



**CORPORATE GOVERNANCE AND BANK PERFORMANCE. A
COMPARATIVE ANALYSIS OF GHANA AND SIERRA LEONE BANKS**

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ABSTRACT

Corporate governance refers to the systems by which companies are directed and controlled (Cadbury 1992). It is considered as a significant prerequisite for the growth of an economy. A good corporate governance practice helps to reduce risk for the benefit of investors, attracts capital for investment and improves the performance of firms. The purpose of this research is to comparatively analyse the effect of banks' ownership structures on their performances in Ghana and Sierra Leone. Three categories of ownership structures were used, namely board, foreign, and Government. The performances of the banks are measured using various profitability ratios such as Return on Assets (ROA), Return on Equity (ROE) and Net Interest Margin (NIM). Secondary data are collected from published financial statements of commercial banks in Ghana and Sierra Leone. Data are collected on eighteen banks in Ghana and seven in Sierra Leone. A multiple regression analysis was used to analyze the data. The results revealed that there is a significant relationship between banks ownership structures and its performance.

INTRODUCTION

The purpose of this research is to comparatively analyse the effect of banks' ownership structures on their performances in Ghana and Sierra Leone.

The following hypothesis are set up:

1. There is a positive relationship between bank's Board ownership and its Return on Assets.
2. There is a positive relationship between bank's Board ownership and its Return on equity.
3. There is a positive relationship between a bank's net interest margin and its Board ownership.
4. There is a positive relationship between bank's past performance and its return on asset
5. There is a positive relationship between bank's past performance and its return on equity
6. There is a positive relationship between a bank's net interest margin and its past performance

LITERATURE REVIEW

Most of these studies reviewed support the notion that there is a positive relationship between effective corporate governance namely; ownership structure, board composition and board size and banks performance. Jensen and Meckling (1976) they lay out the theoretical relationship between corporate governance and firm performance. They find out that as the manager's ownership claim decreases his incentive to give effort to maximize the firm's value decreases and so the agency cost increases leading to a decrease in the commercial banks net value.

Other researchers that follow Jensen and Meckling (1976) work look at the impact of ownership structure. Leslie Eldenburga , Benjamin E. Hermalinb , Michael S. Weisbachc,d , Marta Wosinska (2004) hypothesize that differences across ownership types is associated with differences in boards' objectives and governance. The hypothesis is tested by examining critical actions boards take, the decision to replace the CEO and the extent to which this decision differs across different ownership types. It is found -that the composition of the board of directors varies according to the -ownership structure and leads to differences in both the factors that affect the turnover_ and what? and overall performance.

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

It has been found that most bank governance is related to country characteristics. In general, this line of research finds that the quality of governance practice is positively related to growth opportunities, the need for external financing, and the State protection of investor rights, and is negatively related to ownership concentration Source. Doidge, Karoyli, and Stulz (2007) reveal that country characteristics are the most important determinants of a bank's performance. Doidge, Karoyli, and Stulz (2007) distinguish between investor protection granted by the State and investor protection adopted by the bank.

Volpin (2001) studies the determinants of executive turnover and commercial banks valuation as a function of ownership and control structure in a country that features low legal protection for investors and discovers that there is poor governance, measured by a low sensitivity of turnover to performance when country features low legal protection for investors especially for top executives who belong to the family of the controlling shareholders.

Arun and Turner (2004) examine the corporate governance of banking institutions in less developed economies. Based on a theoretical examination of the corporate governance of commercial banks, they recommended that banking reforms can only be fully implemented once a prudential regulatory system is in place. An integral part of banking reforms in

developing economies is the privatization of banks. They also put forward as a recommendation that corporate governance reforms may be a prerequisite for the successful divestiture of government ownership. Furthermore, they found that the increased competition resulting from the entrance of foreign banks may improve the corporate governance of banks in developing-economy.

Abdulsamad and Zulkafli (2007) put forward that there are differences in the monitoring mechanisms of banking firms and non-bank firms by analyzing the corporate governance of listed banking firms in nine Asian emerging markets. The categories of corporate governance mechanisms that serve to monitor the banking firms fall into first, ownership monitoring mechanism (larger shareholders, government ownership, foreign ownership); second, internal control monitoring mechanism (CEO duality, Board size, board independence); third, regulatory monitoring mechanism and fourth, disclosure monitoring mechanism.

