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Effects of Corporate Governance Practices on Financial Performance of Selected Listed Commercial Banks in Rwanda.

Manishimwe Jean Damour

ABSTRACT

In Rwanda, financial sector entities are reporting varied financial results. Listed commercial banks reports show the highest discrepancy compared to non-listed commercial banks. This is indicative to a stronger corporate governance system in listed commercial banks compared to non-listed ones. This research seeks to evaluate the effects of adopting good corporate governance practices on the financial performance of listed commercial banks in Rwanda. The research focuses on corporate governance practices and respective impact on financial performance of listed banks. Selected cases are Bank of Kigali, Equity Bank Rwanda, KCB bank Rwanda and I & M Bank. Performance for the period 2017 to 2021 was evaluated and analyzed. The study drew its conclusions from secondary data extracted from annual reports of the selected cases. Precisely, the study investigated the effects of ownership concentration, quality of the audits and Board independence on the financial performance of commercial banks in Rwanda. The study used both descriptive and inferential statistics to analyze data. The findings regarding ownership concentration revealed a negative significant effect on financial performance. The quality of audits had a positive and significant effect on the firm financial performance. Findings show that the Rwandan listed commercial bank perform better when audit committee members comprise financial experts. It was also found that Board independence has a positive and significant effect on a firm financial performance. According to the results of the study, there is a relationship between corporate governance practices and the financial performance of commercial banks. The study recommends the adoption of corporate governance best practices to achieve profit and wealth maximization.

Key Terms: Financial performance, corporate governance, Ownership concentration, Audit quality, Board independence

I. INTRODUCTION

Broadly speaking, corporate governance improves the relationship between the company's board, management, shareholders, and other stakeholders. (Vishny, 2015). In international developed markets, the concept of corporate governance is proven by the regulators against which reports the importance of corporate governance. However, corporate governance is more important for emerging markets and less developed markets than in developed countries (Vishny 2015) .

The corporate governance and financial performance relationship is a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental relationship considers how a firm behaves as a custodian of the environment. Social connections examine how it maintains relationships with employees, suppliers, customers, and local communities. Corporate governance is concerned with the leadership of a corporation, executive compensation, audits, internal controls, and shareholder rights. The relationship can also be used in evaluating any environmental risks a company might face and how the company is managing those risks.

Corporate governance highlights directors' and auditors' responsibilities to shareholders and other stakeholders. Corporate governance is important for shareholders since it enhances confidence in the organization, resulting in a higher return on investment. For other stakeholders like employees,

customers, suppliers, the community, and the environment, corporate governance assures that company behaves responsibly towards society and the environment. Thus, corporate governance is also presenting the relationship between board accountability and environmental responsibility.

In East African Countries (EAC) in general and Rwanda in particular, corporate governance includes the processes through which banking corporations' objectives are set and pursued in the context of the social, regulatory, and EAC banking market environment. Monitoring the actions, policies, practices, decisions of corporations and their agents affected stakeholders. The Rwandan financial institutions and big domestic organizations especially listed commercial banks in Rwanda have performed effective corporate governance principles with the support of governments and international organizations.

Statement of the Problem

In Rwanda, entities in the financial sector are reporting different financial results. Listed commercial banks report high performance compared to non-listed commercial banks. Corporate governance of listed commercial banks is stronger than non-listed banks. From this backdrop, this research evaluated the effects of corporate governance practices on financial performance of listed commercial banks in Rwanda in the banking sector.

Objectives of the study

The general objective of the study was to assess the relationship between corporate governance practices and the financial performance of listed commercial banks in Rwanda. Specific objectives are to assess the effect of ownership concentration on the financial performance of listed commercial banks, to analyze the effect of audit quality on the financial performance of listed commercial banks and to determine the effect of board independency on the financial performance of listed commercial banks.

Research Hypotheses

Ho1: There is no significant relationship between ownership concentration and the financial performance of listed commercial banks in Rwanda.

