CORPORATE GOVERNANCE PRACTICES AT NATIONAL INDUSTRIAL CREDIT BANK IN KENYA

BY:

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DECLARATION

This Research Project is my original work and has not been presented for examination to any other university.

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This Research Project has been submitted for examination with my approval as University supervisor.

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ACKNOWLEDGEMENT

This study is dedicated to the Almighty God, who has given me the strength and wisdom for this achievement. Unto thy name O Lord be all the glory.

DEDICATION

I am extremely grateful to my project supervisors Dr. John Yabs for his guidance and invaluable support in the course of this study. Finally, I wish to express my deepest depth of gratitude to my fellow colleagues in college for their encouragement and moral support in the realization of this important goal.

May the Almighty God bless you all.

ABSTRACT

Corporate governance systems are in a constant phase of adaptation due to changes in governance. After the extreme corporate failures of Enron and MCI WorldCom in 2001, corporate governance became an important issue throughout the world. Many shareholders had lost confidence in businesses and corporate governance codes of best practice were the main means of restoring investor confidence. However, according to the special requirements of a country, many different corporate governance systems have evolved. The practices of corporate governance used in this study include board size, composition and independence, Board structure, Management committees, Shareholders and internal control. The objective of this study was to determine the corporate governance practices at NIC bank and how they influenced the banks performance. The research study design was conducted using a case study. The study used both primary and secondary data. The primary data was collected through conducting of face to face interviews as well as questionnaires sent on email to the directors and top level management. Data analysis was conducted using content analysis, however in this study, all the disclosure items were given same weight which helps to reduce subjectivity; however, authority may place higher emphasis on certain elements of governance. Some aspect of governance may be considered to be a basic component or prerequisite to implementing others and thus should be given more weight.In summary from the study it is clear that cooperate governance mechanisms have material effects on firm performance as shown in NIC bank. Moreover, findings somehow proceed to confirm that theories of corporate governance provide some support to explain the relationship between internal governance mechanisms and firm performance. Notably, this study has laid some groundwork by exploring the effect of internal attributes of corporate governance on firm performance upon which more detailed evaluation of other banks can be based. Finally, this study proposed to explore the impact of external governance mechanisms on performance. Based on the findings of this research, we therefore present the following recommendations which will be useful to stakeholders. Efforts to improve corporate governance should focus on board size, composition and independence, Board structure, Management committees, Shareholders and internal control, since it is positively related to both future operating performance and to the probability of disciplinary management turnover in poorly performing banks. Steps should also be taken for mandatory compliance with the code of corporate governance. Also, an effective legal framework should be developed that specifies the rights and obligations of a bank, its directors, shareholders, specific disclosure requirements and provide for effective enforcement of the law. Moreover there is the need to set up a unified corporate body saddled with the responsibility of collecting and collating corporate governance related data and constructing the relevant indices to facilitate corporate governance research in banks.

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CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Globalization and technology have continuing speed which makes the financial arena to become more open to new products and services invented. However, financial regulators everywhere are scrambling to assess the changes and master the turbulence (Sandeep, Patel and Lilicare, 2002:9).

An international wave of mergers and acquisitions has also swept the banking industry. In line with these changes, the fact remains unchanged that there is the need for countries to have sound resilient banking systems with good corporate governance. This will strengthen and upgrade the institution to survive in an increasingly open environment (Qi, Wu and Zhang, 2000; Köke and Renneboog, 2002 and Kashif, 2008).

For many years, regulators and bankers have recognized that corporate governance plays an important role in the prudent operation of financial institutions and in the stability of the financial sector. Principles of good governance have been a major component of international financial standards, and many regulators view effective corporate governance as “the first line of defense” in their supervisory activities.

1.1.1 Concepts of Corporate Governance

Before delving further on the subject, it is important to define the concept of corporate governance. The vast amount of literature available on the subject ensures that there exist innumerable definitions of corporate governance. To get a fair view on the subject it would be prudent to give a narrow as well as a broad definition of corporate governance.

In a narrow sense, corporate governance involves a set of relationships amongst the company's management, its board of directors, its shareholders, its auditors and other stakeholders. These relationships, which involve various rules and incentives, provide the structure through which the objectives of the company are set, and the means of attaining these objectives as well as monitoring performance are determined. Thus, the key aspects of good corporate governance include transparency of corporate structures and operations; the accountability of managers and the boards to shareholders; and corporate responsibility towards stakeholders.

While corporate governance essentially lays down the framework for creating long term trust between companies and the external providers of capital, it would be wrong to think that the importance of corporate governance lies solely in better access of finance. Companies around the world are realizing that better corporate governance adds considerable value to their operational performance; it also improves strategic thinking at the top by inducting independent directors who bring a wealth of experience, and a host of new idea and rationalizes the management and monitoring of risk that a firm faces globally. Effective corporate governance also limits the liability of top management and directors, by carefully articulating the decision making process

It also assures the integrity of financial reports and ensures long term reputational effects among key stakeholders, both internally and externally.

1.1.2 The Importance of Corporate Governance

Over the last two decades there has been a notable increase in the number of corporate governance codes and principles, as well as a range of improvements in structures and mechanisms. Despite this, corporate governance failed to prevent a widespread default of fiduciary duties of corporate boards and managerial responsibilities in the finance industry, which contributed to the 2007–2010 global financial crisis. The financial crisis can be attributed to systemic failures of corporate governance. When put to test, corporate governance routines did not serve their purpose to safeguard against excessive risk taking in a number of financial services companies.

A number of weaknesses have been apparent. The risk management systems have failed in many cases due to corporate governance procedures rather than the inadequacy of computer models alone: information about exposures in a number of cases did not reach the board and even senior levels of management, while risk management was often activity rather than enterprise-based. These are board responsibilities. In other cases, boards had approved strategy but then did not establish suitable metrics to monitor its implementation. Company disclosures about foreseeable risk factors and about the systems in place for monitoring and managing risk have also left a lot to be desired even though this is a key element of the Principles.

The debate on bank governance should concern not only the boards but also the governance of banking supervision with clearly identified accountability principles. Secondly, since biases for short-term profit maximization are numerous in banking, boards of banks should focus on long-term value creation. Thirdly, board members and banking supervisors should pay special attention to cognitive biases in risk identification and measurement. Fourthly, a value-based approach to risk taking must take into account the probability of stress scenarios and the associated costs of financial distress. Mitigation of these costs should be addressed explicitly in the design of bank strategy. (United Nations New York and Geneva, 2010)

1.1.3 Commercial Banks in Kenya

The origin of commercial banking in Kenya related to commercial connections in East Africa, which existed towards the end of the 19th Century. First of all there was National Bank of India in Kenya in 1896 after the establishment of the British in the region. It was followed by Standard Bank of South Africa in 1910. In 1916, the National Bank of South Africa merged with Anglo-Egyptian Bank Ltd to form Barclays Bank (dominion colonial).

