of a bank will affect not only its own shareholders, but have a systemic affect on other banks. Therefore, it is important to

ensure that banks are operating properly. Carse also stated that the corporate governance of banks in Hong Kong is at a good standard due to the fact that the Hong Kong Monetary Authority has set out strict guideline in relation to corporate governance for banks. On the other hand, a large number of studies have investigated the relationship between ownership structure and firm performance.

Morck, Shleifer, and Vishny (1998) argued that higher ownership concentration has a positive impact on firm performance, because it increases the ability of shareholders to properly monitoring managers. Shleifer and Vishney (1986) also argued that higher level of block-holder is likely to have a positive effect on firm value. The large shareholders can work effectively for monitoring managers in order to prevent the potential takeover threat.

Black, Jang, and Kim (2003) provide empirical evidence that there is a positive correlation between corporate governance and performance, but they have no explanation about the causal relationship. Drobetz (2004) also finds that higher corporate governance rating is related to high performance.

However, the above empirical studies are more concerned about examining the differences and correlations than about causal relationships. On the other hand, Drobetz, Schillhofer, and Zimmermann (2003) explore the relationship between firm-level corporate governance and firm performance. They suggest that good corporate governance leads to higher firm valuation (performance), hence, investors are willing to pay a premium, and bad corporate governance is punished in terms of valuation discounts.

Jensen and Meckling (1976) laid out the theoretical relationship between corporate governance and firm performance. They tied together the elements from the theory of agency, theory of property cost and theory of finance, to develop the theory of the

ownership structure of the firm. They deeply explained the definition of the firm, the agency cost and the property rights, analyzed the agency cost of equity and debt. They found the fact that as the manager's ownership claim decreases his incentive to give effort to maximize the firm's value decreases and so the agency cost will increase leading to the firm's net value to decrease. So as the manager's ownership percentage increases, the firm value will increase as well.

Research that followed Jensen and Meckling (1976) work looks at the impact of ownership structure. Eldenburg *et al.*, (2004) hypothesized that differences across ownership types will be associated with differences in boards' objectives and governance. They tested that hypothesis by examining critical actions boards take, the decision to replace the Chief Executive Officers (CEO) and the extent to which this decision differs across different ownership types. They found that the composition of the board of directors varies according to the differences in ownership structure and leads to differences in both the factors that affect the turnover in the board of directors, and the determinants of the Chief Executive Officers (CEO) turnover.

As for the impact of board of directors (outside directors/board independence) empirical research results are mixed. Some argue for more outside directors and others argue against it. Generally, there appears to be no empirical evidence that the existence of outside directors is correlated with firm performance. However, there is overwhelming empirical evidence on the positive role played by outside directors in board's monitoring and control function.

Weisbach (1988) tested whether monitoring management in companies with outsider – dominated board is more effective than for companies with insider - dominated board, by relating Chief Executive Officers (CEO) resignations to performance measures like stock returns and accounting earnings. He also tested whether the Chief Executive Officers (CEO) replacement relationship varies depending on a firm's size, ownership

structure or industry. He found that the performance measures are more highly correlated with Chief Executive Officers (CEO) turnover for firms in which outsiders dominate the boards of director than for firms in which insider dominate. The main result of Weisbach (1988) is that the composition of the board is what determined the level of monitoring the Chief Executive Officers (CEO), and this level of monitoring is not caused by differences in the ownership structure, the size or the industry of the firm. Another dimension of corporate governance investigated in the literature is the board size.

Yermack (1996) tested the effect of board size on the performance and management efficiency. The main hypothesis here is that the board size of the firm presents an important determinant of its performance, and that the firm value depends on the quality of monitoring and decision – making by board of directors. He estimated a regression relationship using the ratio of (market value of assets over the replacement cost of assets) as the dependent variable and board size as the most important of the explanatory variables. Other measures of firm value and profitability used by Yermack (1996) include the return on assets and return on sales ratios. All three dependent variable have negative and significant associations with the board size. The main result of this paper is that there is an inverse relationship between board size and firm value. Companies with large boards appear to use assets less efficiently and earn less profit.

It has been found that firm governance is related to country characteristics. In general, this line of research finds that the quality of governance practices is positively related to growth opportunities, the need for external financing, and the state protection of investor rights, and is negatively related to ownership concentration.

Doidge, Karoyli, and Stulz (2007) found that the country characteristics are the most important determinant of a firm's governance and that there are complementarities between country – level of investor protection and firm – level governance. The authors

distinguish between investor protection granted by the state and investor protection adopted by the firm. In less developed countries the benefits from improving governance are usually smaller than it costs because of the lacking in the institutional infrastructure and in capital markets depth. They found that a large fraction of the variation in the rating of corporate governance is attributable to country characteristics.

Volpin (2001) studied the determinants of executive turnover and firm valuation as a function of ownership and control structure in a country that features low legal protection for investors, Italy. He found that there is poor governance, measured by a low sensitivity of turnover to performance when country features low legal protection for investors specially for top executives who belong to the family of the controlling shareholder. He also found that turnover is more sensitive to performance the larger the fraction of cash flow rights owned by the controlling shareholders, and that turnover is more sensitive to performance when control is contestable.

Arun and Turner (2004) discussed the corporate governance of banking institutions in developing economies. Based on a theoretical discussion of the corporate governance of banks, they suggest that banking reforms can only be fully implemented once a prudential regulatory system is in place. An integral part of banking reforms in developing economies is the privatization of banks. They also suggest that corporate governance reforms may be a prerequisite for the successful divestiture of government ownership. Furthermore, they found that the increased competition resulting from the entrance of foreign banks may improve the corporate governance of developing-economy banks.