Ho2: The is no significant relationship between audit quality and financial performance of listed commercial banks

Ho3: There is no significant relationship between board independence and the financial performance of listed commercial banks.

II. LITERATURE REVIEW

A. *Conceptual review*

1) *Corporate Governance Practices:* Shleifer and Vishny (2017) argue that much of the differences in corporate governance systems around the world stem from varying regulatory and legal environments. They argue that, while disparities in corporate governance systems exist in OECD nations, they are rather minor. For example, in less developed countries corporate governance mechanisms may be non-existent and where they do exist, they are often particularly weak and ineffective. However, even in rich OECD countries, corporate governance problems can still act as a major impediment to economic growth.

2) *Ownership concentration:* Ownership concentration is mostly taken as a major element of the corporate organization which has a substantial force on corporate performance. The results support the fact that large corporations' shareholders were encouraged to collect more internal information to avoid the free-rider problem. They found that agency theory does propose that ownership concentration can anyway improve corporate performance by reducing the agency cost to a desirable level. The relationship between the role of ownership structure and concentration on corporate performance. Their finding shows that there is a positive relationship between ownership concentration and firm performance, which is measured using accounting profit indicated by return on assets (Deney, 2016).

3) *Audit quality:* big audit firms tend to protect their image and reputation because of the size of the organization and the resources available. As a result, they will always provide higher audit quality, which may result in better corporate governance and, eventually, higher corporate performance. Internal auditing and its significance in corporate governance They discovered a substantial association between the internal audit function and the role in corporate governance, which resulted in high audit quality. The audit quality of Malaysian PLCs is linked to corporate governance procedures, corporate transparency, and performance. The findings indicate a negative relationship between audit quality and the performance of Malaysian companies.

4) *Board independence:* The effective

independent board remains important in corporate governance. The effective independence board remains important in corporate administration. The majority of independent non-executive directors on the board of directors ensures the institution's board independence. Furthermore, independent non-executive directors play a significant role in evaluating the firm's financial performance as well as supporting the corporation with long-term strategy formulation, risk management, and remuneration planning. According to the agency theory, having a higher share of independent non-executive directors on the board will eventually lead to improved corporate performance. All the same, there are prior studies indicating that independent non-executive directors are external directors who don't accept any responsibility for the operation of the company.

5) Financial Performance: Financial performance is as- sessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. It also displays the net profit or loss for a certain accounting period, usually a fiscal quarter or year. One of the three major financial statements is the income statement. The balance sheet and cash flow statement are the other two. The income statement is separated into two sections: operational and non-operating. Financial analysis is commonly used in the process of evaluating firms, projects, budgets, and other finance-related entities to determine their eligibility for investment. It is used to determine whether an entity is stable, solvent, liquid, or profitable enough. to be invested.

B. Theoretical review

1) Principal-Agent Theory: The theory relates to ownership concentration. Principal-Agent Theory outlines long-term strategies and then companies map control backward to identify necessary preconditions. Principal-Agent Theory describes the process of change by defining the causal relationships in an initiative., i.e., its shorter-term, intermediate, and longer-term companies' outcomes. The discovered modifications are shown as the "outcomes pathway," which depicts each outcome in a logical relationship to the others as well as chronological flow.

A common error in describing Principal-Agent Theory is the belief that it is simply a methodology for planning and evaluation (Merchant, 2017). Principal-Agent Theory is instead a form of critical theory that ensures a transparent distribution of power dynamics. Further, the process is necessarily inclusive of many perspectives and participants in achieving solutions (Merchant, 2017).

2) Audit Quality Theory of Change: The Audit Quality Theory of change is part of the program theory that emerged in the 1990s as an improvement to the evaluation theory (Valters, 2018). An audit quality theory of change is a tool used for developing solutions to complex financial problems. It provides a comprehensive picture of early and intermediate-term changes that are needed to reach a long-term set goal (Anderson, 2015). It therefore provides a model of how a project should work, which can be tested and refined through audit quality. An Audit quality theory of change is also a specific and measurable description of the change that forms the basis for financial planning, financial implementation and financial evaluation in the institution (Mansa, 2020). Most entities use the audit quality theory of change although they are usually assumed. The audit quality theory of changes helps in developing comprehensible frameworks for internal and external audits. Therefore, it is based on the program theory advanced by Suchman in the 1960s.

