CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF BANK OF AFRICA (U) LTD

By

GERALD WANDERA OBBO
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SUPERVISORS:

DR. STELLA KYOHAIRWE

DR. GERALD KAGAMBIRWE KARYEIJA

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ABSTRACT

From Bank of Africa report (September 2015) ,it was insinuated that Bank of Africa seems to have put in place formidable corporate governance structure to enable the bank perform better financially but liquidity risk arose from the possible inability of the bank to accommodate decrease in liabilities, Loan loss provision to total loans, poor expenses management, interest expenses, deposit mobilization in Uganda, large interest rate, market power and concentration, operational costs, taxation and core capital requirement and other factors have reduced the bank profitability, liquidity flow and return on investment thus affecting financial performance of the bank yet the bank.

It's from the study that the researcher came up with the following objectives; examinig effects of the Board structure, ascertaining the effects of ,determining the effects of Management Role on financial performance of Bank of Africa. The research adopted the agency theory in this study because it links relationship between principals (owners), management (agents) hired by owners and employees hired by management.

Descriptive survey study design used quantitative and qualitative approaches to capture views, attitude and opinions of responds. Interview guide was used as the qualitative and questionnaire as the quantitative instrument. The population involved 120 employees of Bank of Africa and the sample size was 92. Purposive and convenience, were applied for respondents like the Managing Director and Heads of Departments who were to be seen at their own availability and convenience, stratified was used in order to obtain a representative sample and simple random sampling techniques were used for selection of respondents randomly because respondents had equal chances of being selected.

The study revealed a number of findings including: Board structure , Ownership and Management Role all have effect on dependent variable. It's recommended that: There is need to improve board structure by widening the board members to include some employees and they should be independent in making decisions affecting performance of the bank instead of working under shareholders' influence, there is need to expand ownership structure by going public in order to widen capital base of the bank and also include more wealthier, knowledgeable and experienced owners in the business, Management needs to move away from old type of management of planning, organizing, coordinating and controlling to practice modern management approach as mentioned by Mintzberg.

CHAPTER 1

INTRODUCTION

Board Chairman, Board of Directors,. Executive Directors, Head of departments and section constitute corporate governance in Bank of Africa(Bank of Africa report September 2015). The above report insinuated that liquidity threat was caused by incapability of the bank to provide for decrease in liability, loan loss provision toward total loans, poor expenses management, interest expenses, deposit mobilization in Uganda, large interest rate, market power and concentration, operational costs, taxation and core capital requirement and other factors have reduced the bank profitability, liquidity flow and return on investment thus affecting performance finance of the bank yet the bank follows the principles of Corporate Governance through Board composition, Ownership ,Management role, Share holder role, Audit function and other stakeholders. This has led to a declining trend of average profits for the bank which was 1.2 billion in 2014 and 0.6 billion in 2015 ranking the bank to number 18 out of 25 commercial banks in Uganda with asset base of 2.9% while its foreign liabilities are increasing.

Corporate Governance was considered as the independent variable while performance of finance of Bank of Africa was the dependent variable. Corporate Governance was measured in form of Board Structure, Ownership, Management Role. Performance of finance was measured in form Profitability and Return on investment as explained in the conceptual framework.

1.1: Background of the Study

1.1.1: Background Perspective.

Corporate Governance is traced as a result of the development of the Joint Stock Companies Act of 1844 (UK) marking separation between corporation and ownership (Berle & Means, 1967)

Flannery (2003) contributed that the rise of corporate governance was due to corporate failures and systematic crises

In Uganda, the Central Bank has gone a step further by making corporate governance compulsory for Financial Institutions. Some have argued that the move to legislate on corporate governance is due to corporate scandals. In Uganda, the main scandal related to the collapse of the Green land Bank. (Bank of Uganda Press Release – 02 Sept 02).

GROUPE BANK OF AFRICA (2017) reported that at a BMCE Bank's head office in Casablanca Monday 22nd June 2015 meeting , a new corporate governance was, splitting the chairman role from that of the CEO.

1.1.2 Theoretical Perspectives:

Agency theory links the relationship between principals (owners), management (agents) hired by owners and employees hired by management and assumess man presents important contact on its formation (Aebi, Sabato, & Schmid, 2011).

Shapiro (2005) posted that two research developed due to agency logic were the mathematical Principal-Agent literature and practice oriented Positive Agency and explain that there is a relationship between principals and agents in business and problems associated with it.

However, agency theory is depicted on egoistic assumptions of agents who try to find how to maximize wealth(Bruce, 2005).

1.1.3 Conceptual Perspective*:*

Corporate governance means managing corporation (Cadbury, 1992).

Corporate governance have been conceptualized as Ownership which refers to the type and composition of shareholders in a corporation(Johnson, 2008),Board Structure which serves as a link between owners and managers(Veliyath ,1999),Management Role (Cole & Mehran ,1998).

Caprio (2007) explained that financial performance expresses general profits and losses during given time by in a business to enhance decision-making.

Liquidity determines a company's capability to meet short-term debt obligations; Return On Investment (ROI) is the Total Revenue-Total Costs + Taxes.

Van Horne (2008) opined that profitability means the efficiency with which management controls total assets and net assets.

Return On Investment measures the balance after business costs and taxes (Van Horne, 2008).

1.1.4*:* Contextual Perspective

The system of Corporate governance of Bank of AFRICA (U)Ltd is structured as follows: the chairman who is the overall owner, Board of Directors,(The two don't stay in Uganda here but at Cassblanca, Morrocco), CEO, Heads of departments(Top Management),heads of sections, supervisors, and junior staff and other shareholders..

According to Bank of Uganda Report, (2016),overall Bank of Africa NPLs to gross loans ratio and deposits ratios has been declining since 2010 though deposits increased form 2011.