Abdulsamad and Zulkafli (2007) suggest that there are differences in the monitoring mechanisms of banking firms and non-bank firms by analyzing the corporate governance of listed banking firms in nine Asian emerging markets. They classified corporate governance mechanism that serves to monitor the banking firms into first,

ownership monitoring mechanism (large shareholders, government ownership, foreign ownership). Second, internal control monitoring mechanism (CEO duality, Board size, board independence). Third, regulatory monitoring mechanism and fourth, disclosure monitoring mechanism. The researchers in this study assumed a direct relationship between corporate governance monitoring mechanism and corporate performance of banking firms that measured by (Tobin's Q ratio and ROA), using a regression model. The findings show that bank performance measures are significantly negatively related with all ownership monitoring mechanism, positively related with both regulatory monitoring mechanism disclosure monitoring mechanism, and that there is no significant relationship between performance and the internal control monitoring mechanism.

Spong and Sullivan (2007) used a random sample of state-chartered community banks do measure how different aspects of corporate governance influence bank performance. They found that an ownership stake for hired managers can help improve bank performance, consistent with a reduction in principal-agent problems posited by financial theory. They also found that boards of directors are likely to have a more positive effect on community bank performance when directors have a significant financial interest in the bank. Finally, they found that the wealth and the financial positions of managers and directors significantly influence their own attitudes toward taking risk and their bank's risk-return trade-offs.

Micco, Panizza, and Yanez (2004) found that ownership is strongly correlated with performance in developing countries but that ownership is not correlated with performance in industrial countries. In particular, the paper suggests that state-owned banks operating in developing countries tend to have lower profitability and higher costs than their private counterparts and that the opposite is true for foreign owned banks (which tend to be characterized by higher profitability and lower costs). They also found that, in developing countries, the entry of foreign banks play a useful role by making

domestic banks more efficient in terms of overhead cost and spreads, although they do not found any effect on profitability of domestic banks.

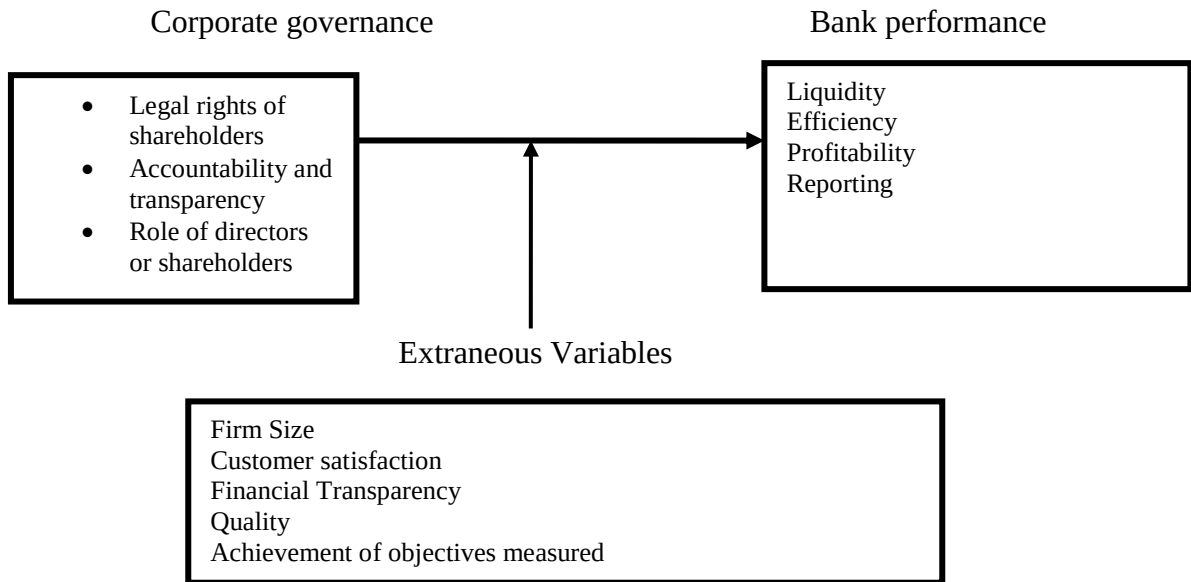
Ciancanelli and Gonzales (2000) state that in banking sector the regulation and regulator represent external corporate governance mechanism. In the conventional literature on corporate governance, the market is the only external governance force with the power to discipline the agent. The existence of regulation means there is an additional external force with the power to discipline the agent. The force is quite different from the market. This implies that the power of regulation has different effects to those produced by markets.

The Basel Committee on Banking Supervision (1999) relies on the responsibility of board directors and bank management on implementing good corporate governance. Nam (2004) suggests some aspects that should be concerned in the internal mechanism of corporate governance, including its independency and structure, function and activity, compensation and other relevant responsibilities of board of directors.

La Porta et al. (2002) study firm's performance from 27 developed countries. They find evidence that there is higher valuation of firms in countries with better protection of minority shareholders. Parallel with this study, Klapper and Love (2003) use firm-level data from 14 emerging stock markets and document that corporate governance provisions matter more in countries with weak legal environments. They also find that better corporate governance is highly correlated with better operating performance and higher market valuation.

2.3 Conceptual framework and research model

Figure 2.1 Conceptual framework



Source: Researcher, 2014

The study was comprised of two variables, independent variable which was corporate governance and dependent variable which was Bank performance. The conceptual framework figure 2.1 illustrates the effect of corporate governance on Bank performance. In discipline of corporate management, different writers suggest the following indicators for measuring bank performance and they include Liquidity, efficiency, profitability and reporting and which result the occurrence of the following factors as explained below,,: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer Feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives among others

(Hakala, 2008; Armstrong, 2006). Also as the good corporate governance practices the size expands as well as financial transparent will be increased which is in line with this study, since the aim of this thesis was to provide a link between corporate governance and Bank performance.