Spong and Sullivan (2007), use a random sample of state-chartered community banks to measure how different aspects of corporate governance influence bank performance. They found that an ownership stake for hired managers can help produce better commercial bank performance, reliable with a reduction in principal-agent problems lay down or assumed by financial theory. They also find out that boards of directors are likely to have a more positive effect on commercial bank performance when directors have an important financial interest in the bank; and that the wealth and the financial positions of managers and directors importantly influence their own attitudes toward taking risk and their bank's risk-return trade-offs.

METHOD

The research was conducted in Ghana and focused on the relationship between ownership structures and the performance of commercial banks in Sierra Leone and Ghana. The study covered the period 2008 to 2012.

Research Design

Considering the nature of the research problem and purpose of this study a descriptive design was adopted.

Populations

There were twelve (12) registered Commercial banks operating in Sierra Leone and twenty-nine (29) in Ghana thus making a total of 41 banks. Hence, the population comprises all registered commercial banks in Sierra Leone and Ghana. Hence, the population comprises all registered commercial banks in Sierra Leone and Ghana.

Sample size and Techniques

A simple random probability sampling technique was applied in this research to enable all the banks have equal opportunity of being selected. A simple random probability sampling technique was applied in this research to enable all the banks have equal opportunity of being selected. A sample of seven (7) commercial banks from Sierra Leone and eighteen (18) from Ghana making a total of twenty five (25) banks was selected for was selected for this research.

Instrumentation and Data Collection

A structured approach to collecting data was utilized. The data for the study were collected through secondary sources which was from published financial statements of the selected commercial banks. A multiple regression analysis was done and Pearson correlation table was generated to review the correlation between the ownership structure and the performance of the banks.

In order to assess the relationship between ownership structure and bank performance the following multiple linear regression model was fitted to the data;

$$PERF_{it} = \beta_0 + \beta_1 BODOWN_{it} + \beta_2 FOROWN_{it} + \beta_3 GOVOWN_{it} + PERF_{it-t} + \varepsilon$$

Where:

$PERF_{it}$ = Performance of bank i at time t , which is measured as ratio of Return on Assets, Return on equity and Net Interest margin and past performance.

$BODOWN$ = Proportion of board ownership to total shareholding in the bank at time t .

$FOROWN$ = Ratio of foreign ownership stake to total shareholding in the bank at time t .

$GOVOWN$ = Percentage of shares by the government or a related party to the entire shareholding of the bank at time t .

$PERF_{it-t}$ = Bank past performance as it is likely to have effect on current year performance at time t .

ε = error term

Given the number of independent variables, a multi regression was used to analyze the data in order to show the relationship between the variables.

HYPOTHESIS FORMULATION

In this study three dependent variables were looked at, namely Return on Assets, Return on equity and Net Interest margin and past performance. Return on assets was selected because of its relative use in past research work in determining how profitable a bank is. A sound example in the case of a bank was the research on bank performance and corporate governance by Barako and Tower (2007). Also, in more recent research work by Coleman (2008), corporate governance and firm performance with specific emphasis on African firms; return on assets was also employed to determine how profitable a firm could be. The independent variables used in the study were the ownership structures namely; level of board ownership, foreign ownership and government ownership.

BOARD OWNERSHIP

It is important to note that board ownership varies between banks and companies due to their difference in operating models. The agency theory which states that there is positive association between managerial ownership and financial performance because of the convergence between managers and owners' interest is in line with research by Jensen and Meckling (1976).

It is, thus, possible to deduce that Board ownership has a positive relationship with firm performance (Barako & Tower, 2007: 135). Other researches have also been done in different

sectors which further signify the positive relationship between board ownership and firm performance. A major example was the study by Palia and Lichtenberg (1999) using a sample of 255 manufacturing firms from between the period 1982–1993.

However, the above scenario might not be applicable in the case of banks, because of the difference in the ownership structure and stakeholders. It is believed that with increased board ownership, there might be greater conflict of interest with the depositors and shareholders (Barako& Tower, 2007: 136).

The higher loan portfolio invariably leads to a higher degree of non-performing loans in the bank's portfolio. In a work that was carried out by Pinteris (2002), agency conflict between bank owners and bank depositors was identified as amongst the causes of this negative relationship—Fogelberg and Griffith (2000) and Hirsschey (1999); which further correlates the results from the Argentinean banking industry.