The General Bank of Netherlands was set up in 1951. Bank of India and Bank of Baroda were established in 1953 while Habib Bank (overseas) Ltd was set up in 1956. The Ottoman Bank and the Commercial Bank of Africa were established in 1955. During the 1960s, the banking sector in Kenya experienced a new surge of energy change and in 1968, the Cooperative Bank of Kenya opened its doors. In 1968 again, the business of Ottoman was taken over by the National Bank of Kenya.

In 1971 the National and Grindlays Bank, that operated as a retail commercial bank until 7th December 1971, was nationalized and formed Kenya Commercial Bank - the government owning 60% of the bank’s share capital. The Merchant Bank division was incorporated into a new bank, Grindlays Bank International Ltd, which has changed to Stanbic Bank. In 1971, Barclays Bank (DC) changed its name to Barclays Bank International Ltd and became a wholly owned subsidiary of Barclays Bank Ltd based in Britain. In 1974, the American Banks were established in Kenya i.e. first National Bank of Chicago and first National City Bank of New York.

Kenya, now has 48 commercial banks (CBK 2009), however the banking sector is dominated by seven banks which control 70 percent of deposits. During the post-independence period was one of tremendous economic growth characterized by conscious Government Policy to transfer economic activity into the hands of indigenous Kenyans. The banking sector was no exception and given the large number of new entrants and low levels of expertise and experience, disaster was bound to strike sooner or later. Several indigenous banks developed acute liquidity problems resulting in bank failures.

To enhance the stability and soundness of the banking sector through improved corporate performance, the Central Bank of Kenya (CBK) initiated a number of corporate governance reforms. These reforms include: establishment of audit committees, emphasis on majority non-executive directors on bank boards, trilateral meetings between CBK, external auditors and financial institutions among others. In addition, there are proposed changes to the banking Act with a view to defining, vetting and certifying banks significant shareholders. This is quite essential as owners are the core of the internal governance mechanisms of any institution including the financial sector.

1.1.4 National Industrial Credit (NIC) Bank

NIC was incorporated in Kenya on 29th September 1959, when Standard Bank Limited ("Standard") and Mercantile Credit Company Limited (Mercantile) -both based in the United Kingdom – jointly formed the company. The company was amongst the first non-bank financial institutions to provide hire purchase and installment credit finance facilities in Kenya.

NIC became a public company in 1971 and is currently quoted on the Nairobi Securities Exchange (NSE) with approximately 21,000 shareholders. Barclays Bank of Kenya Limited acquired 51% of NIC's total shares through the acquisition of Mercantile in the 1970s and Standard's shareholding in NIC in the 1980s. Between 1993 and 1996, BBK divested its shares, selling 38% of its shares to the public in 1994, and the remaining 20% in 1996 to the First Chartered Securities Group (FCS).

Due to changing trends, regulatory requirements in the Kenyan banking industry and the need to meet growing customer requirements, NIC obtained a commercial banking license in 1995. In order to effectively diversify into mainstream commercial banking, NIC Bank merged in November 1997 with African Mercantile Bank Limited (AMBank), which was then owned by FCS, by way of a share swap. The purpose of this merger was to allow NIC Bank to enhance its market position, provide a broader and more efficient range of services to its customers and increase the returns to shareholders.

The bank offers the usual array of banking products e.g. demand, call and tern deposit accounts, overdrafts and loans, in Local and all major foreign currency. They also offer other services such as Asset Finance, Trade services, Custodial, Insurance Premiums Financing Cash management products and electronic banking.

NIC Bank was named the overall winner of the 11^{th} edition of the Financial Reporting (FIRe) Awards in 2012.The FIRe awards seek to recognize exemplary accounting standards among companies in East African Region. It also seeks to promote and institutionalize transparency, integrity and accountability in the corporate reporting process.

1.2 Research Problem

Banks deliberately take and position financial risk as the primary function through which to generate revenue and serve their clientele, leading to an asymmetry of information, less transparency and a greater ability to obscure existing and developing problems. They can also quickly change their risk profile, so weak internal controls can rapidly cause instability. As a result, sound internal governance for banks is essential, requiring boards to focus even more on risk assessment, management, and mitigation.

To enhance the stability and soundness of the banking sector through improved corporate performance, the Central Bank of Kenya (CBK) initiated a number of corporate governance reforms. These reforms include: establishment of audit committees, emphasis on majority non-executive directors on bank boards, trilateral meetings between CBK, external auditors and financial institutions among others.

In Kenya, several studies have been carried out in the area of corporate governance. The main areas of research include corporate governance in public hospitals (Julias O Mungwana, 2008), corporate governance in banking sector in general (Meshack M, 2008), corporate governance and financial performance case of Nigeria banks (*Uwuigbe, O, Ranti. 2011*) as well as corporate governance in parastatals (Sisiwa Muznah, 2009).However, none of the studies has looked at the impact of corporate governance on NIC Bank, with reference to the global financial crisis.

This study focuses on corporate governance practices within NIC banks and how these practices have influenced the performance of the bank. The study also seeks to highlight failures of governance in various financial institutions in the world and to identify sources of risk as important determinants of a bank's corporate governance structure. We intend to outline a more effective governance structure, one that is suitable to managing risk. The research question that this study seeks to answer is: what are the corporate governance practices at NIC Bank?

1.3 Research Objectives

The objective of this study is to determine the corporate governance practice at NIC bank and nature of corporate governance in NIC Bank.

1.4 Value of the Study

This study is significant in a number of ways. The study will generate and extend current knowledge on corporate governance practices within commercial banks in Kenya and their implication on the banks day to day operations. Carrying out such a study will provide deeper insights into best corporate governance practices within banks as well as ways to enhance existing corporate governance frameworks.

In particular, the findings of this study will have important implications for senior managers and policy makers at NIC Bank. As this research seeks to establish corporate governance practices employed at NIC Bank, it will inform managers and policy makers of their duties, and the separation of duties between the management and the owners in order to fully discharge their duties to all their stakeholders.

The research information from this study will also provide vital data to assist and benefit researchers, development practitioners, academicians, policy makers, planners and program implementers to monitor and evaluate existing corporate governance practices. The benefits will include the generation of knowledge and information on sound corporate governance practices and financial performance capacity. This will catalyze policy thus, influencing decision-making processes regarding corporate governance practices and financial planning and serve as a reference for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter examines the theoretical background, defines corporate governance with respect to banking sector; provides an overview of corporate governance, presents the development of corporate governance, key objectives and issues as well as concepts and guideline of good corporate governance within the banking sector.