ROA and ROE has also been lowering though the bank profitability has been increasing.

However, Bank Of Africa report(September 2015) showed that despite new corporate governance, threat on Liquidity arose because the bank was not able to decrease liabilities, Loan loss provision on total loans, poor expenses management, interest expenses, deposit mobilization in Uganda, large interest rate, market power and concentration, operational costs, taxation and core capital requirement and other factors have reduced the bank profitability, liquidity flow and return on investment thus affecting financial performance of the bank yet the bank follows the principles of corporate governance through Board of Directors structure, Ownership ,management role, shareholders role,. This has led to a declining trend of average profits for the bank which was 1.2 billion in 2014 and 0.6 billion in 2015 ranking the bank to number 18 out of 25 commercial banks in Uganda with asset base of 2.9% while its foreign liabilities are increasing.

1.2 Statement of the problem

According to Bank of Uganda Report, (2016),overall Bank of Africa NPLs to gross loans ratio and deposits ratios has been declining since 2010 though deposits increased form 2011.ROA and ROE has also been lowering though the bank profitability has been increasing.

However, Bank Of Africa report(September 2015) showed that despite new corporate governance, threat on Liquidity arose because the bank was not able to decrease liabilities, Loan loss provision on total loans, poor expenses management, interest expenses, deposit mobilization in Uganda, large interest rate, market power and concentration, operational costs, taxation and core capital requirement and other factors have reduced the bank profitability, liquidity flow and return on investment thus affecting financial performance of the bank yet the bank follows the principles of corporate governance through Board of Directors structure, Ownership ,management role, shareholders role,. This has led to a declining trend of average profits for the bank which was 1.2 billion in 2014 and 0.6 billion in 2015 ranking the bank to number 18 out of 25 commercial banks in Uganda with asset base of 2.9% while its foreign liabilities are increasing.

1.3 Study Purpose

Establishing relationship between Corporate Governance and financial performance of Bank Of Africa Uganda Limited

1.4 Study Objectives

(i) Examining effects of the Board structure on performance of finance of Bank Of Africa

(ii) Ascertaing the effects of Ownership on performance of finance of Bank Of Africa

(iii) Determining the role of Management and performance of finance of Bank of Africa

1.5 Research Questions

(i) What are the effects of Board structure on performance of finance of Bank Of Africa ?

(ii) What are the effects of Ownership on performance of finance of Bank of Africa ?

(iii)What are the effects of Management Role on Ownership structure on performance of finance of Bank of Africa ?

1.6 Hypotheses of the study

(i) There are several effects of Board make up on performance of finance of Bank of Africa

(ii) There are several effects of Ownership on performance of finance of Bank of Africa

(iii) There are several effects of the Management Role on Ownership structure performance of finance of in Bank of Africa

1.7 Conceptual Frame Work

Independent Variable		**Dependent Variable**
Corporate Governance		**Performance of finance**
● **Board make up** -Roles -Directors ● **Ownership** -Family ownership -Institutional investors -Partnerships-Corporations ● **Management Role** -Interpersonal roles -Informational role -Making Decisions	→	● **Profitability** ● **Return on investment** ● **Liquidity**

Source: *From literature;* Arouri,(2011)*;* Pryor, & Guthrie, *(*2010)*;* Van Horne, (2008)*;* Fama, (1980).. *Modified by researcher.*

Figure 1: Conceptual framework

In globalized competitive business environment, business managers must take up targeted actions attempting to achieve superior results. This truth has been the brain behind the High Financial Performance Organization (HFPO) measurement framework that will be used in the measurement of organizational financial performance(Fama, 1980).

According to the conceptual framework, Corporate Governance particularly Board Structure and functions, Ownership and Management Role play a big role in bringing about performance of finance of Bank of Africa. The three dimensions act directly in bringing about an influence on finance and return on investment.

The dependent variable is financial performance and this is measured by profitability, return on investment and liquidity.

Profitability relates to the efficacy of managing has total assets and net assets, return on investment (ROI) relates to the balance after business costs and taxes and liquidity means managing short-term debt obligations, (Van Horne, 2008).

1.8 Significance of the study

It will enable the award of a Master Degree in Business Administration of Uganda Management Institute by the researcher leading to more qualifications to the researcher.

After the completion of this work the researcher will have acquired knowledge and skills on conducting research and report writing commensurate with the level of MBA graduate and this will enable him become a consultant in the area of study and other related areas.

The study will provide scholarly material about the subject under study to the institute for future reference such that it becomes a reference point not only for students' band lecturers but even for other intellectuals who want to have in-depth knowledge of Corporate Governance.

The study may enable banks and other organizations improve their performance through effective corporate governance by empowering all areas of corporate governance.

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1.9 Justification of the study

Bank of Africa has been following the principles of corporate governance using appropriate board structure, ownership structure, management role, audit function and shareholders role in view of improved financial performance through increase in profitability, liquidity and return on investment but these seem not to be achieved as profitability, liquidity and return on investment seem to be decrease on subsequent years thus calling for investigation.

1.9.1 Scope

1.9.2 Content scope

Corporate governance was studied using constructs of board structure and functions, ownership structure, management role, audit function and shareholders roles while financial performance will be studied using constructs of profitability, liquidity and returns on investment.

This study has been chosen due to recurrent poor financial bank performance in Uganda despite strict measures on corporate governance instituted by Bank of Uganda.

1.10 Geographical scope

The area of the study was Bank of Africa because the researcher was in a position to provide information required for the research.

1.10.1 Period scope

The study covered between 2011 and 2016 for updated information because it is the period the banking sector in Uganda has been experiencing downturn in their financial performance since financial depression in the world in 2008.

1.11 Operational Definitions

Cadbury (1992) defined Corporate governance means managing corporation Board make up is a bridge between owners and managers.