2.3.1 Research hypothesis

Ho. There is no significant relationship between bank performances at CRDB Bank with adoption of BOT code of corporate governance

H2. There is significant relationship between bank performances at CRDB Bank with adoption of BOT code of corporate governance

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers type of the study, study area, study population, units of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods, validity and reliability of the instrument, data analysis, and limitation of the study.

3.1 Type of Study

The researcher work was based on the descriptive research type of both qualitative and quantitative in nature. The researcher's work, concerned with two qualitative variables, independent variables and dependent variables that result the corporate performance of the bank (CRDB bank), also the study could be quantitative as well, because it could use quantifiable variables that is performance measures such as profits, firm size, liquidity, efficiency and Reporting.

3.2 Study Area

This research was conducted at CRDB bank, Pugu branch, Dare es salaam, this was for the purpose of assessing whether the corporate governance affects bank performance.

On the other hand, the study decided to be conducted in the above mentioned area, due to easy of availability of information and cost saving from the researcher

3.3 Study Population

The study was focused on finance department, and internal audit department and other of the bank particularly in finance, accounting personnel, internal audit personnel departments were interviewed and without forgetting managers

3.4 Unity of Analysis

The study was conducted in the finance department, internal audit department, loan department and marketing department. And from each department the researcher picked few personnel. The research adopted such analysis to avoid the cost structure during his study and time constraints. All samples provided the appropriate and sufficient information for the data collection, because the researcher used appropriate technique for selecting the sample for the purpose of data collection and analysis.

3.5 Variable and their Measurement

Table 3.1: Variable and their Measurement

Variables	Operational definition	Measurement
Bank performance	Organization performance is adequate Sufficient to improve the profit ratio	Is profitability growing up in daily basis of the organization?
	Increase liquidity position of a company	Does the bank liquidity has enough cash to meets its daily activities?
Corporate governance on risk assessment	Risk identification Risk analysis Inherent and detection risk Control risk	Have proper strategies for managing risks been established Is there appropriate measure of controlling the risk The internal audit exist
Reporting	Validity of reporting Time line of report Appropriate source of report	Does the report show true and fair view of all information? What is the relevance of the report?
Liquidity	Cash position indicator Capacity ratio Deposit ratio Purchase fund ratio Quick ratio	Do the bank depend loan performance for the its financial performance? Do the bank increase the deposit ratio is un favour for the performance?

Source: Research data 2014

3.6 Sample size and Sampling Technique

The research work basically selected top, middle, lower level management and employees because they were the custodian of corporate governance. Accordingly all department heads were targeted as respondents; however, higher emphasis was laid on attaining members in finance department and internal audit department and other departments. Sample sizes larger than 30 and less than 500 are appropriate for most research”. Therefore, in this research a researcher included the sample size of 36 people as shown in the table 3.2.

Table 3.2: Sample Distribution

Category of respondent	Population	Sample	respondents
Manager(branch and service managers)	2	2	2
Loan department employees	4	4	4
Marketing department	8	6	6
Accounting and Finance	24	18	18
Auditing department	8	6	6
Total	46	36	36

Source: research data (2014)

The sampling techniques based on probability and non probability involving purposive sampling and random sampling.

3.6.1 Purposive sampling

This is a technique with regard to which item should be included or exclude in the sample rest on the researcher’s judgment and intuition. According to Kothari (2004), purposive technique enabled the researcher to choose respondents basing on the fact that they have desirable characteristic and variables related to the issue being studied.

3.6.2 Random Sampling

This technique has the property that every possible combination of objects in the population studied has an equal chance of being selected (Ndunguru 2004). In that case the researcher includes everyone in the study considering that all respondents have common observable characteristics.

3.7 Types and Sources of Data Collection Methods

In order to attain adequate, appropriate and reliable information, the research work used both secondary and primary information. The following instruments were applied:

Questionnaire, interview, and documentary review.

3.7.1 Primary Data

This information was received directly from the respondent based on the researcher needs.

3.7.2 Questionnaires

This is a direct consultation to the concerned staff, concerning variables of interest to an investigation. This is an easiest way of collecting data that can help to get response from unreachable persons and give respondent enough time to think and give well thought out answers. Questionnaires were distributed to concerned staffs, and these questionnaires contained both closed and open questions so as to facilitate coding and data analysis. The questionnaires were provided to selected staffs from head office and at the branch level to both finance department and internal audit department.

3.7.3 Interview

This method was employed to find information necessary from the group more quickly just to allow individual self expression. The expert such as seniors 'staffs of the finance and internal audit department were researched for interview.

3.7.4 Observation

Significant data should not be left behind/ ignored thus observation was put into practice, participatory and non-participatory observation. The aim of this technique was to obtain the primary data that lay the stepping stone for the secondary data which together produce a meaningful version for analysis. The researcher participated in day to day activities of the office.

3.7.5 Secondary Data

The collected data through documentation included a review from earlier studies on the topic, from the books, journals, reports, and some documents. The researcher reviews the Banking and Financial Institution Act (2006), and the regulation, and COSO Framework. These documents assists on knowing exact size of the organization by looking at organizational charter, internal control procedures, how the effective of the plan skill and knowledge and the auditor have influenced internal control system to the financial performance of the bank. Also by using organizational charter/structure, report, and plan it enabled to know for how much management and internal control complied with guidelines provided and recommendations made by them.

3.8 Validity and Reliability

In order to reduce the possibility of getting the wrong answer, attention needs to be kept to the particulars on the research design, reliability and validity (Saunders et. al; 2003).

3.8.1 Validity

Validity was concerned with whether the findings are really about what appear to be (Saunders et. al; 2003).

It involves identifying incomplete, inaccurate and irrelevant parts of the data and then replacing, modifying or deleting this dirty data. It usually involves examining data for five possible error say; lack of data, excess of data, inconsistency, strange patterns and

suspect analysis results. This will control the quality of data collection and hence give the researcher valid data on the variables.