2.2 Theoretical Background

A theory comprises a collection of concepts, including abstractions of observable phenomena expressed as quantifiable properties, together with rules (called scientific laws) that express relationships between observations of such concepts. A scientific theory is constructed to conform to available empirical data about such observations, and is put forth as a principle or body of principles for explaining a class of phenomena. The main underline function of a theory in any research will include the following; it aid in better decision making for managers and researchers in any field and also put information and raw data into practical aspect by analyzing them into meaningful concepts in research.

The theoretical framework upon which this study is based is the agency theory which is generally considered as the starting point for any discussion on Corporate Governance. Jensen and Meckling (1976) defines agency relationship as a contract under which one party (the principal) engages another party (the agent) to perform some services on the principal's behalf. The principal will delegate some decision-making authority to the agent. The shareholders delegate authority to the directors to monitor the management of a company.

2.2.1 Agency Theory

It is an acknowledged fact that the principal-agent theory is generally considered the starting point for any debate on the issue of corporate governance emanating from the classical thesis on The Modern Corporation and Private Property by Berle and Means (1932).The fundamental agency problem in modern firms is primarily due to the separation between finance and management. Modern firms are seen to suffer from separation of ownership and control and therefore are run by professional managers (agents) who cannot be held accountable by dispersed shareholders.

Adam Smith’s (1776) ‘Wealth of Nations’ is perhaps the major driving force for several modern economists to develop new aspects of organizational theory. Among other things, Smith predicts that if an economic firm is controlled by a person or group of persons other than the firm’s owners, the objectives of the owners are more likely to be diluted than ideally fulfilled.

2.2.2 Stakeholders Theory

This theory states that the purpose of the firm is to create wealth or value for all its stakeholders, rather than just only shareholders, by converting their stakes into goods or services (Clarkson, 1994). Stakeholders include any group or individual who has a stake in the achievement of an organization objective. Corporate governance efforts are intended to empower all stakeholders who contribute or control resources and to ensure that their interests are aligned with that of the shareholders.

Freeman (1994) articulates that the focus of stakeholder theory is put forth in two key questions. First, “what is the purpose of the firm?” This encourages management to create a shared sense of the value they create, thus bringing its stakeholders together. This enhances the firm performance. Second, “what responsibility does management have to stakeholders?” This propels to design how they want to do business and how they will relate to their stakeholders in achieving their business goals. In the view of this theory everyone comes together in creating economic value that improves everyone circumstances. In essence, every legitimate person participating in the activities of the firm do so to obtain benefits and their priority is not self-evident.

2.2.3 Stewardship Theory

Donaldson and Davis (1991) in their description of the stewardship theory, note that managers are goal-oriented and self-motivated stewards of the firm. They further describe the stewards as executives and managers who work for shareholders, protect and make profit for shareholders. As such, they will work diligently, responsibly and honestly in the interest of the company and its owners.

The theory argues that managers should be given freedom to act more autonomously in running the affairs of the firm in order to maximize shareholders’ wealth, as failure of the firm will be ascribed to failure by the managers whereas success of the firm will boost their morale and provide bonuses and additional incentives. Thus, they will work more assiduously in attaining success of the firm. On the other hand, managers may feel constrained if controlled by external directors, which may hinder their optimum performance.

The theory was developed as an antithesis or an alternate view to the agency theory (Davis, Schoorman and Donaldson, 1997). Instead of assuming that managers will act opportunistically in their self interest and not the firm, the stewardship theory posits that management will act in the best interest of the firm. As such the principal empowers the steward with all relevant logistics, authority and information to act in the best and most productive interest of the firm thereby increasing its value. The controls employed by principals in the agency theory are lacking in the stewardship theory because proponents of the stewardship theory view controls as de-motivating to managers and may impair their ability to maximize the value of the firm (Argyris, 1964). However, most firms have not adopted this approach despite the upside potential provided by its proponents.

2.2.4 Political Theory

Hawley and Williams (1996) recognize that it is the government that allocates corporate power, responsibility and profits between owners and all other stakeholders. Therefore, it is each stakeholder that tries to enhance its bargaining power to negotiate higher allocation in its favor. This theory connotes developing voting support from shareholders rather than vote-buying. Bargaining is of essence.

2.2.5 Resource Dependency Theory

This theory focuses on the role of the board of directors in availing access to resources needed by the organization. This entails that directors play active role in providing or securing resources essential to an organization through their linkages with the external environment (Hillman, Canella and Paetzold, 2000). Because the organization exists in a complex competitive environment, it requires directors who can bring resources and skills to an organization to give it competitive advantage. According to the theory, directors can be classified in to four categories: insiders, composed of former and present executives that provide expertise in specific areas of the firm itself as well a general strategy and direction; business experts who provide expertise on business strategy, decision making and problem solving; the support specialists are those who provide support in specialized fields such as banking, law, insurance or public relations; and the community influential who are usually politicians, clergymen, university faculty members, leaders of social or community organizations.

2.3 Corporate Governance

There is no universally accepted definition of corporate governance. What is more representative of the concept is the statement that “corporate governance refers to a set of rules and incentives by which the management of a company is directed and controlled. Good corporate governance maximizes the profitability and long-term value of the firm for shareholders", (Khumani*et al*., 1998). La Porta, Lopez, and Shleifer (2000) view corporate governance as a set of mechanisms through which outside investors protect themselves against expropriation by insiders, (i.e. the managers and controlling shareholders).

Claessens (2003) contend that definition of corporate governance vary widely. They tend to fall into two categories, the first being behavioral patterns, that is the actual behavior of corporations. The second category concerns itself with the normative framework that is the rules under which the firms are operating. In supporting Claessens view on the contents of corporate governance

Shleifer and Vishny (1997) considers that corporate governance deals with the ways in which suppliers of finance to corporations assures themselves of getting return on investment.

OECD (2003) emphasizes that, while institutional investors are prevalent in the stakeholder base of many countries, many companies across the world do not have a predominance of institutional shareholders in their structure. Some are family owned, while others are owned by the state. Yet corporate governance is still very important for these companies. This is because, corporate governance is fundamental to well-run companies that have controls in place to ensure that individuals or groups connected with the company do not adversely influence the company and its activities; and that assets or profits are not used for the benefit of a selected group to the disadvantage of the majority.