FOREIGN OWNERSHIP

Many researches have been done on firm performance with foreign ownership as a variable. The results have, however, been inconsistent some showing strong correlation and others not showing any relationship. A good example was seen in the studies cited by Nada (2004) which indicated that foreign owned banks are less efficient than the domestic ones.

The shortcoming, also stated by Nada (2004), is that it was conducted mainly in the developed economies while neglecting developing countries. It is, however, important to note that in these developed economies the domestic banks are highly regulated, and older and more sophisticated than the foreign banks.

Nevertheless, another research Claessens and Demircug-kunt in 2000 and 1999 respectively, stating that foreign owned banks report significantly higher interest margins and higher net profit than domestic banks. A lot of reasons are attributed to the good performance of foreign owned as compared to domestic owned banks.

GOVERNMENT OWNERSHIP

Government ownership of banks has many perspectives to different groups of people; it also affects the outcome or possible results of the banks. Two common perspectives form are those from the development side and the political side (Barako& Tower, 2007: 137).

Government ownership is prevalent in countries with low levels of per capita income. This is in line with a research conducted by Rafael la Porta, Florencio Lopez-De-Silanes and Andrei Shleifer (2002). Thus, development theorists are of the opinion that government ownership of banks increases the chances of allocating credit to long-term socially desirable projects that otherwise may not get private funding.

To further explain the point of the political theorist, government ownership of banks creates an avenue for promoting and propagating political patronage that adversely affects performance of these institutions (Barako& Tower, 2007: 137). Barth, Caprio and Levine (2002) -have shown that government ownership of banks impacts negatively on the banks' performance.

PAST PERFORMANCE

Financial Performance is a subjective measure of how well a firm can use assets to generate revenues [\(Source\)](#). This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation [\(Source\)](#).

Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales [\(Source\)](#). Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt [\(Source\)](#). (<https://www.investopedia.com/terms/f/financialperformance.asp>)

RESULTS AND DISCUSSION

DESCRIPTIVE STATISTICS

TABLE 1: Performance descriptive statistics-Ghana

	MAXIMUM	MINIMUM	MEAN	STD. DEV
Return on Asset	0.067	-0.091	0.021584	0.002177
Return on Equity	-0.82	0.491	0.150978	0.017984
Net interest Margin	0.164	0	0.081719	0.003185
Board Ownership	0.435	0	5.67%	0.010336
Foreign Ownership	0.96	0	53.62%	4.20%
Government Ownership	0.9	0	13.54%	2.44%
Past performance	0.57	0.037	0.297697	0.016265

Source: Author Computation (2016).

The descriptive summary statistics for the dependent and independent variables across the study for Ghana are provided in Table 1.- The mean score for return on asset was 0.02158 with minimum and maximum values of -0.091 and 0.067 respectively. The standard deviation of 0.002177 accounted for the variation between the minimum and maximum.

The mean score for return on equity is 0.1509 with minimum and maximum values of 0.491 and -0.82 respectively and a standard deviation of 0.0179. The mean score for net interest margin is 0.0817 with minimum and maximum values of 0 and 0.164 respectively and a Standard Deviation of 0.003185. Board ownership registered an average score of 5.67 with a variation as shown by the standard deviation of 0.010336 and a minimum and maximum score of 0 and 0.435 respectively.

Foreign ownership has a mean value of 53.62 with a standard deviation of 4.2. It also registers a minimum value of 0 and 0.96 for the maximum value. Government ownership has an average mean score of 13.54 which had a maximum level 0.9 and minimum of 0, with a standard deviation of 2.44. Also the average mean score for past performance was 0.2976,

with a standard deviation of 0.0162, with maximum and minimum of 0.57 and 0.037 respectively.

TABLE 2: Performance descriptive statistics-Sierra Leone

	MAXIMUM	MINIMUM	MEAN	STD. DEV
Return on Asset	0.08	0.02187	0.049624	0.002525
Return on Equity	0.31	0.0553	0.178214	0.012299
Net interest Margin	0.15	0.034	0.086246	0.005618
Board Ownership	0.01	0	0.001571	0.000592
Foreign Ownership	0.01	0	0.006014	0.000735
Government Ownership	0.01	0	0.002157	0.000627
Past Performance	0.826	-0.487	0.371643	0.068146

Source: Author Computation (2016)

The descriptive summary statistics for the dependent and independent variables across the study for Sierra Leone are provided in Table 2. The mean score for return on asset is 0.0496 with minimum and maximum values of 0.0218 and 0.08 respectively and a standard deviation of 0.002525 between the minimum and maximum.