3)Theory of Reasoned Board Independence Action: According to Burkman, (2015), the Theory of Reasoned Board Independence Action states that both attitude and subjective norms are important determinants of people's intention to adopt and use board independency in companies. Further, the intention to adopt and continue using board independence in this case, the main factors of board independence are influenced by the same attitude. The theory states that individual behavior is influenced by his or her behavior's intention which is influenced by his or her attitude towards the behavior of subjective norm. Behavioral intention measures a person's relative strength of intention to perform a behavior. Attitude consists of beliefs about the consequences of performing the behavior multiplied by his or her evaluation of these consequences.

C. Empirical review

1) Ownership concentration and financial performance: Numerous evaluation types of research (studies) and reports have shown the effectiveness and problems of corporate governance. The research shows the problem analysis and identifies the negative aspects of the chosen focus area and establishes a cause and effect between the problems that exist within that area. It is therefore one of the key ideas behind most versions of the Logical Framework Approaches (LFA) including activities inputs, processes, outputs, outcomes and impacts that

the listed companies should be involved as much as possible in planning, interactions, and contextual factors. Furthermore, the listed companies should address problems faced by beneficiaries and meet their needs and interests. It is important to identify any stakeholder, who may have a relation to the listed companies; that is individuals, groups of people, institutions, or firms. This should be done very early in the identification and appraisal phase of the listed companies (Anderson, 2015).

2) Audit quality and financial performance: The relationship between audit quality and financial performance is affected by several factors. The legal system and financial structure of a country may have significant impacts on this relationship. One of the most important information sources about the governance practices of firms is rankings published by several institutions. The authors hypothesized that if the market participants use the rankings, there must be a significant positive relationship between the rankings and stock prices. For three years from 2002 to 2005, they used a sample of 796 observations from 289 Canadian firms. They used the rankings published by the Canadian newspaper Globe and Mail and found that the rankings affect investors; however, the rankings are at least partly reflected in accounting results. Control procedures are the mechanisms, rules, and policies implemented by a company to manage and ensure effective internal control to perform the integrity of financials and accounting (Will Kenton, 2019). argument raises the question of corporate governance in the first place, arguing that product market competition should offer incentives for enterprises to implement the most effective corporate governance procedures. This line of reasoning would argue that any external policy initiatives are at best ineffective and at worst distortive. Rather than supporting government action, it asserts that governance issues should be resolved by market actors.

3) Board independence and financial performance: The interactions between corporate governance, competition, and regulatory and legal environments lead to a systems approach to governance. Aoki (1994). The drawback of a systemic approach to corporate governance is that it is often difficult to formulate in any precise way the interactions between different parts of an economy. However, whenever possible and feasible, policies which promote specific forms of corporate governance should attempt to account for the interactions between governance and other institutional factors, e.g. the legal and regulatory environment, the structure of product markets, labor and capital markets, etc. It is important, therefore, that the governance of companies be considered in the context of the overall properties and structure of economies, the two of the most basic conflicts that can occur in corporate governance are the conflict between a controlling manager and 'outside' widely dispersed shareholders, and the conflict between 'inside' controlling shareholders and outside minority shareholders, see Shleifer and Vishny (1997) and Becht (1997).

III. RESEARCH METHODOLOGY

3.1. Research design

The descriptive research design has been used in this study by describing and interpreting collected data that have been obtained through secondary data. The descriptive research design has been used in this study by describing and interpreting collected data that have been obtained through secondary data. Research design is a specification of methods and procedures for acquiring the information needed. Grinnell (2018) defined research design as the process of the study, and the problem formulation through the dissemination of findings.