2.3.1 Overview of Corporate Governance in Banking Sector

The Basel Committee on Banking Supervision (BCBS) has called attention to the need to study, understand, and improve the corporate governance of financial entities. The BCBS especially advocates a governance structure composed of a board of directors and senior management (Enhancing Corporate Governance for Banking Organizations, September 1999 and February 2006). The core of the BCBS message is the conviction that good corporate governance increases monitoring efficiency. Furthermore, the Committee believes that corporate governance is necessary to guarantee a sound financial system and, consequently, a country’s economic development.

To date, there are many studies on corporate governance, yet only a few papers focus on banks' corporate governance (e.g., Adams and Mehran, 2005; Caprio et al., 2007; Levine, 2004; Maceyand O'Hara, 2003), even though the key aspects of corporate governance can be applied to banks. The problems of collective action faced by stakeholders who wish to ensure the efficient allocation of resources and the distribution of quasi rents, and the problems derived from different types of ownership and control, are clearly relevant to financial entities.

Banks are a key element in the payment system and play a major role in the functioning of economic systems. They are also highly leveraged firms, due mainly to the deposits taken from customers. For all these reasons, banks are subject to more intense regulation than other firms, as they are responsible for safeguarding depositors' rights, guaranteeing the stability of the payment system, and reducing systemic risk.

The role of boards as a mechanism for corporate governance of banks takes on special relevance in a framework of limited competition, intense regulation, and higher informational asymmetries due to the complexity of the banking business. Thus, the board becomes a key mechanism to monitor managers' behavior and to advise them on strategy identification and implementation. Bank directors' specific knowledge of the complexity of the banking business enables them to monitor and advise managers efficiently.

2.3.2 Principles of Good Corporate Governance

The Basel Committee on Banking Supervision published initial guidance on corporate guidance in 1999, with revised principles in 2006. The Committee's principles address fundamental deficiencies in bank corporate governance that became apparent during the financial crisis. These principles cover the role of the board, which includes approving and overseeing the implementation of the bank's risk strategy taking account of the bank's long-term financial interests and safety. The second principle addresses the board's qualifications. For example, the board should have adequate knowledge and experience relevant to each of the material financial activities the bank intends to pursue to enable effective governance and oversight of the bank.

The committee also focuses on the importance of an independent risk management function, including a chief risk officer or equivalent with sufficient authority, stature, independence, resources and access to the board. There is also the need to identify, monitor and manage risks on an ongoing firm-wide and individual entity basis. This should be based on risk management systems and internal control infrastructures that are appropriate for the external risk landscape and the bank's risk profile; and

Banks should also focus on the boards compensation system's design and operation, including careful alignment of employee compensation with prudent risk-taking, consistent with the Financial Stability Board's principles.

The key areas within the banks where the above principles have been strengthened include the role of the board, the qualifications and composition of the board, the importance of an independent risk management function, including a chief risk officer or equivalent, the importance of monitoring risks on an ongoing firm-wide and individual entity basis, the board's oversight of the compensation systems; and the board and senior management's understanding of the bank's operational structure and risks. The principles also emphasize the importance of supervisors regularly evaluating the bank's corporate governance policies and practices as well as its implementation of the Committee's principles.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the proposed research design, data collection, and techniques for data analysis used in the study.

3.2 Research design

The research study was conducted using a case study. Donald (2006) notes that a case study seeks to describe a unit in detail and it is a way of organizing educational data and looking at the object to be studied as a whole. This design gave the researcher an insight into the objectives and practices of the organization as it involved an in-depth examination of the corporate governance practices.

Kotler and Armstrong (2001) observe that case study is best suited for gathering descriptive information; where the researcher wants to know about people's feelings, attitudes or preferences concerning one or more variables through direct query. According to Mugenda and Mugenda (1999) the primary purpose of a case is to determine relationship among the factors that have resulted in the behavior under study.

3.3 Data Collection

The study used primary data. Primary data is also known as raw data. It is data that is collected or even observed on by firsthand experience. The primary data was collected through face to face interview as well as interview guide sent on email. In-depth face-to-face interview with bank officials using an interview guide was used. The informants targeted were Members of the board, Managing Director, Deputy Managing Director and the Functional Directors. The interviews were unstructured in nature so as to give greater depth of response to questions focusing on the various aspects of corporate governance practices by NIC bank and how they contribute to the increased financial performance of NIC bank in particular and to the banking industry in general.

3.4 Data Analysis

Data analysis was conducted using content analysis, as most of the data to be collected was qualitative which is based on meanings. Even though content analysis often analyses written words, is a quantitative method whose results are numbers and percentages. Zikmund (2003), states that content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of the communication. It is a technique that makes inferences by identifying specified characteristics of messages, and is most frequently applied in describing the attributes of the message.

The researcher wrote a letter to senior management informing them of the purpose of the study and request for meeting to interview the management and discuss the content of the interview guide. Being an employee of the organization the researcher had an upper hand in obtaining information from management due to the familiarity and interaction she had with senior management in the past. Some of the challenges which were encountered include getting senior management to avail themselves for the interview due to their busy schedule as well as interpretation of findings as most of the data collected required interpretation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1: Introduction

This chapter provided an analysis of data collected from the field. The data was qualitative in nature thus content analysis was done. The results were used to determine the corporate governance practices at NIC Bank and how they influenced the bank performance. The appropriate explanations were given in prose.