The mean score for return on equity is 0.178 with minimum and maximum values of 0.0553 and 0.31 respectively and a standard deviation of 0.01229. The mean score for net interest margin is 0.086 with minimum and maximum values of 0.034 and 0.15 respectively and a standard deviation of 0.005618. Board ownership registered an average score of 0.00157 with a variation as shown by the standard deviation of 0.00059 and a minimum and maximum score of 0 and 0.01 respectively.

Foreign ownership has a mean value of 0.006014 with a standard deviation of 0.000735. It also records a minimum value of 0 and 0.01 for the maximum value. Government ownership has an average mean score of 0.002157 which had a maximum level 0.01 and minimum of 0, with a standard deviation of 0.000627. Also the average mean score for past performance was 0.371, with a standard deviation of 0.0681, with maximum and minimum of 0.826 and -0.487 respectively.

Regression Results

TABLE 3: RETURN ON ASSETS FOR GHANA

VARIABLE	Correlation Coefficient	p-value
Intercept	0.005098643	0.459723
Board ownership	0.010003657	0.690649
Foreign ownership	0.016709699	0.069804
Government ownership	0.0178608	0.135437
Past performance	0.015465601	0.403018

Source: Author's Computation (2016)

Spong and Sullivan (2007), they show that an ownership stake for hired managers can help produce better commercial bank performance as a result of a reduction in principal-agent

problems and boards of directors are likely to have a more positive effect on commercial bank performance when directors have an important financial interest in the bank.

Board ownership was used to set up the null hypothesis that the bank's Board ownership is positively associated with bank's Return on Assets (ROA). The result from table 3 shows a correlation coefficient of 0.0100036 between the board ownership of Ghanaian banks and their return on assets. Thus the above figure shows a weak positive correlation. Reason to proffer for the weak relationship can be that mostly Ghanaian bank does not have larger proportion of its share held by members of the management team as directors.

Arun and Turner (2004) examines the corporate governance of banking institutions in less developed economies, and reveals that the increased competition resulting from the entrance of foreign banks may improve the corporate governance of banks in these developing economies. In the case of Ghana the results conform to this view. From table 3 the result depicts a correlation coefficient of 0.016709 between the foreign ownership of Ghanaian banks and their return on equity. The correlation coefficient shows a weak positive correlation meaning that the return on asset and foreign ownership of Ghanaian banks tend to increase together.

The result conform to the null hypothesis which states that the higher the proportion of a bank's foreign ownership, the higher the profit; based on the return on equity ratio. This is possibly so because most foreign owned banks included in the study have declared higher profits in the period under review while local banks where reporting profits below average.

The hypothesis formulated for government ownership states that there is a negative relationship between a banks government ownership and a bank's performance measured by its return on assets. From the analysis in table 3 the result shows a weak positive correlation coefficient of 0.0178608 between the government ownership of Ghanaian banks and their return on assets.

From the information gathered it was evident that most of the banks government had shares in reported high return on asset. Additionally, the positive correlation could be as a result of the stringent banking regulation in the banking sector in the Ghanaian economy. Hence the null hypothesis was rejected.

The analysis from table 3 shows a weak positive correlation coefficient of 0.015465 between the past performance of Ghanaian banks and their return on assets. The implication is that banks that re-invest a large portion of their profit are most likely to increase future performance. Most of the banks under observation reported increasing profits successively for the periods under review. In view of the above the null hypothesis is accepted.

TABLE 4: RETURN ON EQUITY FOR GHANA

Variable	Correlation Coefficient	p-value
Intercept	0.065857547	0.269841
Board ownership	0.107057395	0.622019
Foreign ownership	0.017593913	0.823402
Government ownership	0.116903568	0.256553
Past performance	0.187303304	0.241896

Source: Author's Computation (2016)

From the regression output in table 4 there is a positive correlation coefficient of 0.107057 between the board ownership and return on equity. From the data gathered on ownership structure it was clear that most of the foreign banks operating in Ghana had a large number of their shareholders as board members hence the possible reason for having such a positive relationship between board ownership and bank performance. A large ownership of shares by board members is often believed to be advantageous to banks since there is a high probability that their interest is more aligned to that of the stakeholders and hence will strive to improve the performance of the banks. The results indicate a significant positive relationship between board shareholding and return on equity. Therefore, the hypothesis one is accepted

For foreign ownership the hypothesis formulated states that foreign ownership is positively associated with return on equity in line with past studies. The result in table 4 indicates a weak positive correlation coefficient of 0.01759 meaning the higher the ratio of foreign ownership the better the performance of banks measured by banks return on equity. Therefore the hypothesis is accepted.