Ownership is the system of arrangement of owning business by shareholders

Management Role is the authority and responsibility for day-to-day affairs of the organization

Financial performance expresses general profits and losses during given time by in a business to enhance decision-making.

Liquidity is the a company's ability to meet its short-term debt obligations.

Return On Investment is the appropriate measurement of the balance after business costs and taxes.

1.12: Conclusion

Applying the corporate governance may improve bank performance through board structure, ownership, management role, audit function, shareholders role thus leading to on bank financial performance.

Therefore the study concluded that board structure, ownership, management role have positive effects on bank financial performance but to varying extents and are all significant in effecting bank financial performance.

CHAPTER 2

LITERATURE

2.1 Introduction

Literature considered the use of other scholars.

2.2 Theoretical review

This reviews literature on the theory which has been identified by the researcher as being the guiding principle of the study.

2.2.1 Agency Theory

Lan (2010) assrted that, Agency Costs is the leading theoretical framework of the CG literature,is based in assumptions regarding man, with noteworthy impact on the development of the theory. However, Jensen (1994) argued the theory is ashore and replicates human action but can act with altruism with individual self-maximization.

Agency Theory is driven development of corporation growth, complexity and need for external capital,increased stock market and managerial wealth (Fama,1980)

Prendergast (1999) asserts that the defective contract in the agency relationship makes exact effort very complicated causing secreted action problem of asymmetric information and leading to moral hazard .

2.3 Conceptual Framework

2.3.1 Corporate governance

According to Cadbury (2002), it means distribution of rules, polices, practices, objectives and procedures for making decision, monitoring among different participants in the organisation are indentified by corporate governance.

Adams & Mehran, (2003) opined that the design of corporate governance structure is quite multifaceted relative to unregulated non-financial firms and good corporate governance requires concentration and consideration (Adams & Mehran, 2003).

2.3.2 Financial Performance

Dagli (2012) defined financial performance as the intensity of performance in an organisation in a specific period of time and is always compounded.

Financial performance measures profitability, return on equity, liquidity (Karaca, 2012).

2.3.2.1 Profitability

Profitability shows the efficacy of both total assets and the net assets (Tony, 2007).

2.3.2.2 Return On Investment:

Return on investment (ROI) is the balance after business costs and taxes. The higher the revenue generated at low costs and taxes visa-vis the total investment made by business owner, the better the performance of a firm. ROI is derived from the firm's profits or earning or income. This is elaborated below:

Total Revenue-Total Costs + Taxes=Return On Investment (ROI). (Mishkin, 2001).

2.3.2.3 Liquidity

Liquidity meets short-term debt obligations.(Van Horne, 2008).

2. 4 Related Literature

Under this section the researcher related the literature according to the objectives of the study

2.4.1 Examining Board Composition and Financial Performance

2.4.1.1: Board of directors

Veliyath (1999) contributed that the board ensures that financial performance of the organization is sound.

Findings of the study showed that Board Composition has strong positive relationship with financial performance,is significant in affecting financial performance and contributes moderate percentage in affecting financial permance of Bank of Africa.

2.4.2 Ascertaining Ownership and Financial Performance

Arouri (2011) suggests that Ownership means types and composition of shareholders Adams(2003) contributed that there are various types of ownership namely:family,institutional,sole proprietorship partnership and corporations.

According to the findings of the study,ownership has strong positive relationship with financial performance,is significant in affecting financial performance and contributes moderate percentage in affecting financial permance of Bank of Africa.

2.4.3 Assessing Management's Role and Financial Performance

Pryor, & Guthrie, *(*2010) posts that Management means achieving organizations goals and objectives using other people

Fayol , (1925) asserts that though management role with its major traditional functions of planning, organizing, coordinating and controlling are in place, modern roles of Interpersonal, Informational,decision making roles takes center stage.

Regarding management role,the study found that management role has strong positive relationship with financial performance,is significant in affecting financial performance and contributes moderate percentage in affecting financial permance of Bank of Africa

2.5: Summary of the Literature Review.

In summary, empirical results from other studies done show that generally board structure, ownership, management role, audit function and shareholders role have some effect on bank financial performance but to varying extents.

Therefore the researcher concluded that though board structure, ownership, management role are in place, financial performance of bank of Africa seems not to be up to date since profitability ,liquidity and returns on investments are all dropping as evidenced from the contextual perspectives.

CHAPTER 3

METHODS

3.1 Introduction

The study gave indepth validation of subjects under study.

3.2 Research Design

Descriptive design seeking people's views and opinions applying both qualitative and quantitative research approaches providing triangulation, with the help of questionnaires and interview guides to describe feelings, beliefs and attitudes regarding the subject under study by generating correlation and regression analysis was applied.

3.3 Study population and Area

The population comprised 120 employees in the organizations stratified in four different departments

The study was carried out in the head office of the bank located at Jinja Road.

3.4 Sample Size Selection

Morgan and Krejcie, (1970) table , adopted by Amin (2005) was applied for deciding the sample size which showed that the 120 population size gave sample size of 92 as depicted in appendix two

Table 3.1: Sample size selection

Department	Population	Number of	Technique Used

		Respondents	
Board Members	5	**4**	Purposive and random sampling. Purposive for specific information and random sampling because each respondent had equal chance to be picked
Administration	5	**4**	Purposive and random sampling. Purposive for specific information and random sampling because each respondent had equal chance to be picked
Sales and Marketing	45	**34**	Convenience due to convenience of the particular respondent and random sampling
Operations	55	**42**	Purposive, convenient and random sampling as explained above.
Finance	10	**8**	Purposive and random sampling as explained above
Total	**120**	**92**	

Source Head Office located at Jinja Road 2017

3.5 Sampling techniques

In probability sample , random sampling and stratified techniques were applied while in non probability technique, Purposive and convenience sampling were used.