Content validity index (CVI) was used to measure the relevancy of the questions used to measure the study variables of corporate governance, roles of board of directors and accountability and transparency.

3.8.2 Reliability

According to Saunderson et al; (2003), reliability refers to the degree to which data collection method will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from source. Cooper and Schindler (2003) have defined reliability as many things to people, but in most contexts the notion of consistency emerges

3.9 Data Analysis and Presentation Technique

Data processing refers to manipulating raw data into meaningful information. Data collected was sorted, coded and organized in tables. The researcher edited the data collected for accuracy and completeness. The researcher used a coding system such that all answers obtained from respondents were categorized into meaningful categories.

Data analysis was done through the use of statistical packages for social scientists (SPSS). Descriptive statistics like correlation analysis was also used to establish the relationship between the variables and also to determine the strength of the relationship between variables. The researcher used frequency and percentage tables to interpret the profile of the respondent and used mean and standard deviation tables for data presentation, conclusions and recommendations to be drawn from them in relation to the study objectives.

Table 3.3 Interpretation of responses

Mean Range	Response	Interpretation
1.0 - 1.7	strongly disagree	Very low
1.8 - 2.5	Disagree	Low
2.6 - 3.3	Not Sure	Neutral
3.4 - 4.1	Agree	High
4.2 - 5.0	Strongly Agree	Very High

Source: research data (2014)

Pearson's linear correlation coefficient was used to establish at what degree the relationship exists between bank performances in Tanzania with adoption of BOT code of corporate governance.

Linear regression analysis was used to determine the degree to which each construct in the independent variables influence the dependent variable. The dependent variable (bank performance) was regressed against each of the factor scores of the independent variables (corporate governance) derived from the factors analysis.

3.10 Limitation of the study

In conducting this research, the researcher expected to face some problems such as;

Scope limited to only one bank and no other bank in Tanzania.

Language which was used in this research and data collection also was another barrier to the respondents.

No clear parameter to measure the truthfulness of employees' contribution to governance and performance in CRDB bank, PLC, Pugu branch

CHAPTER FOUR

PRESENTATION OF FINDINGS ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents data presentation, analysis and interpretation. The data analysis and interpretation was based on the research questions as well as research objectives. The presentation was divided into two parts. The first part presents the respondents profile or general information while the second part deals with presentation, interpretation and analysis of data objective by objective.

4.1 Profile of the Respondent

This part presents the background information of the respondents who participated in the study. The purpose of the background was to find out the characteristics of the respondents and show the distribution of the population in the study. The demographic characteristics of the respondents are characterized by gender, age, education level, work experience and marital status.

Table 4.1: Gender of the respondents

Sex	Frequency	Percentage (%)
Male	24	66.7
Female	12	33.3
Total	36	100.0

Source: field data (2014).

Table above shows that gender distribution of the respondents were 66.7% males and 33.3% of the respondents were females. This implies that the majority of the respondents were males.

Table 4.2: Age of the respondents

Age	Frequency	Percentage (%)
18-28	6	66.7
29-38	12	33.3
39-48	10	27.8
49 And above	8	22.2
Total	36	100.0

Source: field data (2014).

In table above the study findings show that 16.7% of the respondents are between 18-28 years, 33.3% of the respondents are between 29-38 years, 27.8% of the respondents aged between 39-48 years, where 22.2% were aged 49 years and above. This implies that the age population distribution is normal.

Table 4.3: Level of education of the respondents

Level of education	Frequency	Percentage (%)
Above Bachelors	6	8.3
Bachelor	16	44.4
Diploma	7	19.4
Certificate	10	27.8
Total	36	100.0

Source: field data (2014).

The study findings show that 27.8% of respondents were certificate holder, 19.4% of the respondents were diploma holders 44.4% of respondents were degree holders and only 8.3% had education level above Bachelors degree. This implies that respondents were elite enough to give more relevant responses since majority were bachelor holders.

Table 4.4: Marital status of the respondents

Marital status	Frequency	Percentage (%)
Married	25	69
Single	8	22
Divorced	3	9
Separated	0	0
Total	36	100.0

Source: field data (2014).

The study findings shows that, 69% of the respondents were married, 22% of the respondents were single, and 9% of respondents were divorced.

Table 4.5: Work experience of the respondents

Work experience	Frequency	Percentage (%)
1-5 years	25	56
6-10 years	11	30
10 ⁺ years	5	14
Total	36	100.0

Source: field data (2014).

From table above, the study findings show that 56% of the respondents had a working experience of between 1-5 years with the bank, 30% had 6-10 years of working experience and only 14% had above 10 years of working experience.

4.2 Finding on establishing the compliance level of corporate governance at CRDB bank to BOT code of corporate governance

The study sought to find out if the corporate governance at CRDB bank complies with the Bank of Tanzania (BOT) codes of corporate governance

Key

Rating scale

Mean Range	Response Mode	Interpretation
1.0 - 1.7	Strongly Disagree	Very low
1.8 - 2.5	Disagree	Low
2.6 - 3.3	Not Sure	Neutral
3.4 - 4.1	Agree	High
4.2 - 5.0	Strongly Agree	Very High

The researcher determined the mean and standard deviation of the constructs of level of corporate governance.

Table 4.6 the level of Legal rights of shareholders

Items on Legal rights of shareholders	Mean	std. deviation	Interpretation
Shareholders are entitled to participate in the Bank's profits	4.50	0.77	Very High
Shareholders of CRDB Bank are provided a right to obtain information about and influence the company, primarily by voting at shareholder meetings	4.29	0.73	Very High
Equity shareholders are entitled to certain property rights.	4.29	0.73	Very High
Participation in general shareholder meetings	4.25	0.70	Very High
Total Average	4.33	0.73	Very High

Source: field data (2014).