The regression result in table 4 depicts a strong positive correlation coefficient of 0.116903 meaning the higher the ratio of government ownership the better the performance of banks measured by banks return on equity. It was observed that government ownership in banks such as Ghana Commercial Bank and Agricultural Development Bank were relatively high as these banks were fully regulated as to endure the intense competition in the banking sector. As a result the hypothesis that government ownership of shares in banks is negatively related to its performance measured by return on equity is rejected.

The regression result in table 4 above shows strong correlation coefficient of 0.1873 between the past performance and return on equity. The proposition is that if banks re-invested a large quota of their previous profit they are most likely to increase future performance measured by return on equity. Most of the banks studied for the period under review reported large profits continually and when these profits are reinvested they have the probability of boosting subsequent year's profit. Ghana banking environment is highly competitive as a result individual banks strive to remain competitive and attractive by improving their performance and maximizing shareholders wealth. In view of the above the null hypothesis is accepted.

TABLE 5: NET INTEREST MARGIN FOR GHANA

Variable	Correlation Coefficient	p-value
Intercept	0.055846797	0.165
Board ownership	0.004199438	0.906683
Foreign ownership	0.021180543	0.106268
Government ownership	0.058140835	0.0009
Past performance	0.021336406	0.418372

Source: Author's Computation (2016)

The result in table 5 above shows a weak positive correlation coefficient of 0.004199 for board ownership. Thus based on the above relationship the hypothesis set was accepted which implies that board ownership brings about enhancement in the performance of banks.

When board members or management team are in-charge of firms it is often clear that such firms will performance impressively as they will be able to align their interest with those of the shareholders.

The result in table 5 shows a weak positive correlation coefficient of 0.0211805 meaning that the higher the ratio of foreign ownership the better the performance of banks measured by banks net interest margin. Reasons to proffer for such relationship could be that foreign owned banks are believed to have in place essential risk and credit management competences as to ensure that they are able to maximize interest income and minimize bad loans. On the basis of the forgoing the null hypothesis is accepted.

Under this independent variable the null hypothesis was that the bank's government ownership is negatively related with bank's performance measured by net interest margin. The result in table three above thus shows weak positive relationship between the two variables with a correlation coefficient of 0.058140. Therefore the null hypothesis is accepted. However this result is opposed to previous studies which concluded that government ownership of banks are negatively related to performance.

The regression result shown in table 5 above depicts a weak positive correlation coefficient of 0.0213364 between the past performance of Ghanaian banks and their net interest margin. The assumption is that if a bank is able to re-invest a large part of its previous profit it is most likely to experience a boom in future performance. The only downside of re-investment of profit by banks is that it does not sound well to most shareholders as they would expect dividend payment on a yearly basis. Dividend payment mostly serves as signal to the shareholders about the performance of management. In view of the above the null hypothesis is accepted.

DEPENDENT VARIABLE: RETURN ON ASSETS-SIERRA LEONE

TABLE 6: RETURN ON ASSET

Variable	Correlation Coefficient	p-value
Intercept	0.181038	0.0108
Board ownership	-12.8169	0.000658345
Foreign ownership	-13.2736	0.001672041
Government ownership	-13.5626	0.001345688
Past performance	-0.00588	0.701279935

Source: Author's Computation (2016)

Jensen and Meckling (1976) were able to establish a theoretical relationship between corporate governance and firm performance. They find out that as the manager's or board ownership claim decreases his incentive to give effort to maximize the firm's value decreases

and so the agency cost will increase leading to the commercial banks net value to decrease. So as the manager's ownership percentage increases, the banks value will increase as well. Thus the result above in table 6 is in line with the theoretical view that as a manager's claims decrease so the performance of banks. The result shows a correlation coefficient of -12.8169 which is a perfect negative correlation between the board ownership of Sierra Leone Banks and their return on assets. Reason to proffer for the perfectly negative correlation can be that majority of Sierra Leone banks do not have greater proportion of their shares held by members of the management team or their directors. Among the banks sampled it was only one that had board ownership above 80%, nevertheless if the number of board members as shareholders increase the performance of banks is also highly dependent on what level of management expertise they will have to bear on these banks.