3.6 Data Collection

Primary data was collected using questionnaires with direct interviews while secondary data was collected using books, journals.

3.7 Instruments

3.7.1 Questionnaire

Questionnaire was used because of its convenience and efficiency in the collection of the data to make triangulation feasible (Amin 2005).It was also convenient since one could carry it home and respond freely due to its anonymous nature. It was both structured and non structured.

3.7.1 Questionnaire

Questionnaire was used in this case because it collects information from very many people in short period(Mugenda & Mugenda, 2003).

3.7.2 Key Informant Interview Guide

Interviews were conducted to some few respondents with busy schedules using interview guide consisting of semi-structured questions applying mostly mobile telephone.

3.8 Quality of Data Control

3.8.1 Reliability

This was generated using SPSS computer package which established Cronbach's alpha values depending on each objective as shown.

Table 3. 2: Reliability

Objective	**Alpha Cronbach**	**Items**
Board Structure	.772	7
Ownership	.806	11
Management Role	.813	9
Overall	.797	27

Source: SPSS

From table above alpha crobatch value was .797 meaning that all objectives were reliable.

3.8.2 Validity of the questionnaire

Having constructed the questionnaire, supervisors were contacted to review its validity in order get Content Index.

Table 3.3 Content Index

Rater	Qustionnaire	Average valid qustionnaire	CVI
5	**30**	**26**	**0.87**

Source :SPSS

3.9 Data Collection Procedures

Aletter was given to the researcher who presented it to the bank where the study occurred.

3.10 Data Processing and Analysis

3.10.1 Data Processing

This invoves entry editing, and coding of data for ascertainment using computer.

3.10.2 Data analysis

SPSS was used to generate frequency distribution tables, Pearson correlation and regression.

Qualitative data was analyzed using conent analysis by use of opinions and attitudes of respondents and developing themes.

3.11 Measurement of Variables

Corporate Governance was measured using Board Structure, Ownership Structure and Managements Role

Bank performance was measured using profitability and Return on investment.

3.12 Ethical considerations

Ethics in research studies are emphasized because they involve interaction with people or sensitive documents hence it is important to mind about proper conduct during these interactions

(Macmillan & Schumacher, 2010). To this end therefore, the researcher sought permission to interview respondents and also access relevant documents by presenting a letter from the Institute. The researcher explained study is for academic purposes only and the respondents were assured that the study would not cause any danger directly or indirectly and that their participation is voluntary. Confidentiality was ensured during data collection.

3.13 Limitations of the Study

There were some difficulties met while meeting managing Director but the researcher managed to be patient until he met him

Fear of biasness had developed from respondents due to sensitivity of the topic but this was overcome by not disclosing theor identities.

CHAPTER 4

PRESENTATION OF FINDINGS

4.1 Introduction

It shows presentation of findings using background and research objectives.

4.2 Background

4.2.1 Response

92 questionnaires were distributed, and response raqte was as shown below in table 4.1.

Table 4. 1: Rate of Response

Category	Size	Response
Board Members	**4**	**4**
Administration Department	**4**	**4**
Marketing and Sales	**34**	**34**
Operations Department	**42**	**42**
Finance Department	**8**	**8**
Total respondents	**92**	**92**

Source: Field Study 2017

From table 4.1 it was shown that 92 questionnaire were returned which was satisfactory according to as Mugenda & Mugenda (1999).

4.2 Respondent's Background

4.2.1 Sex

Sex affects both corporate governance and financial performance of Bank of Africa (U) Limited.

Table 4. 2:Sex

		Frequency	Percentage
Valid	Gentlemen	56	60.9
	Feminine	36	39.1
	Total	**92**	**100.0**

Source: Field Study 2017

The findings of sex in the study are as shown in the above.table.

4.2.2 Respondents Age group

Table 4. 3: Age bracket of respondent

		Frequency	Percentage
Valid	18-27yrs	28	30.4
	28-37yrs	32	34.8
	38-47yrs	23	25.0
	48-57yrs	9	9.8
	Total	**92**	**100.0**

Source: *Field Study 2017*

The age group findings are indicated in table above.

4.2.3 Respondents Educational Level

Educational level was prerequist because of the requirements for the kind of job

Table 4. 4: Highest education of respondent

		Frequency	Percentage
Valid	Certificate	11	12.0
	Diploma	20	21.7
	Degree	36	39.1
	Masters	13	14.1
	Any other -specify	12	13.0
	Total	**92**	**100.0**

Source: Field Study 2017

The findings of educational levels are shown in the table above.

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4.2.4 Marriage state

Table 4. 5: Marriage state

		Frequency	Percentage
Valid	Lonely	35	38.0
	marital	40	43.5
	Widow	3	3.3
	Co habited	14	15.2
	Total	**92**	**100.0**

Source: Field Study *2015*

It was found that 35 (38%) of the respondents were single, 40 (43.5%) married, 3 (3.3%) widows and 12 (15.2%) co-habited indicating that majority of the employees are married

Bank of Africa (U) Ltd employed mostly married people because they are assumed stable and can easily manage organization finances effectively.

4.2.5 Respondents Department

Departments are locations where employes are placed.

Table 4. 6: Respondent Department

Category of population	**Frequency**	**Percentage**
Board Members	**4**	4.3
Administration Department	**4**	4.3
Marketing and Sales Department	**34**	37.0
Operations Department	**42**	45.7
Finance Department	**8**	8.7
Total	**92**	**100**

Source: Field Study 2017

The findings of respondent's departments are as shown above.