4.2: Corporate Governance Practices at NIC Bank

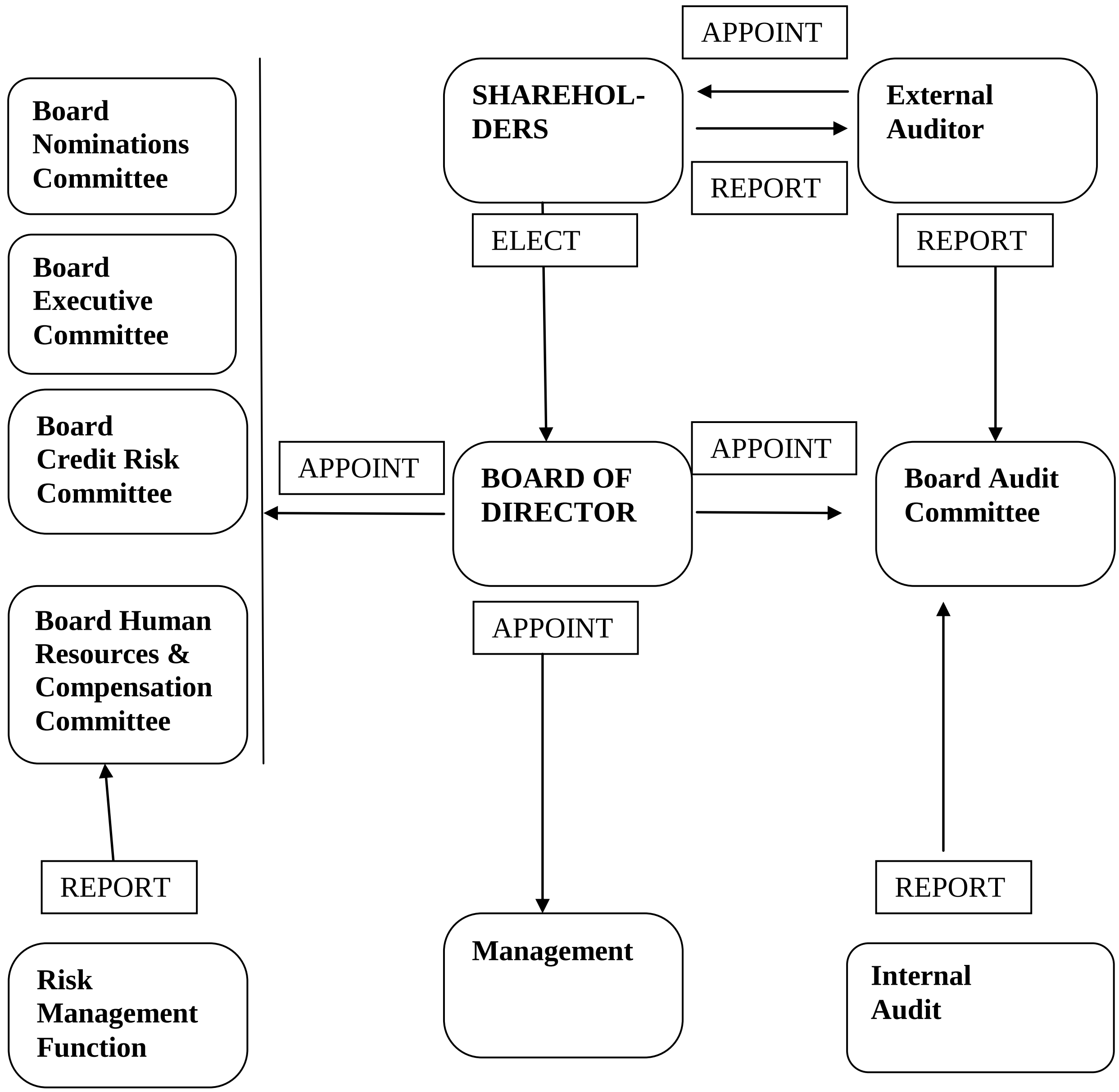
The role and conduct of the financial services industry has come under increased focus and scrutiny in recent years. This is particularly so as a result of the high profile malpractices and corporate failures that almost led to the collapse of the financial industry in different parts of the world, and the devastating effect that these had on those economies and society. Some of these malpractices and failures have been brought about by perceived breakdowns in the corporate governance structures in the affected institutions. These include:

- The use of inappropriate compensation and reward structures that promote dim prudent risk taking and increased focus on short-term gain at the expense of the long-term stability of the institution.
- The failure of commercial banks to fully understand the risks associated with complex financial structures.
- Risk management structures and controls that failed to keep pace with the increased complexity of financial transactions and relationships.
- Inadequate disclosures in financial statements about the foreseeable risk factors and about systems for monitoring and managing risk.

The strength and wellbeing of the financial system is critical to economic and social development and financial regulators around the world have taken measures to ensure that the failures experienced in the recent past do not recur. The NIC Bank Group's regulators, the central Bank of Kenya (CBK), the Bank of Tanzania (BOT) and the Bank of Uganda (BOU) have enhanced the regulations and enriched risk management guidelines so that banks can effectively mitigate the myriad of risks to which they are exposed. The Group has fully embraced these changes and remains at the forefront in adopting best practices in corporate governance and risk management in the rapidly evolving financial landscape.

The Board is committed to ensuring that the business is run in a professional, transparent, just and equitable manner so as to protect and enhance shareholder value and satisfy the interests of other stakeholders. In addition to the above considerations, the principles and standards adhered to by the Board, and NIC Bank Group's governance structure, have been developed with close reference to guidelines on corporate governance issued by the centre for corporate Governance, the capital Markets Authority for publicly listed companies in Kenya, the central Bank of Kenya for the banking industry and other best practices.NIC Bank Group's governance structure is summarized in the Figure 4.2.1:

Figure 4.2.1: NIC Bank Group's governance structure



Source: Company Organogram NIC 2013

4.2.1: Board Size, Composition and Independence

The Board consists of ten directors, eight of whom are non-executive directors (including the chairman) and two executive directors. Among the non executive directors are six independent directors. The membership of the Board remained unchanged in 2012. The non-executive directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control framework that is set by the Board.

The Board is well composed in terms of the range and diversity of skills, background and experience of directors, and has an appropriate balance of executive, non executive and independent directors. In recognition that there are other skills, backgrounds and professions that will be useful to the Group, particularly as the business expands into new sectors and territories, the company's Articles of Association were amended during the last Annual General Meeting to increase the maximum number of directors from ten to thirteen persons. In 2013, the nomination committee will recommend new Directors for appointment in order to both enhance the diversity of the Board and also prepare for its rejuvenation in a planned and orderly manner.

All the non-executive directors are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. Any director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

4.2.2: Board Structure

The Board operates under a comprehensive structure made up of committees established to assist it in discharging its responsibilities and obligations. The committees assist the Board in carrying out its functions and ensuring that there is independent oversight of internal control and risk management.

The Board has determined the purpose and number of committees required to support it in carrying out its duties and responsibilities and in guiding management. These committees have been established with sets of specific terms of reference, which are continuously reviewed and up-dated. The appointment of the members to these committees draws on the skills and experience of individual directors. The role played by the Board committees has become increasingly important over the years and forms a principal point of contact between the Directors and Management.

The Board committees are namely: Audit, Credit Risk, Executive, Human Resources & Compensation, Nominations and Risk Management. These are supported by five key Management committees: Executive Management (Excom), Management (Mancom), Assets and Liabilities Management (ALCO), credit Risk Management and senior Risk committees. All the committees have at least three non-executive directors as members. The chair of the committees must be a nonexecutive director. The central Bank of Kenya Prudential Guidelines requires that the chairman of the Board cannot chair the Audit committee.

At every meeting of the Board the chair of each committee presents an update of its activities, decisions and recommendations of their respective committees since the previous Board meeting. The Group company secretary sits in all the Board and committee meetings and is responsible for monitoring and coordinating the completion and dispatch of Board and committee agenda, papers and other briefing materials. All Directors have access to the services and advice of the Group company secretary.