3.2. Population of the study

Bailey (2014) says that a population is a universal object over which research is to be carried out. The ideal practice in research would be to gather information from the entire population; this ensures maximum coverage of the population concerned in the research. But due to limited time and funds, the entire population of the research cannot be covered. The sample defined as a subset of the population is used. Duttolph (2013) argued that if the sample is selected properly, the information collected about the sample may be used to make statements about the whole population. The entire population of the study who are supposed to provide the information data related to the objectives of the research study was based on data that have been collected from published annual reports of four listed companies in Rwanda from the period 2017 to 2021.

3.3. Sample size of the study

Before identifying the collected data for this research, it is necessary to indicate how the sample size is determined. This study covers the listed commercial Bank on the Rwanda stock exchange for the period 2017 to 2021 Five Years. Data on these listed commercial banks was extracted from both the RSE and own Bank's official website. Those listed commercial banks are the Bank of Kigali, KCB Bank Rwanda (KCB), I&M

Bank Limited, and Equity Bank Rwanda Limited. The sample has been based on four Banks in five years therefore the sample was 4*5=20

3.4. Data collection technique

The research will use information from library research by retrieving the internet, records of institutions, journals, and other data from archives. This data will help the researcher to remain on the theme of the study by visiting the library, textbooks, and internet source articles and journals to widen and deepen the understanding of the researcher of the research topic from reputable scholars.

3.4.1. Panel Data

The main types of data that are generally available for empirical analysis are cross-section, time series, and panel. In cross-section data, values of one or more variables are collected for several sample entities, or units, at the same point in time. In time-series data observe the values of one or more variables over a while. In panel data, the same cross-sectional units (say firm or families, or states) is surveyed over time. In short, panel data have space as well as time dimensions (Gujarati, 2003). The study has used available information from different reports of listed commercial banks in Rwanda.

3.4.2. Documentation technique

According to Paige (2012) documentation is a system that formally acknowledges the sources consulted for the research. Robert (2014) said that one of the basic advantages of document studies is to explore the sources more fully to obtain additional information on an aspect of the subject. This study reviewed the published documents, reports, magazines, journals, and policy reports related to the topic. This is important because it reviews the literature and tries to locate global perspectives to make a comparative framework for analysis and evaluation for readers; therefore, the researcher will use this documentary technique to conduct and get secondary data.

3.5. Data analysis

The research focused on traditional areas such as statistical inference and also gives special emphasis to establishing as well as emerging applied areas. Emphasis was on importance, interest, and originality formal novelty and correctness alone were not sufficient to warrant a publication. Statistics is a set of mathematical methods which, from the collection and analysis of real data, can develop probabilistic models allowing predictions. The statistical method offers the opportunity to measure and quantifies the results of the research. This method was the one that facilitated quantifying and numbering the results of the research and presenting information in the tables.

To make an effective measurement of variables; it is required to present the regression analysis model that is used in calculating; analyzing and interpreting the relationship among variables through the collected data. The panel data approach was used to get data to arrive at the results. Green (2003, p. 285) stated that a general panel data regression model is written as:

$$Yit= \beta o + \beta 1X1it + \beta 2X2it+ \beta 3X3it+ \varepsilon it$$

where: Yit: Financial performance, βo: Constant, β1- β3: Coefficient of estimates, X1: Ownership concentration, X2: Audit quality, X3: Board independence, i and t: indices for individuals and time,εit: error term

IV. DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

4.1. Descriptive Statistics

This section deals with the descriptive statistics for the data used in the analysis of this study. Some of the main features of the data have been described quantitatively (the central tendency of the statistics such as mean, max, and min, and data dispersion such as standard deviation). However, for ease of presentation and easier for the reader, we have presented the descriptive statistics separately with the appropriate table extracted from the original table.