4.3 Relationship between Board Structures and Performance of Finance at Bank of Africa.

Table 4. 7: Findings on Board Composition

Board Composition	FINDINGS					Correlation Analysis	
	1	**2**	**3**	**4**	**5**	**Pearson Correlation**	**Sig (2-tailed)**
Board members oversee the activities of the organization	16(17.4%)	22(23.9%)	6(6.5%)	31(33.7%)	17(18.5%)	.605	.040
Board monitors managers 'behaviors	15(16.3%)	22(23.9%)	7(7.6%)	27(29.3%)	11(22.8%)	.272	.001
Activities Board of directors are determined by outside powers	14(15.2%)	34(37.0%)	9(9.8%)	22(23.9%)	13(14.1%)	.335	.013
Boards of directors governs the organization	12(13.0%)	26(28.3%)	9(9.8%)	28(30.4%)	17(18.5%)	-.045	.002
The board includes internal and external directors	24(26.1%)	27(29.3%)	8(8.7%)	22(23.9%)	11(12.0%)	.480	.005
The board is independent of the shareholder influence	14(15.2%)	22(23.9%)	10(10.9 %)	30(32.6%)	16(17.4%)	.-096	.001
The board appoints, supports and reviews the performance of the chief executive	15(16.3%)	16(17.4%)	2(2.2%)	31(33.7%)	28(30.4%)	.390	.042

***Source:* Primary data 2017.**

The above table shows findings of the respondents' who agreed to Board composition.

Board members oversee the activities of the organization, Board monitors managers 'behaviors, Boards of directors governs the organization, The board is independent of the shareholder influence, The board appoints, supports and reviews the performance of the chief executive.

The following respondents disagreed to the statements were: Activities Board of directors are determined by outside powers, duties and responsibilities conferred on it by an authority outside itself, The board includes internal and external directors

Testing first hypothesis

First alternative hypothesis stated, "There are several effects of Board make up on performance of finance of Bank of Africa

Table 4.8: Spearman Correlation of Board Structure and financial performance

		Board Structure
Financial Performance	rho	.388
	rho ^{2}	.151
	p	.0043
	n	92

Source: SPSS

Findings of the study presented weak positive Sperman correlationof (rho = .388) between Board Structure and financial performance,coefficient of determination(rho^2 =.151) indicating that financial performance of Bank of Africa is 15.1% due to Board Strucuture.

Findings also showed a significant value of p = .004 implying that Board Strucuture shows significant relationship with financial performance since $p<0.05$.

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Table 4. 9: Board structure and Performance of Finance Model Summary

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square** Change	F Change	Df1	Df2	Sig F Change
1	.711[a]	.505	.478	1.574	.505	0.2336	7	84	.004

a. Predictors: Board Structure

a. Predictors: Board Structure
b. Dependent Variable: Financial Performance.

Table 4.10: Board Structure and Performance of Finance ANOVA[a]

Model		Sum of Square	df	Mean Square	f	Sig
1	Regression	3.047	7	.435	0.233	.004[b]
	Residual	156.692	84	1.865		
	Total	159.739	91			

a. Dependent Variable: **Board Structure**
b. Predictors: **Performance of Finance.**

Analysis in Table 4.9 showed a strong relationship (R = .711) between Board Structure and financial performance. Adjusted R Square =.478 indicating that Board structure accounts for 47.8% variance in financial performance .

ANOVA test in table 4.10, showed that the significance (Sig = .004) meaning that Board structure is sgnificant in affecting financial performance.

4.3.2: Findings to establish how Ownership Structure relates to Financial Performance

Table 4. 11: Findings on how Ownership Structure relates to Financial Performance

Ownership & Financial Performance	**FINDINGS**					**Correlation investigation**	
Ownership & Financial Performance	**1**	**2**	**3**	**4**	**5**	**Relationship**	**Sig (2-tailed)**
The bank has moved from private ownership to a public corporation	19(20.7%)	30(23.9%)	7(7.6%)	19(20.7%)	17(18.5%)	.546	.030
The bank control has been transferred	32(34.8%)	39(42.49%)	7(7.6%)	7(7.6%)	7(7.6%)	.279	.026

The bank ownership structure has just a few owners	26(28.3%)	10(10.9%)	8(6.5%)	38(41.3%)	10(10.9%)	-.132	0.015
In the bank, management is distinguished from ownership	10(10.9%)	15(16.3%)	6(6.5%)	36(39.1%)	24(26.1%)	.189	0.046
firm ownership means voting rights	23(25.0%)	38(41.3%)	6(6.5%)	15(16.3%)	10(10.9%)	.178	0.146
Some bank managers are shareholders	27(29.3%)	34(37.0%)	9(9.8%)	12(13.0%)	10(10.9%)	.236	0.012
Collateralized shareholding is encouraged in the bank	28(30.4%)	37(40.2%)	7(7.6%)	11(12.0%)	9(9.8%)	-.184	0.039

Source:Field Study 2017

Table 4.11 depicts findings The above table shows findings of the respondents' who agreed to Ownership.

The bank ownership structure has just a few owners, In the bank, management is distinguished from ownership, In the bank, management is distinguished from ownership,

The following respondents disagreed to the statements: The bank has moved from private ownership to a public corporation, the bank control has been transferred, firm ownership means voting rights, Some bank managers are shareholders, Collateralized shareholding is encouraged in the bank.