The table above indicates the level of rights of shareholders exercised by the bank, the findings shows that the rights of shareholders are highly exercised by the bank with the average mean of 4.33 and standard deviation of 0.73 which is high indicating that the respondents strongly agreed on the items. All items showed a higher level with mean ranging from 4.50 to 4.25 and standard deviation ranging from 0.77 to 0.70. this has an implication that with no doubt shareholders are entitled to participate in the Bank's profits at CRDB Bank, shareholders of CRDB Bank are provided with a right to obtain information about and influence the company, primarily by voting at shareholder meetings, equity shareholders are entitled to certain property rights and shareholders participate in general shareholder meetings, OECD (2011) asserts that the ownership structure has important implications for the corporate governance framework. In many economies, major shareholders control most companies, in some cases through differential voting rights or complex ownership and control structures that allow them to maintain control with relatively little equity. In other cases, ownership is controlled by the state, raising additional governance challenges. Controlling shareholders have a

strong incentive to monitor closely the company and its management, with beneficial effects on the governance of the company, but their interests may also conflict with the interests of minority shareholders. In worst cases, controlling shareholders extract private benefits at the expense of minority shareholders.

Table 4.7 the level of Accountability and transparency

Items on Accountability and transparency	Mean	std. deviation	Interpretation
Actual and potential shareholders have access to regular, reliable and comparable information in sufficient detail for them to exercise their ownership rights on a fully informed and equal basis	4.10	0.67	High
Corporate governance requirements and practices are typically influenced by an array of legal domains, such as company law, securities regulation, accounting and auditing standards, insolvency law, contract law, labour law and tax law.	3.27	0.65	Neutral
Material information reach the market and the concerned authorities in a cost- effective and in timely fashion	3.25	0.64	Neutral
Total Average	3.54	0.65	High

Source: field data (2014).

The above table shows the responses from the respondents. The results shows that level of Accountability and transparency is high with average mean of 3.54 and standard deviation of 0.65. The highest level of Accountability and transparency was that Actual and potential shareholders have access to regular, reliable and comparable information in sufficient detail for them to exercise their ownership rights on a fully informed and equal basis with mean of 4.10 and standard deviation of 0.67 which is high and stands for agree according to the likert scale where as the lowest level of Accountability and transparency was that Material information reach the market and the concerned authorities in a cost- effective and in timely fashion with mean of 3.25 and standard

deviation of 0.64 which stands for neutral considerate which means that the respondents were not sure whether material information reached the market and the concerned authorities in a cost- effective and in timely fashion. In the course of developing a strong disclosure regime, the channels, timing and procedures for disseminating corporate information can be just as important as the content of the information itself. Material information needs to reach the market and the concerned authorities in a cost-effective, easily accessible, predictable and timely fashion. (OECD 2011)

Table 4.8 Role of Board of Directors and Shareholders

Items on Role of board of directors or shareholders	Mean	std. deviation	Interpretation
Guiding corporate strategy	4.09	0.65	High
Monitoring managerial performance and replacing managers if necessary	4.05	0.63	High
Ensuring that the corporation obeys the applicable laws	4.05	0.63	High
Establishing a code of corporate ethics	4.05	0.63	High
Overseeing systems to achieve an adequate return for shareholders	3.98	0.62	High
Monitoring and managing potential conflicts of interest of management, board members and shareholders	3.90	0.60	High
Total Average	4.02	0.63	High

Source: field data (2014).

The table above shows the roles of board of directors and shareholders. The results indicate that the board of directors played their role at the high level with average mean of 4.02 and standard deviation of 0.63 meaning that most of the respondents agreed on

the items. The standard deviation ranging from 0.65 to 0.60 indicate that it does not deviate much from the mean. The highest role played by the board of directors was that related to Guiding corporate strategy with mean of 4.10 and standard deviation of 0.67 whereas the role played at lower rate than the other was that related to Monitoring and managing potential conflicts of interest of management, board members and shareholders with mean of 3.90 and standard deviation of 0.60. board os directors are pursue these roles in good faith. Adams, (2002) as more corporate entities in different parts of the world collapsed in 1980s, there was a change of attitude with much higher performance expectations being placed on management boards of firms. There was also a growing realization that managers are to run firms while boards are to ensure that firms are run effectively and in the right direction Directors and managers require different sets of skills and managers do not necessarily make good directors.

4.3 Finding on the level of bank performance

This part relates to the second variable and shows the respondent's views about the performance of CRDB Bank

Table 4.9: level of Liquidity

Items on Liquidity	Mean	std. deviation	Interpretation
There is adequate liquidity (cash) to meet daily expenses	3.49	0.76	High
Current assets/current liabilities show a satisfactory rate at CRDB	3.36	0.74	High
The level of business financing is sufficient	3.36	0.74	High
Bank increase the deposit ratio in favour for the performance	3.25	0.72	Neutral
Total Average	3.35	0.74	High

Source: field data (2014).

The table above means that, of all questions about levels of liquidity were added and divided to the total number of questions to come up with the total average mean of (3.35) and standard deviation of 0.74, which stands for high consideration and is represented by agree according to the likert scale. The findings show that the high level of liquidity was that there was adequate liquidity (cash) to meet daily expenses with mean of (3.49) and standard deviation of 0.76 which stands for agree to the likert scale, its implication is that the cash availability were adequate to meet daily operation whereas the low level of liquidity was that the Bank increased the deposit ratio in favour for the performance with mean of (3.25) and standard deviation of 0.72 which stands for neutral to the likert scale, it implies that respondents were not sure if deposit ratio increase in favour for performance. Liquidity ratio is a very important indicator of financial performance of the bank because it indicates the ability of the bank to meet daily activity. Baysinger, (1989) also emphasized the importance of current ration as a measure of an organization's liquidity. Liquidity ratios are the ration's that measure the ability of company to meet its short term debt obligations. These ratios measure the ability of company to pay off its short- term liabilities when the fall due. The liquidity ratios are a result of dividing cash and other liquid assets by the short term borrowings and current liabilities. They show the number of times the short term debt obligations are covered by the cash and liquid assets.