4.2.2.1: Audit Committee

The committee plays a vital role in ensuring the integrity of the financial statements prior to the review and approval by the Board. To this end, the Audit committee reviews the accounting policies, financial reporting and regulatory compliance practices of the Group. The committee also continually evaluates the effectiveness of the internal control systems.

The committee is involved in the appointment and supervision of the external auditor and the internal auditor. The committee receives reports on the findings of the internal and external auditors and management's corrective actions in response to the findings. The committee meets quarterly and the external auditors are invited to attend whenever necessary but at least once in a year. Each year, the committee reviews and approves the overall scope and plans for the external audit activities, including the fees which have to be ratified by the shareholders. External audit performance is reviewed annually.

The committee after every three years invites prequalified audit firms to bid for professional audit and tax services. The audit firms make presentations to the committee and are evaluated on a set criteria and the committee recommends to the Board either the reappointment of the existing audit firm or appointment of a new audit firm. The Board then recommends to the shareholders the reappointment of an existing audit firm or the appointment of a new audit firm.

The Audit committee is involved in the appointment and performance assessment of the Head of Internal Audit, who reports directly to this committee. The committee also reviews the overall scope, annual plans and budget for the Internal Audit Function's activities and oversees the alignment of risk management programs and Internal Audit activities. The committee reviews all key Internal Audit reports and has regular direct access to the Head of Internal Audit.

4.2.2.2: Credit Risk Committee

The committee reviews and oversees the overall lending policies of the Group and approves credit applications that are above the approval limits for management. It ensures that there are effective procedures to identify and manage irregular and problem facilities, minimize credit loss and maximize recoveries. The committee regularly reviews and recommends to the Board discretionary credit limits for the Board, credit Risk committee and Management credit Risk committee.

4.2.2.3: Executive Committee

The committee assists the Board in discharging its responsibilities relative to strategy, human resources and general operations oversight. The committee meets regularly to review and recommend for Board approval major capital projects, periodic strategic plans and key policy guidelines as developed by management.

4.2.2.4: Human Resources and Compensation Committee

The committee reviews the Human Resources policies and procedures and ensures that they adequately support the Group's strategy. It ensures that the Group's policy of providing remuneration packages that fairly reward staff for their contribution to the business, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee ensures succession plans are in place for senior executive management of the Group. The committee is also ultimately responsible for developing and approving the compensation structures of management and employees of the Group. These are geared towards minimizing irresponsible and unnecessary risk taking and ensuring that management and employees are motivated to achieve superior performance whilst enhancing the strength and stability of the Group.

4.2.2.5: Nominations Committee

The nominations committee provides an efficient, effective and reliable mechanism that identifies and recommends to the Board the appointment of individuals to serve as directors of the Group. It conducts regular reviews of the required mix of skills and experience of directors of the Group in order to ensure the effectiveness of the Board and its committees in meeting the needs of the business.

4.2.2.6: Risk Management Committee

The Risk Management committee is responsible for setting the strategic risk parameters through policies / guidelines, tolerance limits, and approving the risk management strategy, significant policies and programs. Thereafter, it monitors compliance with the risk policies, limits and programs. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Group and in comparison to the approved tolerances. The committee is assisted in these functions by various risk management committees which undertake both regular and ad-hoc reviews of the Group's risk management environment, the results of which are reported at appropriate levels for review and action.

4.3.3: Management Committees

A significant factor in the Group's ongoing success is the strength of the management team. Members of the management team bring together a vital combination of leadership skills and extensive banking experience from both local and international exposure. To harness that strength, the Group Managing Director has established committees to assist him in the management of the Group. These committees are chaired by the Group Managing Director and include the respective Heads of Department, with other senior managers being co-opted on a need basis. These committees include:-

4.3.3.1: The Executive Management Committee (EXCOM)

This committee meets regularly and at least monthly to discuss strategy formulation and implementation, policy matters and financial performance. It is also charged with the responsibility of ensuring compliance with the regulatory framework and guidelines and adherence to company policy and procedures. This committee also serves as a link between the Board and Management.

4.3.3.2: The Management Committee (MANCOM)

This committee meets monthly to review operational issues of the Group, with emphasis on the assessment and monitoring of the institution's operational risks.

4.3.3.3: The Assets and Liabilities Management Committee (ALCO)

This committee meets every month or more frequently when necessary. ALCO, a risk management committee, is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposit withdrawals can be met as and when they fall due, and that the Group will not encounter difficulties in meeting its obligations or financial liabilities as they fall due. This includes management of operational risks, interest rate, market and exchange rate risks and ensuring compliance with statutory requirements governing liquidity, cash ratio and foreign exchange exposure, and investment policies.

4.3.3.4: The Management Credit Risk Committee

This committee meets regularly to approve new credit applications and renewals within the delegated limits set by the Board. The committee also regularly makes recommendations to the Board credit Risk committee on the revision of limits.

All approvals are independent of the originating business unit.

4.3.3.5: The Senior Credit Risk Committee

This committee meets monthly to review the performance of the Group's lending book and determines the level of provisions required in accordance with the approved policies and regulatory guidelines.

4.3.4: Board Meetings

The Board holds regular meetings and on occasions special meetings as and when the need arises. The meetings deal with business and operational issues referred to the Board by management and also review monthly performance against targets.

The Central Bank of Kenya inspection reports and audit reports are reviewed at some of these meetings and appropriate actions taken. During the financial year 2012 the Board held 33 meetings. Details of attendance of the meetings by non-executive directors of the Bank are indicated in the table 1 below:

Table 4.3.4.1: Board Meetings

Name of Director	Total number of meetings	Number of meetings attended
Director 1	33	33
Director 2	33	33
Director 3	33	33
Director 4	33	32
Director 5	33	31
Director 6	33	11
Director 7	9	8
Director 8	24	24

Source: Annual Report and Financial Statements NIC Bank (2012)

4.3.5: Board and Directors Effectiveness and Evaluation

In order to ensure that Board members are effective in their contribution to the management of the Group, it is important that they develop a good understanding of the Group and its operations. This is achieved through various training and development sessions to ensure that that they understand the relevant facets of the complex and constantly evolving financial services industry. This is particularly important to ensure that they appreciate all the risks to which the Group is exposed, their impact to the Group and its operations, and how to manage these.

Directors also get further knowledge about the Group through site visits, informal interactions with management and staff, regular in-depth reports and presentations.

In order to assess and improve the capacity, functionality and effectiveness of the Board and its committees an annual self evaluation review was undertaken. The self evaluation reviews the capacity, functionality and effectiveness of the Board and individual directors during the financial year. The review was also in accordance with the requirements of the central Bank of Kenya Prudential Guidelines on corporate Governance.