Kapopoulos and Lazaretou (2007), use a data of 175 Greek listed firms in order to investigate whether there is strong evidence that ownership structure affects firm's performance, measured by profitability. Empirical findings indicate that there is a positive relationship between profitability and ownership structure in Greek firms. Specifically, the results revealed that the greater the degree to which shares are concentrated in inside shareholders, the more efficient the firm's management and as a result the firm's performance. Nevertheless the result from Sierra Leone shows a contrary view. The key reasons could be due to poor regulation of the banking industry as it's a developing nation and do not have good corporate governance codes in place. Therefore the hypothesis is rejected.

Arun and Turner (2004) examined the corporate governance of banking institutions in less developed economies. They show that the increased competition resulting from the entrance of foreign banks may improve the corporate governance of banks in these developing economies. In the case of Sierra Leone the results give a contrary view. The hypothesis formulated was that a bank's foreign ownership has a positive correlation with its return on asset. The results in table 6 indicate a perfectly negative correlation coefficient of -13.2736 between foreign ownership and return on assets. As a result the null hypothesis is rejected.

From the data collected it was evidenced that out of the seven commercial banks sampled about four of them were foreign owned but nevertheless the result could not conform to the predicted expectation. This could possibly be as a result of the non-availability of sound good corporate governance codes and the lack of intense competition in the sector.

The analysis in table 6 shows a perfectly negative correlation coefficient of -13.5626 between the government ownership of banks in Sierra Leone and their return on assets. In various developing countries, the issue of bank corporate governance is complicated by extensive governmental interference in the tasks of the banking system. This issue is related to government ownership of banks or state-owned bank and restrictions on foreign bank entry. All these factors contributed to poor performance of banks that are state owned. On the basis of the above the null hypothesis is accepted.

The result showed in table 6 above indicates perfectly weak negative correlation coefficient of -0.00588 between the two variables. The proposition is that if a bank is able to re-invest a larger part of its previous year profit then it will be more likely to have a boost in its current year profit. Some of the banks sampled had increase in their returns on a successive basis.

Dividend payment mostly serves as signal to the shareholders about the performance of management, so if banks decide to re-invest all their returns without paying dividend that will not augur well to shareholders. The question then arises as to what is the optimal amount that banks should plough back. Wolfgang (2003) asserts that good corporate governance will result to increased valuation, higher profit, higher Sales growth and lower capital expenditure. Nevertheless this study has brought out a different view; most banks studied did not report growing profit so as a result their percentage of ploughed back profit was low which will affect subsequent year's performance. In view of the above the null hypothesis is rejected.

TABLE 7: RETURN ON EQUITY

Variable	Correlation Coefficient	p-value
Intercept	0.6328551	0.001248
Board ownership	-56.194604	0.00306
Foreign n ownership	-42.151916	0.042366
Government ownership	-36.842006	0.073204
Past performance	-0.0897324	0.262307

Source: Author's Computation (2016)

The regression results in table 7 above shows a perfectly weak negative correlation coefficient -56.194604 between the board ownership and banks return on equity. The result does not conform to expectation, the key reason being that when stakeholder theory places more demand on mangers, in the process they are constrained in achieving the objective of shareholders wealth maximization. Thus agency theory states that there is positive association between managerial ownership and financial performance because of the convergence between managers and owners' interest as in line with research by Jensen and Meckling (1976). It is thus possible to deduce that Board ownership has a positive relationship with firm performance (Barako & Tower, 2007: 135). This study has however refuted the above view. On the basis of the above conclusion the null hypothesis is rejected.

The result in table 7 shows a perfectly weak negative correlation coefficient of -42.1519 meaning that foreign ownership of banks does not positively affect a bank performance. A study done by Nada (YEAR) (2004) show those foreign owned banks are less efficient than domestic ones. The limitations of this research were that it was conducted mainly in developed economies while neglecting developing countries. It is, however, important to note that in these developed economies the domestic banks are highly regulated, and older and more sophisticated than the foreign banks. Additionally, most regulations are often more flexible with domestic banks as compared to foreign banks.

Most domestic banks are often accorded favorable terms of business thus enhancing their performance. On the basis of the above result the null hypothesis is rejected though it is statistically significant at 5%.