Table 4.10: Level of Efficiency

Items on Efficiency	Mean	std. deviation	Interpretation
CRDB bank obtains accurate information concerning its customers' financial prospects	3.74	0.89	High
Effective contracts are written by the bank and is able to enforce them	3.73	0.87	High
There is effective risk management	3.73	0.85	High
Financial services are efficiently provided	3.70	0.83	High
Total Average	3.72	0.86	High

Source: field data (2014).

The table above shows the level of efficiency. The results indicate that the level of efficiency was high level with average mean of 3.72 and standard deviation of 0.86 meaning that most of the respondents agreed on the items. The standard deviation ranging from 0.89 to 0.89 indicate that it does not deviate much from the mean. The highest level of efficiency was that CRDB bank obtains accurate information concerning its customers' financial prospects with mean of 3.74 and standard deviation of 0.89 whereas the lower level of efficiency than the other was that financial services were efficiently provided at CRDB Bank with mean of 3.70 and standard deviation of 0.83. This has an implication that accurate information obtained CRDB bank concerning its customers' financial prospects helps the bank provide financial services efficiently. Uppal and Kaur (2007), in their paper titled, "Analysis of the efficiency of all the bank groups in the post banking sector reforms era" concluded that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks.

Table 4.11: Level of Profitability

Items on Profitability	Mean	std. deviation	Interpretation
There is profit earned at this bank	3.59	0.86	High
Profitability reflects what a surplus the bank is earning on the investments	3.43	0.84	High
Non financial objectives are attained yearly	3.33	0.83	High
There is no losses of funds at CRDB Bank	3.30	0.82	High
Total Average	3.41	0.84	High

Source: field data (2014).

The finding from the above table shows the level of profitability. The results indicate that the level of profitability was high with average mean of 3.41 and standard deviation of 0.84 meaning that most of the respondents agreed on the items. The standard deviation ranging from 0.86 to 0.82 indicate that it does not deviate much from the mean. The highest level of profitability was that there is profit earned at this bank with mean of 3.59 and standard deviation of 0.86 whereas the lower level of profitability than the other was that there are no losses of funds at CRDB Bank with mean of 3.30 and standard deviation of 0.82. This implies that despite that the bank was making the profit there were some losses of funds. The results accords with Singla HK (2008), in his paper, revealing that the profitability position of the Indian bank was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.

Table 4.12: Level of Reporting

Items on Reporting	Mean	std. deviation	Interpretation
The bank's reports show true and fair view	3.67	0.91	High
Timely production of financial reports	3.60	0.90	High
Reports are reliable and relevant	3.57	0.87	High
Financial reporting of CRDB conform to prescribed regulations, principles and standards	3.55	0.85	High
Total Average	3.60	0.88	High

Source: field data (2014).

From the table above the means of all questions about levels of reporting were added and divided to the total number of questions to come up with the total mean which is (3.60) and standard deviation of 0.88, which stands for high consideration and is represented by agree according to the likert scale. The findings show that the high level of reporting was that the bank's reports showed true and fair view at CRDB Bank with mean of (3.67) and standard deviation of 0.91 which stands for agree to the likert scale, whereas the low level of reporting was that the Financial reporting of CRDB conformed to prescribed regulations, principles and standards with mean of (3.55) and standard deviation of 0.85 which stands for agree to the likert scale, it implies that the level of reporting at CRDB Bank is promising. It basically that Financial statements are intended to be understandable by readers who have "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently (Wild, Shaw, & Chiappetta, 2009)

4.4 Finding on establishing the relationship between bank performance at CRDB

Bank with adoption of Bank of Tanzania (BOT) code of corporate governance

This part presents findings from the respondents according to the third objective which is relationship between BOT codes of corporate governance and bank performance.

Correlation analysis measures of relationship between two variables. The correlation coefficient gives a mathematical value (-1 to 1) for measuring direction and the strength of the linear relationship between two variables. A correlation of -1 corresponds to a perfect negative linear relationship, a correlation of 0 corresponds to no linear relationship and a correlation of +1 corresponds to a perfect positive relationship (Keller and Warrack, 1997).

Table 4.13 showing if there is relationship between corporate governance and bank Performance
N=36

Variable correlated	r-value	Sig-value	Decision on H ₀
Legal rights of the shareholders & bank performance	0.58**	0.01	Supported
Accountability and transparency & bank performance	0.57**	0.01	Supported
Roles of board of directors and shareholders & bank performance	0.56**	0.01	Supported
Corporate governance & bank performance	0.57**	0.01	Supported

(Primary data, 2014) *Correlation is significant at 0.01 (2 tailed)**

From the table above the independent variable – corporate governance measured by legal rights of shareholders, accountability and transparency roles of board of directors was correlated with the dependent variable – bank performance that is measured by liquidity, efficiency, profitability and reporting of the bank. The findings on the relationship between the variables were as follows:-

The finding indicates a significant relationship between legal right of the shareholders with r-value of 0.58 and sig-value at 0.01, this has an implication that the percentage unit increase or decrease in legal rights of the shareholders would results in increase or decrease in bank financial performance by 58% meaning that it would shift the financial performance by 58%. La Porta et al. (2002) in their study on firm's performance from 27 developed countries. They found evidence that there is higher valuation of firms in countries with better protection of minority shareholders.

Also it was discovered that there is a significant relationship between accountability and transparency and financial performance with r-value of 0.57 at sig-value of 0.01, this indicates that a unit increase or decrease in accountability and transparency would result into respective increase or decrease in bank performance by 0.57 units. This pinpoints the importance of accountability and transparency in the bank, once is learnt it attracts more stakeholders and compels more investors to invest more in the bank which inturn would results into profitability. This is parallel with this study by Klapper and Love (2003) who used firm-level data from 14 emerging stock markets and documented that corporate governance provisions matter more in countries with weak legal environments. They also found that better corporate governance is highly correlated with better operating performance and higher market valuation.