The evaluation measures the performance of the Board against its key duties and responsibilities, that of its committees and individual members of the Board. The evaluation process was conducted through questionnaires and then collated by the chairman who takes up specific matters with individual directors.

The Directors were evaluated against various criteria. These included effective preparation for and participation at meetings of the Board and its Committees.Secondly,understanding of business and specifically the financial industry, and keeping abreast of the latest developments in the economy generally and particularly the banking sector.Thirdly,director’s communications with fellow directors, management and other stakeholders as well as ability to take an independent view on matters brought for discussion at Board and Committee meetings was also used as one of the criteria.

Directors are also expected to make a declaration of personal interests and ensure that they avoid participation in decision making where such interests are discussed. Awareness and compliance with regulatory guidelines and regular attendance at Board and Committee meetings are also some of the criteria set aside by the bank.

Overall it is considered that in 2012 the Board and its committees carried out their roles and responsibilities satisfactorily. They regularly reviewed, formulated and approved the strategic direction of the Group in light of the business environment and regulatory framework. The board also developed appropriate policy guidelines to assist management in decision making and fulfilled their role to the Group's various stakeholders.

Generally guided and supported the management which has been responsive to the advice provided. A report on the overall evaluation assessment was submitted to the central Bank of Kenya in accordance with the Prudential Guidelines on corporate Governance.

4.3.6: Shareholders

The Group is committed to relating openly with its shareholders by providing regular information on its performance and addressing any areas of concern. This is achieved through quarterly publication of extracts of its financial performance in the daily newspapers in line with the central Bank of Kenya requirements, publication of annual audited accounts and holding of the Annual General Meeting. The most recently published financial results are also available on the Group's website, www.nic-bank. com. The Group has an interactive website which has all the relevant information relating to the companies.

The Group hasengaged the services of a registrar, Custody & Registrar Services, who together with the Group Company secretary, regularly address issues raised by the shareholders.

4.3.7: Shareholders Profile

The stock of NIC bank of Kenya is owned by the following corporate entities and individuals:

Table 4.3.7.1: NIC Bank of Kenya Stock ownership

Rank	Name of the owner	Percentage ownership
1	Ndegwa family	24.98%
2	Livingstone Registrars Ltd	8.62 %
3	Rivel Kenya Ltd	8.29 %
4	Saimar Ltd	4.13%
5	Others	53.98%

Source NSE (2012)

This indicates that the main shareholders of National bank is the National social security funds of Kenya and Government of Kenya who control more that 70% of the ownership of the bank.

4.3.8: Internal Control

The directors acknowledge their responsibility for the Group's system of internal financial control, including taking reasonable steps to ensure that adequate systems are being maintained. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, it is to be recognized that such a system can only provide reasonable, but not absolute, assurance against material misstatement.

The Board has reviewed the Group's internal control policies and procedures and is satisfied that appropriate controls and procedures are in place. The Board has put in place a comprehensive risk management framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The policies are integrated in the overall management reporting structure. The Head of the Risk Management and compliance Department reports directly to the Board's Risk Management committee.

The Group's performance trend is reported regularly to the Board and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently.

The Group has an Internal Audit Department which is an independent function that reports directly to the Board Audit committee and provides independent confirmation that the Group's business standards, policies and procedures are being complied with. Where found necessary, corrective action is recommended. The Group also has a Risk Management and compliance Department which reports to Board Risk committee that develops and implements the compliance framework while ensuring adherence to the company's policy and regulatory requirements.

4.4: Discussion of Findings

4.4.1: Link to Theory

The study suggested that good governance is undeniably a contributing factor to firm performance because good governance comprises, but is not limited to, professional and ethical management of companies, and as a result, companies are more likely to conduct their businesses in line with the “expectations of all stakeholders” which is accordance to stakeholders’ theory. The current study found consistent evidence that all the independent variables of corporate governance were related to firm performance.

Lastly, agency problems might be minimal in NIC bank due to the separation of ownership and control which result into good financial perfomance. Agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983) states that agency costs arise from the conflict of interest between a principal, who is the owner, and the manager. This would eventually sidetrack managers’ and shareholders’ interests and goals. Stiglitz (1994) argued that, the principal agent problems might differ depending on whether ownership is public or private. Although the agency problem is common for every company, government owned companies have less incentive to monitor top management than public owned companies (Wang, 2003). This is due to the different degrees of principal-agent problems facing government owned companies and the difficulties to identify whom the principal or residual risk bearer is (Wang, 2003). This absence of a principal or residual risk bearer causes the inefficiency of government owned companies. The conflict of interest in the government owned companies equity ownership is more complicated because the government is not the ultimate owner of a company but rather the agent of the ultimate owner; that is the public (Abdul Rahman and Mohd. Ali, 2006).

4.4.2: Link to Empirical Studies

The relatively poor performance of Kenya parastatals has been associated with the consequences arising from government influence including political interference. This influence would divert managerial objectives away from profit maximization and could also lead to distortion of managerial investment decisions (Sisiwa Muznah, 2009). This is not the same case as with NIC bank as it is a listed company under NSE and with no government influence. Given that the literature suggests a possible link between performance and corporate governance, the failure of previous studies into corporate governance and performance to take this possibility into account may have distorted their results.

Many studies indicate that companies with good corporate governance have better long-term performance for shareholders (Shleifer and Vishny, 1997). The AFC in 1997 and the recent global corporate scandals, such as those involving Enron, Worldcom and Parmalat, have highlighted the importance of good governance for the long-term survival of companies (Abdul Rahman and Mohd Ali, 2006). Good corporate governance practice will reduce agency costs, improve meritocracy in boardrooms, reduce fraud, and safeguard the interests of stakeholders. Hence, good governance would eventually contribute to better performance. This study concur with Abdul Rahman and Mohd Ali, (2006) findings that good corporate governance leads to good corporate performance.

Shleifer and Vishny (1997) assert that better governed-firms have better operating performance because effective governance reduces ‘control rights’ shareholders and creditors confer on managers. This would increase the probability that managers invest in positive net present value projects, which leads to improved performance. Gregory and Simms (1999) affirm that effective corporate governance is important as it helps in attracting lower-cost investment capital through the improved confidence of investors. They also suggest that effective governance helps in increasing the responsiveness of firms to societal needs and expectations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0: Introduction

This chapter discusses the findings gathered from the analysis of the data as well as the conclusions reached. The chapter incorporated the various suggestions and comments given by the respondents in the questionnaires. Findings was summarized alongside the objectives of the study, conclusions was drawn from the study and recommendations for action were also given.