The hypothesis postulated that the bank's government ownership is negatively related with bank's return on equity. As a result, the regression output shown in table 7 shows a perfectly weak negative correlation coefficient of -36.84200 meaning that higher proportion of government ownership the better the performance of banks measured by banks return on equity.

The above result conforms to a past research which showed that government ownership of banks impacts negatively on the banks' performance. Examples of such research that proved this include studies done by Barth, Caprio and Levine (2002). From the above mentioned result the hypothesis is accepted.

Bank past performance was used to state that there is a positive relationship between a banks past performance and its performance measured by its return on equity. The result in table five shows a weak negative correlation coefficient of -0.0897324 meaning that past performance does not affect bank performance. The result shows a contradictory view, so on the basis of this the null hypothesis is rejected.

TABLE 8: NET INTEREST MARGIN

Variable	Correlation Coefficient	p-value
Intercept	0.310455	0.000709
Board ownership	-24.2186	0.00542
Foreign ownership	-20.8322	0.031087
Government ownership	-18.2986	0.055676
Past performance	-0.05755	0.124175

Source: Author's Computation (2016)

Hillman et al. (2000) argue that resource dependency theory emphases on the critical role that the directors play a critical role in providing or securing essential resources to a company through their linkages to the external environment. Thus it is assumed that the more directors own shares in a firm the more incentives to cater for external resources. They propose that, directors bring resources to the company in the form of information, skills, access to key constituents such as suppliers, buyers, public policy makers and social groups. The hypothesis set was that the bank's Board ownership is positively associated with bank's net interest margin.

The result in table 8 shows perfectly negative correlation coefficient of -24.2186 meaning that board ownership does not have any impact on the net interest margin of banks. Several studies have concluded that board ownership has strong impact on bank performance; this is because the board members are assumed to bring with them certain expertise that will help to enhance performance. On the basis of the above the null hypothesis is rejected.

The result in table 8 above shows a perfectly weak negative correlation coefficient of -20.832 meaning that foreign ownership of shares in commercial banks does not have a positive impact on net interest margin. The proposition is that banks with a majority of its shares held by foreign investors will have in place proper credit management and recovery procedures. Nevertheless the study has refuted this view. Possible reasons can be that there are not much foreign banks in Sierra Leone. Based on the result the null hypothesis is rejected.

Most of the static research literature on state ownership focuses on developing nations and nearly always finds unfavorable effects. Individual state-owned banks have relatively low efficiency and nonperforming loans, and large market shares for state-owned banks are associated with reduced access to credit, diminished financial system development, and slow economic growth (e.g., La Porta, Lopez-de-Silanes, and Shleifer 2002, Barth, Caprio, and Levine 2004, Beck, Demirgüç-Kunt, and Maksimovic 2004, Berger, Hasan, and Klapper 2004). Research on Argentina banks also suggests unfavorable effects of state ownership (e.g., Clarke and Cull 2002, Delfino 2003). The regression output in table 8 shows perfectly negative correlation coefficient of -18.2986. On the basis of the above result the hypothesis

set is accepted. Most government owned banks suffer a lot as a result of interferences or undue pressures on its management by central government thus leading to their poor performance.

The result in table 8 shows a contradictory view with a perfectly negative correlation coefficient of -0.05755 meaning that past performance of commercial banks in Sierra Leone do not affect current performance. A large proportion of the bank studied reported increase in returns successively. As a result the null hypothesis is rejected.

CONCLUSION

The results of this research have shown that executing good, sound and effective corporate governance practices will enhance bank performance as measured by its return on assets, return on equity and net interest margin. More especially for the Sierra Leone banking sector this study has very important suggestions for the corporate sector, investors, policy makers, international agencies, government and stakeholders.

From the study Ghana already has some sound system of corporate governance and regulations in place especially the banking industry; the key issue is that the banking sector needs to take advantage of these opportunities so as to enhance the economic growth of the country.

RECOMMENDATION

In view of the issues discussed, the researcher is proposing the following recommendations:

That Sierra Leone and Ghana should build confidence in investors and other stakeholders through reforms in corporate governance, financial reporting and corporate laws.

Especially for Sierra Leone, that corporate governance code of best practice should be put in place to enable Sierra Leone banks maximize shareholders wealth as a result of adhering to sound corporate governance codes. That a further study may be carried out including more variables in the model such as economic wide indicators like inflation and bank lending rates. The same model can be used but by applying it to other sectors of the economy like insurance companies for better and wider understanding of the concept of corporate governance.

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