Moreover, roles of board of directors and bank performance had an r-value of 0.56 and significant at 0.01 which appeared to be supported, this indicates the significant relationship between roles of board of directors and bank performance at the bank, increase and/or decrease in intensity pursuit of the roles of directors, each unity would result into changes of bank performance by 56%. Board of directors is the heart of the any company in influencing the performance of that company.

Furthermore, results indicate that corporate governance and bank performance had an r-value of (0.57), sig-value= (0.01). This is an indicator of positive relationship between corporate governance and bank Performance in CRDB bank.

In a nutshell the findings have the implications that if one of the aspects of corporate governance, as either the legal rights of shareholders or the level of accountability of the corporate management or the level of transparency or the roles of board of directors is more emphasized by the corporate management would result into improved bank performance in terms of more liquidity, improved returns on asset and increased profits. Two; the extent to which the effect of a unit increase or decrease in corporate governance (legal rights of shareholders, accountability and transparency and roles of board of directors) would cause shift of bank performance (liquidity, efficiency, profitability and reporting of the bank) is by 0.57 units. Schillhofer, and Zimmermann (2003) explored the relationship between firm-level corporate governance and firm performance. They suggested that good corporate governance leads to higher firm valuation (performance), hence, investors are willing to pay a premium, and bad corporate governance is punished in terms of valuation discount.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.0. Introduction

This chapter looks at the research findings and shows the summary of the findings, conclusion, recommendations and the area for further research.

5.1 Summary of the findings

The purpose of the study was to establish if there is a significant relationship between corporate governance and bank performance at CRDB Pugu branch, Dar es Salaam, Tanzania. The study was guided by three specific objectives which include, determining the level of corporate governance in relation to BOT codes of corporate governance, to determine the level of bank performance and to establish if there is a significant relationship between corporate governance and bank performance at CRDB Pugu branch, Dar es Salaam, Tanzania.

Objective one

Under the first objective, the study revealed that the compliance of BOT codes of corporate governance at CRDB Bank is practiced since the respondents' results showed that the level of transparency and accountability was high at an average of 3.4 with standard deviation of 0.65, the legal rights of shareholders were high at a level of 4.3 with standard deviation of 0.47 and roles played by board of directors were at the high level with mean 4.02 and standard deviation of 0.63. All of these results provide a grand total mean for corporate governance of 3.96 with standard deviation of 0.67 which stands for high consideration of corporate governance.

Objective two

The study under the second objective revealed that, the level of bank performance at CRDB Bank is high as the respondents showed that the level of liquidity was high at an

average of 3.35 with standard deviation of 0.74, the level of efficiency at a high level of 3.72 mean with standard deviation of 0.86, the level of profitability at a high level of 3.41 mean with standard deviation of 0.84 and followed by reporting level which was high for an average of 3.6 with standard deviation of 0.88. Therefore all these results from the respondents produce an average mean of 3.52 with standard deviation of 0.83 which stands for high consideration of performance in accordance with likert scale.

Objective three

In establishing the relationship between corporate governance and bank performance, the results indicated a significant positive relationship between corporate governance and bank performance with $r = (.57)$ and significant value of 1%. This is an indicator of positive relationship between corporate governance and bank Performance in CRDB bank.

In a nutshell the findings had the implications that if one of the aspects of corporate governance, as either the legal rights of shareholders or the level of accountability of the corporate management or the level of transparency or the roles of board of directors is more emphasized by the corporate management would result into improved bank performance in terms of more liquidity, improved returns on asset and increased profits. Two; the extent to which the effect of a unit increase or decrease in corporate governance (legal rights of shareholders, accountability and transparency and roles of board of directors) would cause shift of bank performance (liquidity, efficiency, profitability and reporting of the bank) is by 0.57 units. . Klapper and Love (2003) reported that better corporate governance is highly correlated with better operating performance. They also document that firm-level corporate governance provision matter happens more in countries with weak legal environments.

5.2 Conclusion

Basing on the research findings the study it can be concluded that, the level of corporate governance was high at CRDB Bank, the level of Legal rights of shareholders was indicated to be the highest level of corporate governance followed by the level of accountability and transparency whereas the lowest level of corporate governance was the roles of board of directors exercised within the bank.

Also it can be established that the level of financial performance at CRDB Bank was high much indicated by the high level of bank's efficiency followed by effective reporting, high level of profitability and high level of level of liquidity.

Results from testing the null hypothesis indicated a significant positive relationship between corporate governance and bank performance with $r = (.57)$ and significant value of 1%. This is an indicator of positive relationship between corporate governance and bank Performance in CRDB plc Pugu branch, Dar es Salaam that is a unit increase in adherence to BOT codes of corporate governance lead to 0.57 increase in bank performance.

It is clear that there is a significant relationship between corporate governance and bank performance. This results into a rejection of the null hypothesis the effect that corporate governance is significantly related with bank performance. This is in line with Klapper and Love (2003) who reported that better corporate governance is highly correlated with better operating performance. They also document that firm-level corporate governance provision matter happens more in countries with weak legal environments. And Black, Jang, and Kim (2003) who provided empirical evidence that there is a positive correlation between corporate governance and performance, but they have no explanation about the causal relationship. Drobetz (2004) also finds that higher corporate governance rating is related to high performance

5.3 Recommendation

In regards to the results of the findings, the researcher recommends that, since the board of directors is the heart of the bank, now the board should intensively carry out its role to the maximum to ensure effective corporate governance especially in monitoring and managing potential conflicts of interest of management, board members and shareholders. Also the researcher suggest that the bank should be typically influenced by an array of legal domains, such as company law, securities regulation, accounting and auditing standards, insolvency law, contract law, labour law and tax law to meet the corporate governance requirements and practices should ensure that material information reach the market and the concerned authorities in a cost- effective and in timely fashion.