5.1: Summary

This research paper analyzed and appraised issues of corporate governance, with a specific reference to NIC Bank of Kenya. It also investigated whether internal attributes of corporate governance, such as board size, composition and independence, Board structure, Management committees, Shareholders and internal control affected the performance of NIC Bank. Empirical results indicate that board size, composition and independence are positively related to the firm performance. This finding is congruent with the predictions of resource dependence theory suggesting that a board with high levels of links to the external environment can improve a firm's access to various resources, hence positively affecting firm performance.

The board structure is positively related to corporate performance. The positive relationship may be because of very high representation of board members in NIC Bank which might encourage managers to be very active hence boosting performance.

A positive relationship between management committees and cooperate performance is in contradiction to the agency explanations suggesting that combining both roles (i.e. the decision management and the decision control) into a single position would weaken board control, and negatively affect firm performance. Shareholders also have a positive relationship with cooperate performance since it provides providing regular information on its performance and addressing any areas of concern which is achieved through quarterly publication of extracts of its financial performance in the daily newspapers. A positive relationship exists between the internal control and performance as the board has put in place a comprehensive risk management framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations.

5.2: Conclusions

In drawing together these observations and research findings, it can be said that all corporate governance systems are in a constant phase of adaptation due to changes in governance. After the extreme corporate failures of Enron and MCI WorldCom in 2001, corporate governance became an important issue throughout the world. Many shareholders had lost confidence in businesses and corporate governance codes of best practice were the main means of restoring investor confidence. However, according to the special requirements of a country, many different corporate governance systems have evolved. As illustrated in this paper, the practices of corporate governance used in this study include board size, composition and independence, Board structure, Management committees, Shareholders and internal control.

In summary from the study it is clear that cooperate governance mechanisms have material effects on firm performance as shown in NIC bank. Moreover, findings somehow proceed to confirm that theories of corporate governance provide some support to explain the relationship between internal governance mechanisms and firm performance. Notably, this study has laid some groundwork by exploring the effect of internal attributes of corporate governance on firm performance upon which more detailed evaluation of other banks can be based. Finally, this study proposed to explore the impact of external governance mechanisms on performance.

5.3: Recommendations

Based on the findings of this research, we therefore present the following recommendations which will be useful to stakeholders.

Efforts to improve corporate governance should focus on board size, composition and independence, Board structure, Management committees, Shareholders and internal control, since it is positively related to both future operating performance and to the probability of disciplinary management turnover in poorly performing banks.

Steps should also be taken for mandatory compliance with the code of corporate governance. Also, an effective legal framework should be developed that specifies the rights and obligations of a bank, its directors, shareholders, specific disclosure requirements and provide for effective enforcement of the law.

In this study, all the disclosure items were given same weight which helps to reduce subjectivity; however, authority may place higher emphasis on certain elements of governance. Some aspect of governance may be considered to be a basic component or prerequisite to implementing others and thus should be given more weight.

Finally, there is the need to set up a unified corporate body saddled with the responsibility of collecting and collating corporate governance related data and constructing the relevant indices to facilitate corporate governance research in banks.

5.4 Limitations of the Study

There was initial reluctance by top management to authorize the study to be carried out at the institution. They feared that findings of the study may be used by their competitors adversely. This caused considerable delay in the process to get the work started.

Some correspondents were not able to immediately understand what the questions were asking for and tended to veer off, in their response which caused the researcher to spend considerable time with them.

Banks uphold confidentiality to safeguard client information or any other information whose disclosure may lead to litigation. The information may also be used by the competition to gain an unfair advantage. Due to this, accessing information for purposes of the research was quite a challenge. In light of this, findings of this study might be unique to NIC Bank therefore cannot be generalized to other banking institutions in the industry.

5.5: Suggestions For Further Research

This research has gone some way to exploring corporate governance and corporate performance of banks in a broader context. Further research could explore the relationship in more in specific categories for example, in not-for-profit organizations, in government organizations, and in family companies. Since this study focused on the NIC banking sector it would be beneficial to have a clearer understanding of corporate governance roles in other types of organizations. Such research could address the similarities and differences of the roles in different organizations and consider also the legal requirements for different organizations.

Further research is also required on the behavioral aspects of boards. Researchers in developed countries have recently started examining board processes by attending actual board meetings however this also needs to be expanded by researchers in developing economies. There is therefore the need to go beyond the quantitative research, which is yielding a mixture of results, to perhaps a more qualitative approach as to how boards work. Expanding this current research into a wider study of board dynamics and decision making would be a start in developing a better understanding of corporate governance.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
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P.O. Box 30197
Nairobi, Kenya

DATE...26/09/2013

TO WHOM IT MAY CONCERN

The bearer of this letter ...MAUREEN ALEAH ARMANDO MBORI

Registration No.....D61/71781/2009..............................

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
28 SEP 2013
P.O. Box 30197 – 00100, NAIROBI

APPENDIX II-INTERVIEW GUIDE

SECTION A: DEMOGRAPHIC DATA ON RESPONDENT

1. Name of the Respondent
2. Gender: Male [ ] Female [ ]
3. Period served at NIC
4. Position in the NIC
5. Level of Involvement in corporate governance practices and implementation?

SECTION B: CORPORATE GOVERNANCE IMPLEMENTATION PRACTICES

6. How important is corporate governance to NIC Bank?
7. Does the bank have a corporate governance policy and a code of ethics?
8. Does your institution have skilled workforce to complement the corporate governance strategy?
9. Does the bank's annual report explain the incentive structure and remuneration practices for senior management, as well as the actual amounts paid to senior management and directors?
10. Does the bank have programs or procedures which enable employees or other groups to express their views on community issues, perceived unethical practices, or other concerns?
11. Does the board hold specific discussions on the adequacy of internal control procedures, compliance and anti-money laundering policies at the bank?
12. Does the board review and discuss the performance and remuneration of the Chief Executive (without the Chief Executive being present) and of other key members of management (also, without them being present)?

13. Has the board drawn up a succession plan to be implemented if key individuals (the Board Chairman, key directors, the chief executive, key managers) leave the bank?
14. Does the bank's Annual Report give a summary of the background and professional experience of board members and senior management?
15. Does the bank have a formal orientation program for new board members, and does it organize formal training sessions for existing board members, to keep them up to date with the technical aspects of modern banking, and developments in the bank's business?
16. What are some of the major challenges faced by your bank with regards to corporate governance?
17. To what extent has corporate governance helped your bank?
18. What are your final comments on corporate governance in the banking sector?

Thank you for your participation.