Interview findings on Board Structure

Interview findings shade more light on how Board Structure participate in corporate governance of the bank. For example, when asked whether they were satisfied with the Board Structure of Bank of Africa and explain how they lead to financial performance of the bank, the Key Informants revealed the following:

Board structure is poor. For example, not all school stakeholders participate its formation and they are handpicked by owners they represent the interests of the owners without put into consideration its effects particularly on employees who play a big role in creating and managing finances of the bank and due to this they have made employees lose morale and the effect is poor financial performance resulting in poor ranking of the bank among the commercial banks in Uganda, poor return on investment due to low profitability in the bank. Risk on Liquidity arose from inability to decrease liabilities, Loan loss provision to total loans, poor expenses management, low interest expenses, poor deposit mobilization in Uganda. This has led to a declining trend of average profits for the bank which was 1.2 billion in 2014 and 0.6 billion in 2015 ranking the bank to number 18 out of 25 commercial banks in Uganda with asset base of 2.9% while its foreign liabilities

Testing hypothesis two

Hypothesis Two stated that there is significant positive effect of ownership on financial performance in Bank of Africa. Correlation coefficient (rho) was used to test the hypothesis. Applying Spearman rank correlation shown in Table 4.12

Table 12: Correlation of Ownership and financial performance

		Ownership
Financial Performance	rho	.411
	Rho^2	.169
	p	.015
	n	92

Source: Data from field

Findings indicated a positive weak correlation (*rho* = .411) between Ownership and financial performance and coefficient of determination, (*rho* ^{2} = .169), meaning that Ownership. accounted for 16.9% variance in financial performance and significance value of (p = .015) is less than the recommended critical significance at 0.05 implyning that Ownership *is significant* in causing relationship with financial performance..

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Table 4. 13: Ownership and Financial Performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	Df1	Df2	Sig F Change
1	.628[a]	.394	.306	1.265	.394	2.437	8	83	.015

a. Predictors:, Ownership

b. Dependent Variable: Financial Performance.

Table 4. 14: Ownership and Financial Performance ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig
	Regression	28.233	8	3.529	2.437	.013[b]
1	Residual	131.497	83	1.448		
	Total	159.739	91			

a Predictors , Ownership

b Dependent Variables: Financial Performance

Findings from Regression results in Table 4.13 showed a strong r relationship (R = .628) between Ownership and financial performance. Adjusted R Square, showed that Ownership account for 30.6% variance in financial performance (Adjusted R square =0.306).

ANOVA test in table 4.13, showed that the significance (Sig = .015) meaning that ownership is sgnificant in affecting financial performance.

4.3.9 Findings to determine relationship between Management Role and financial performance in Bank of Africa.

Table 4.15: Management Role and financial performance in Bank of Africa.

Management Role	**FINDINGS**					**Correlation investigation**	
	1	**2**	**3**	**4**	**5**	**Relationship**	**Sig (2-tailed)**
Management manipulates human capital	13(12.1%)	15(16.3%)	4(4.3%)	35(38.0%)	25(27.2%)	.544	.004
Management work is characterized by many activities,	20(21.7%)	12(13.0%)	4(4.3%)	24(26.1%)	32(34.8%)	.236	.012
Management considers both individual and organizational needs.	12(13.0%)	20(21.7%)	7(7.6%) .	32(34.8%)	21(22.8%)	.089	.200
Management maintains relationships outside the organization	26(28.3%)	41(44.6%)	6(6.5%)	10(10.9%).	9(9.8%).	-.111	.145
Management monitors organization	6(6.5%)	9(9.8%)	5(5.4%) .	39(42.4%)	33(35.9%)	.027	.398
Management gives information concerning the organisation to outsiders	23(25.0%)	44(47.8%)	4(4.3%)	12(13.0%)	9(9.8%)	-.129	.010

Management make decisions about changing what is happening in an organisation	26(28.3%)	7(7.6%)	3(3.3%)	10(10.9%)	46(50.0%)	.319	.029
Management make decisions about the allocation of resource	9(9.8%)	16(17.4%)	5(5.4%)	35(38.0%)	27(29.3%)	.422	.021

Source: Primary data 2017

Table 4.15 depicts findings The above table shows findings of the respondents' who agreed to Management role.

Management manipulates human capital, Management work is characterized by many activities, Management considers both individual and organizational needs,Management make decisions,

The following respondents disagreed to the statements:, Management provides relevant information to outsider

Interview

Findings obtained using the questionnaire were : For example, when asked whether management has a role in financial management In support of the findings obtained using the questionnaire were interview findings. Key Informant responded that management has a very big role in financial management because they plan for the funds ,raise them, allocate allocated them to different uses, monitor thye use the funds and evaluate whether the funds have been put into their predetermined uses and in this way,they are are in position to establish the extant to which their role determine the performance of financial performance in the bank.

Also other key informants explained that much as management has a role in financial performance, their role is mainly to raise the funds but when it comes to other functions like allocation, monitoring and evaluating, the Board and owners play a bigger role in controlling the finances in order to determine their performance therefore management has limited role in financial performance in the bank.

Testing third hypothesis

The third alternative hypothesis state, "There are several effects of the Management Role on Ownership structure performance of finance of in Bank of Africa". It was tested using Spearman rank order correlation coefficient (rho).

Table 4.16 management role and financial performance

		Management Role
Financial Performance	rho	.346
	Rho^2	.120
	p	.043
	n	92

Source: SPSS

There was a positive weak correlation (*rho* = .411) between Management Role and financial performance with coefficient of determination, (rho^2 = .120), meaning that that Management Role accounted for 12.0% variance in financial performance , significance of the correlation (p = .043) is less than the recommended critical significance at 0.05..

Table 4. 17: Management Role and Financial Performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	Df1	Df2	Sig F Change
1	.580[a]	.336	.308	1.332	.336	2.130	7	84	.043

a. Predictors:, Management Role

b. Dependent Variable: Financial Performance.

Table 4. 18: Management Role and Financial Performance ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig
	Regression	24.091	7	3.442	2.130	.043[b]
1	Residual	135.649	84	1.616		
	Total	159.739	91			

a Predictors, Management Role

b Dependent Variables: Financial Performance

Findings from Regression results in Table 4.17 show a moderate linear relationship (Multiple R = .580) between the combination of dimensions of Management Role and financial performance. Going by the adjusted R Square, it is shown that the combination of dimensions of Management Role account for 30.8% variance in financial performance (Adjusted R square =0.308).