It is also recommended that the bank should re-review and put a way forward to improve the level of liquidity especially by improving the deposit ratio in favour for the performance. Also it should ensure that its financial reporting conforms to prescribed regulations, principles and standards and ensure that there are no losses of funds.

From the research findings it is recommended that, there is a need to increase the bank performance and this can be done through increasing the level of adherence to the BOT codes of corporate governance. However since the bank performance rely much on the profits derived from loans that are issued a portfolio of investment should be made to mitigate the risk of loss and yet a conducive investment environment need to be made to encourage investors to keep their money with CRDB bank.

5.4 Areas for further research

Further research need to be made on the other factors that affect the bank performance like the corporate culture and bank performance, electronic banking and financial performance which will capture the current banking business environment

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APPENDECES

APPENDIX I: Questionnaires

Dear Sir/Madam

My name is Benjamin Mwanjale, a student pursuing a master degree at Mzumbe University, the field work and report is part of my course for the fulfillment of the award of Master of Business Administration in Corporate Management. You are kindly requested to respond to these questionnaires to help me to accomplish the study topic of "Corporate governance and Bank performance in CRDB bank, Pugu branch, Dar es salaam ". The required information will be treated with confidentiality and is only for academic purpose and not otherwise. I thank you in advance for your good cooperation, assistance, time and effort that you spent in the completion and return of these questionnaires.

QUESTIONNAIRES

SECTION A [PERSONAL INFORMATION]

Please tick (☐) your appropriate choice in the boxes provided.

1. Gender

Male ☐ Female ☐

2. What is your Age [year]

3. Marital status

Married ☐ Single ☐ Separated ☐ Widowed ☐ Divorced ☐

What is your Working experience at CRDB bank [years]

4. Academic level

Certificate ☐ Diploma ☐ Degree ☐ Above degree ☐

SECTION B

QUESTIONNAIRE TO DETERMINE THE LEVEL OF CORPORATE GOVERNANCE

Direction: Please respond to the options and kindly be guided with the scoring system below. Please Tick your rating in the space provided.

Score	response mode	Description	legend
5	Strongly Agree	You agree with no doubt at all	SA
4	Agree	you agree with some doubt	A
3	Not Sure	you neither agree nor disagree	NS
2	Disagree	you disagree with some doubt	D
1	Strongly Disagree	You disagree with no doubt at all	SD

(a)	Legal rights of shareholders	1	2	3	4	5
1	Shareholders are entitled to participate in the Bank's profits					
2	Shareholders of CRDB Bank are provided a right to obtain information about and influence the company, primarily by voting at shareholder meetings					
3	Shareholders are entitled to certain property rights.					
4	Participation in general shareholder meetings					

(b)	Accountability and transparency	1	2	3	4	5
1	Actual and potential shareholders have access to regular, reliable and comparable information in sufficient detail for them to exercise their ownership rights on a fully informed and equal basis					
2	Material information reach the market and the concerned authorities in a cost- effective and in timely fashion					
3	Corporate governance requirements and practices are typically influenced by an array of legal domains, such as company law, securities regulation, accounting and auditing standards, insolvency law, contract law, labour law and tax law.					

(C)	Role of board of directors or shareholders	1	2	3	4	5
1	Guiding corporate strategy					
2	Monitoring managerial performance and replacing managers if necessary					
3	Ensuring that the corporation obeys the applicable laws					
4	Establishing a code of corporate ethics					
5	Overseeing systems to achieve an adequate return for shareholders					
6	Monitoring and managing potential conflicts of interest of management, board members and shareholders					

SECTION C

QUESTIONNAIRE TO DETERMINE THE LEVEL OF FINANCIAL PERFORMANCE

(a)	Liquidity	1	2	3	4	5
1	There is adequate liquidity (cash) to meet daily expenses					
2	Current assets/current liabilities show a satisfactory rate at CRDB					
3	The level of business financing is sufficient					
4	Bank increase the deposit ratio in favour for the performance					

(b)	Efficiency	1	2	3	4	5
1	CRDB bank obtains accurate information concerning its customers' financial prospects					
2	Effective contracts are written by the bank and is able to enforce them					
3	There is effective risk management					
5	Financial services are efficiently provided					

(c)	Profitability	1	2	3	4	5
1	There is profit earned at this bank					
2	Profitability reflects what a surplus the bank is earning on the investments					
3	Non financial objectives are attained yearly					
4	There is no losses of funds at CRDB Bank					

(d)	Reporting	1	2	3	4	5
1	The bank's reports show true and fair view					
2	Timely production of financial reports					
3	Reports are reliable and relevant					
5	Financial reporting of CRDB conform to prescribed regulations, principles and standards					

Thank you for your cooperation

APPENDIX II:
Research Budget

Item	Transaction	Amount(Tshs)	Total(Tshs)
Stationers	Purchase of materials and binding	150,000	150,000
Communication	Telephone	40,000	
	Internet services	70,000	110,000
Meals	Breakfast	60,000	
	Lunch	200,000	260,000
Transport	To visit supervisor	150,000	
	Submission cost	100,000	250,000
Secretarial Services	Photocopies	40,000	
	Printing	100,000	
	Typing	100,000	240,000
Other Related Costs	Any Other Related Costs 1,010,000 X 10%	101,000	101,000
Supervision costs		300,000	300,000
Total			1,411,000

APPENDIX III:

Time Schedule

ACTIVITY	TIME TO BE TAKEN															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Orientation/ Familiarization																
Research design																
Data collection																
Answering Research questions																
Data analysis & interpretation																
Documentation & submission																