Table 4. 1: Descriptive statistics

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	N	Minimum	Maximum	Mean	Std. Deviation
Return on Equity (%)	20	3.98	23.61	15.8	5.25
Return on Asset (%)	20	0.52	3.9	2.47	1.01
Government and other agency ownership	20	0	56.8	15.28	24.24
International ownership	20	16.9	100	77.55	32.84
Other local investor ownership	20	0	28.7	7.16	9.35
Audit committee size	20	3	5	3.9	0.55
Audit Committee Financial Expertise	20	2	5	3.85	0.67
Number of non-independent directors	20	1	6	2.85	1.76
Number of independent directors	20	1	9	5.65	2.13

The table shows that the ROE ranges from a minimum of 3.98% to a maximum of 23.61% with an average of 15.80% for the overall sample. The ROA ranges from a minimum of 0.52% to a maximum of 3.9% with an average of 2.47% for the combined sample. Government and other agency ownership among Rwandan listed commercial Banks range from 0.00 % to 56.8%, with an average of 15.28%. International ownership between listed commercial Bank in Rwanda ranges from a minimum of16.9%, a maximum % of 100% and an average of 77.55% another sub variable of ownership is other local investors' ownership with these statistical results ranging from 0.00% to 28.7% with an average of 7.16%. The statistics show that the average share stakes of the Banks in the sample held by international investors comprise 77.55% the more shareholding the more controls. The government and other agency share an average of 15.28% of the total capital of sampled listed commercial banks in Rwanda, which allow the government to implement some of its policies for regulating the economy of the country. Other local investors take an average of 7.16% the lower percentage represent that local investor is not more encouraged to invest in financial services, especially in the Banking sector.

The statistics show that audit committee members comprise 3.9 persons on average and audit committee members with financial expertise has an average of 3.85 Persons, the number of audit committee member determine the audit quality and fulfills audit committee responsibility, and meet standard requirements for going concerned and profit, the role of having more financial expertise in audit committee members indicate that they are aware of reading and analysis of financial matters and proved materials financial decision making in company operation to lead to the profit and wealth of the firm(Profit and Wealth maximization).

Company boards should have an independent majority. An independent majority on the board is more likely to prioritize shareholder interests. It is also likely to promote autonomous decision-making and reduce potential conflicts of interest. In Rwanda, listed commercial banks have an average of 5.65 independent directors and 2.85 non-independent directors. These findings suggest that Rwanda-listed commercial banks adhere to the majority of independent director principles.

4.2 Inferential statistics

4.2.1 Correlation Analysis

Correlation analysis was carried out to detect any multicollinearity between variables. This analysis was undertaken using the Pearson correlation. This section shows the results of the correlation analysis of the three variables used for corporate governance practices. The correlation is positive between some independent variables

Table 4. 2: Pearson correlation analysis

	Ownership concentration	Audit quality	Board Independence	Financial performance
Ownership concentration	1	0.402	0.574	-0.806
Audit quality	0.402	1	0.65	0.71
Board Independence	0.574	0.65	1	0.88
Financial performance	-0.806	0.71	0.88	1

Table 4.2 shows Pearson's correlation between firm financial performance and corporate governance practices. The correlations are significant and positive between most of the independent variables. Ownership concentration has a negative correlation with financial performance (Pearson's correlation coefficient = -0.806), Audit quality has a positive correlation with financial performance (Pearson's correlation coefficient = 0.71) and Board Independence has a positive correlation with financial performance (Pearson's correlation coefficient = 0.88). Here p-value of corporate governance practices variables is 0.0000 which are less than 0.05 and indicate that result is highly significant. It means that corporate governance practices have a significant impact on financial performance.

4.2.2 Regression Analysis

The previous section presented the results highlighting the descriptive statistics and correlation analysis. This section uses linear regression analysis to test the developed research hypotheses. This study sought to investigate the association between corporate governance practices and firm financial performance. The first model was tested, with corporate governance standards as independent variables and the financial performance of selected listed commercial banks in Rwanda as dependent variables.

The results of the regression research model revealed the corporate governance practices variables of ownership concentration, audit quality and board independence, and financial performance of chosen Rwanda-listed commercial banks from 2017 to 2021.

Based on the results of a linear regression model, the model's outcomes identified the impact of corporate governance standards on financial performance.