ANOVA test in table 4.18, showed that the significance (Sig = .043) meaning that management role is sgnificant in affecting financial performance.

The finding of the study was in agreement with Pryor, & Guthrie, *(*2010) who contends that management means administration of an organization.

Table 4. 19: Effectiveness of Financial Performance of Bank of Africa

	Frequency	Percentage	Valid Percentage	Cumulative Percentage

Valid	Strongly disagree	17	18.5	18.5	18.5
	Disagree	32	34.8	34.8	53.3
	not sure	13	14.1	14.1	67.4
	Agree	18	19.6	19.6	87.0
	strongly agree	12	13.0	13.0	100.0
	Total	**92**	**100.0**	**100.0**	

Source: Primary Data 2015

Findings of effectiveness of financial performance is ahown on the table above.

Multiple regression results.

Table 4. 20: Corporate Governance and Financial Performance Coefficients

Model		UnStandadized Coefficients		Standadized Coefficients	t	Sig
		B	Std Error	Beta		
1	(Constant)	2.740	.473		5.794	.000
	Board Structure	.017	.099	.712	4.175	.003
	Ownership	.080	.114	.627	2.698	.013
	Management Role	.055	.118	.578	3.469	.044

Source: Primary Data 2017

Coefficient analysis above has established that Ownership contribute most to financial performance followed by Management Role while Board Structure contributed the least to financial performance.

CHAPTER 5

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

5.2 Summary

5.2.1 Examining Board structure and financial performance of Bank of Africa

Findings showed that these statements regarding Board Structure had effects on financial performance of Bank of Africa:, Board members oversee the activities of the organization, Board monitors managers ‘behaviors, the board appoints, supports and reviews the performance of the chief executive, The board includes internal and external directors.

Relationship exists between Board structure and financial performance r= 0.711 and p= 0.004

5.2.2 Ascertaining the effects of Ownership on financial performance of Bank of Africa

It was found that these statements of ownership had effects on financial performance of Bank of Africa: Bank is still owned as a family business. The bank control has been under the board of directors, management is distinguished from ownership.

The study found out that there is strong positive relationship between Ownership and financial performance r= 0.628 and p= 0.015 which was less than the standard value of 0.05.

5.2.3 Determining effects of Management Role on financial performance of Bank of Africa.

The study found out that the following statements of management role had effects on financial performance in Bank of Africa.:, Management monitors the organization, Management make decisions.

It was found out that the relationship between management role and financial performance was positive with a correlation r= 0.580and p= 0.043 which was less than the standard value of 0.05.

5.3 Discussion of findings

5.3.1 Examining effect of the Board structure on financial performance of Bank of Africa

Results revealed that Board Structure was significantly related to financial performance, the finding of the study was in agreement with Kyereboah-Coleman and Biekpe (2006) who concluded that the board can improve the profitability performance of the bank.

Singh & Davidson (2003) explains that boards activities are determined by outside powers powers.

5.3.2 Ascertaining the effects of Ownership on financial performance of Bank of Africa

Findings of the study indicated that ownership is positively related to financial performance as Johnson (2008) contended.

Caprio,(2007) contended that ownership if properly constituted contributes to effective financial performance.

5.3.3 Determining the effects of management role on financial performance of Bank of Africa.

Findings were that quality of management role is significantly related to financial performance at Bank of Africa. Results were consistent with Pryor, & Guthrie, *(*2010) who contends that management controls the administration of an organization, This was further supported by Fayol , (1925) who contended that Management should use both modern approach and major traditional functions of planning, organizing, coordinating and controlling

McCarthy, (2017) contributed that Interpersonal leads to superior financial performance in the firm sine it creates innovation and teamwork.

Manfred (2003) found that Managers should know his/her role thus improving financial performance.

Pryor & Guthrie, (2010) study established that decision making is done effectively, they lead to sound financial performance in the organisation (Pryor & Guthrie,2010).

5.4 Conclusions

5.4.1 Examining the effects of the Board structure on financial performance of Bank of Africa

The first research question was answered and the hypothesis was accepted. This was because findings revealed a positive weak relationship.These findings were similar to arguments of various authors and findings of other studies as shown in the literature review as well as in discussion. Thus, this study also emphasizes the importance of Board structure in as far as financial performance of Bank of Africa is concerned. In this study, it was established that some stakeholders participate in the planning of the financial management programs of the bank but not in all aspects. Because of this, bank financial performance was compromised.

5.4.2 Ascertaining the effect of Ownership on financial performance of Bank of Africa

The second research question was answered and the hypothesis was accepted. This was because findings revealed a positive weak relationship between Ownership of Bank of Africa. Interview findings revealed that ownership had some positive effect. These findings were similar to arguments of various authors and findings of other studies as shown in the literature review as well as in discussion. Thus, this study also emphasizes the importance of ownership of Bank of Africa is concerned. In this study, it was established that some stakeholders paricipate in the planning of the financial management programs of the bank but not in all aspects as owners participate in all planning and implementation of financial management of the bank. Because of this, bank financial performance was compromised.

5.4.3 Determining the effects of Management Role on financial performance of Bank of Africa Ltd.

The third research question was answered and the hypothesis accepted. This showed that Management Role plays an important role financial performance. Findings showed that when Management Role like Interpersonal roles , Informational roles , Making Decisions and resource allocation role of a manager are ensured financial performance can be improved. As such, the chances of achieving bank goals are increased. Interview findings revealed that Management Role involves monitoring and evaluation of the bank activities and contributed to improved financial performance but the contribution was not that big.

5.5 Recommendations

5.5.1 Board structure and financial performance

Inside and outside Directors as part of Board Structure should improve financial performance. This can be achieved through involving the bank stakeholders in organizing ideas into goals for the bank, informing and consulting stakeholders about the problems of the bank activities, involving stakeholders in identifying problems of the bank, and avoiding dominance by directors , ownership and management of the bank program plan-making process.

5.5.2 Ownership and financial performance

Bank ownership and directors should include more shareholders in the corporation to enhance financial performance. This can be achieved through consulting the bank stakeholders about implementation processes and needs assessment of the bank including resource mobilization for the bank. In addition, Bank ownership and directors should avoid dominance by managers in the implementation of the bank activities and inform the bank stakeholders about implementation the bank activities.

5.5.3 Management Role and financial performance

Bank Management and directors should improve bank monitoring and evaluation to enhance finance performance. This can be achieved through consulting the bank stakeholders about the corrective action to be taken for the bank program activities, empowering the bank stakeholders in taking the corrective action for the bank programs like product development, customer attraction and retention.

5.6 Areas of further Research

The researcher therefore feels need for further research on corporate governance and sustainability because properly managed sustainability lead to improved organizational performance.

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APPENDIX I

QUESTIONNAIRE

Section A: Background

Sex of the respondent

(i) Gentlemen ☐

(ii) feminine ☐

2. Age of respondent

   i) 18-27yrs ☐
   ii) 28-37 yrs ☐
   iii) 38-47 yrs ☐
   iv) 48-57 yrs ☐
   v) Above 57 yrs ☐

3. **Number of years in the Organisation**
   a) < 5years
   b) 5-10 years
   c) 11-15 years
   d) 16-20 years
   e) >20years

4. **Highest qualifications obtained**
   a) Certificate
   b) Diploma
   c) Bachelor degree
   d) Masters
   e) PhD

Section B: Board Structure (Independent Variable)

	Questions/items	**1**	**2**	**3**	**4**	**5**
Board Structure						
	Board members are selected					

A1	Board members oversee the activities of the organization					
A2	Board monitors managers ‘behaviors					
A3	Board of directors' activities are determined by the powers, outside itself					
A4	Boards of directors include governs the organization					
A5	The board includes internal and external directors					
A6	The board is independent of the shareholder influence					
A7	The chairman doubles as the CEO					
A8	The board appoints, supports and reviews the performance of the chief executive					
A9	The board has diverse background and viewpoints					
Ownership Structure		**1**	**2**	**3**	**4**	**5**
B1	The bank has family business to a publicly-held corporation					
B2	Board of directors control the bank					
B3	Bank has few owners					
B4	The bank hires independent managers to operate it					
B5	In the bank, management is distinguished from ownership					
B6	firm ownership means voting rights					
B7	Some bank managers are shareholders					
B8	ratio of the shares is high					
B9	collateralized shareholding is encouraged in the bank					
Management Role						
		1	**2**	**3**	**4**	**5**
C1	Management manipulates human capital					
C2	Management job is characterized many activities,					
C3	Management considers the needs of organization and those of the employees					
C4	Management maintains relationships					
C5	Management monitors what goes on in the organization					
C6	Management gives information concerning the organisation to outsiders					
C7	Management receives information					
C8	Management make decisions about changing what is happening in an organisation					
C9	Management make decisions					

ii) Explain your answers where necessary

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SECTION C: FINANCIAL PERFORMANCE

No.	FINANCIAL PERFORMANCE	1	2	3	4	5
C1.	Financial performance of the bank is measured over a specified period of time					
C2.	Decision are made after evaluating the financial performance of the bank					
C3	Revenues of the bank have been increasing tremendously over the years					
C4	Profitability of Bank of Africa (U) Limited has been increasing tremendously over the years					
C5	The bank generates higher revenue at low costs and taxes					
C6	The bank has high operational expenses of banks					
C7	The asset base of Bank of Africa (U) Limited has increased					
C8	The bank meets its short-term debt obligations					

What measures do you think can be put in place to improve Financial performance of bank of Africa in relation to corporate governance?

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....

APPENDIX II

INTERVIEW GUIDE

On your opinion comment on the followings
Corporate Governance in Bank of Africa(U) Ltd is effective
Financial Performance at Bank of Africa(U) Ltd is effective
Board structure has effect on Performance in Bank of Africa(U) Ltd
Ownership has effect on Performance in Bank of Africa(U) Ltd
Management Role has effect on Performance in Bank of Africa(U) Ltd
Profitability of Bank of Africa(U) Ltd is high
Return on investment of Bank of Africa(U) Ltd is effective
Liquidity of Bank of Africa(U) Ltd is high

LETTER OF INTRODUCTION

UGANDA MANAGEMENT INSTITUTE

Telephones: 256-41-4259722 /4223748 /4346620
256-31-2265138 /39 /40
256-75-2259722
Telefax: 256-41-4259581 /314
E-mail: admin@umi.ac.ug

Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug

Your Ref:

Our Ref: G/35

18th September, 2017

TO WHOM IT MAY CONCERN

MASTERS IN BUSINESS ADMINISTRATION DEGREE RESEARCH

Mr. Gerald Wandera Obbo is a student of the Master of Business Administration of Uganda Management Institute 15th Intake 2015/2016, **Reg. Number 15/MBA/00/KLA/WKD/0109.**

The purpose of this letter is to formally request you to allow this participant to access any information in your custody/organization, which is relevant to his research.

His research Topic is: ***"Corporate Governance and Financial Performance at Bank of Africa (U) Ltd".***

Yours Sincerely,

Oluka Pross Nagitta
AG. HEAD, DEPARTMENT OF ECONOMICS AND MANAGERIAL SCIENCE