Table 4. 3: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.757	12.34		1.196	0.443
	Ownership concentration	-1.96	0.3	-0.404	-6.527	0.01
	Audit quality	6.97	0.988	0.873	7.056	0.00
	Board Independence	9.02	0.933	0.616	9.666	0.00

4.2.2.1 Hypothesis testing

Ho1: There is no significant relationship between ownership concentration and the financial performance of listed commercial banks in Rwanda.

The regression results presented in table 4.6 revealed the negative and significant relationship between ownership concentration and financial performance of selected listed commercial banks in Rwanda (β1= -1.96, P<0.05). The p-value of the ownership concentration coefficient is 0.01 which is less than 0.05. therefore, the null hypothesis was rejected, and concluded that there is a negative relationship between ownership concentration and financial performance. It means that ownership concentration has a significant negative on financial performance. The negative relationship is consistent with the findings of Ramaswamy (2001) and Orden and Garmendia (2005), who argued that government ownership is inefficient in improving firm performance and is subject to agency problems. Such problems result from the tendency of government bureaucrats/politicians to control the firm concerning their objectives instead of profit maximization. Therefore, it is more likely that government ownership might increase the agency problem and affect the firm performance negatively. This is because the main concern is usually social benefit rather than profit, and the priority for profit maximization is not a necessity for governments. For example, government ownership may consider avoiding unemployment to be more important than increasing the value of company assets; thus, if there was a choice between redundancies within a firm to improve efficiency, the government would be expected to block such measures. Monitoring and agency costs are likely to be greater in larger firms, resulting in a negative impact on performance. Also, because larger firms tend to be more diversified, lower risk premiums

could induce a negative impact on performance.

Ho2: The is no significant relationship between audit quality and the financial performance of listed commercial banks in Rwanda.

The regression results presented in table 4.6 reveal that the audit quality was positive and Significant (β2= 6.97, P<0.05). The p-value of the audit quality coefficient is 0.0000 which is less than 0.05. therefore, the null hypothesis was rejected, and concluded that there is a relationship between audit quality and financial performance. It means that audit quality has a significant impact on financial performance

The p-value of the board independence coefficient is 0.0000 which is less than 0.05 which shows that result is highly significant. It means that board independence has a significant positive effect on financial performance. This supports the oversight of the financial reporting process, the audit process, the company's system of internal controls, and compliance with laws and regulations and also Audit quality Improves financial practices and reporting, helps to prevent fraud, Develops the internal audit function, and enhance the external audit function those lead to firm performance. Slaheddine (2015) explores the relationship between audit quality and earnings quality. The study measured audit quality using the Big 4 and non-big 4 audit firms' criteria while earnings quality was measured by the predictability power of time series of earnings for firm financial statements audited by one of the Big 4 auditing firms and those audited by non-Big 4 auditing firms. Based on a sample of 4030 firms-year observations in the French and US markets during ten years (2004-2013) and multiple regressions were used as a technique for data analysis, findings show that earnings quality is better when financial statements are audited by one of the Big 4 auditing firms. Nevertheless, the earnings quality of US companies is more associated with audit quality than those of French companies. This study is situated in developed countries where economic activities are more mature than in developing countries and thus creates a vacuum for new research to be conducted.

Rahimi and Amini (2015) examine the relationship between audit quality and profitability in the companies in Tehran's Exchange Market. Auditor size and audit tenure were used to measure audit quality. The study surveyed a total number of 52 companies accepted in Tehran's securities exchange market. Using correlation analysis, findings show that there is a positive and weak relationship between auditor size and auditor's tenure, and profitability ratios. Also, there is a positive but non-significant relationship between profitability and auditor size, while a positive and significant relationship between audit tenure and Profitability was reported.

Ho3: There is no significant relationship between board independence and the financial performance of listed commercial banks.

The regression results presented in table 4.6 reveal that the Board independence was positive and Significant (β3= 9.02, P<0.05). The p-value of the board independence coefficient is 0.0000 which is less than 0.05. therefore, the null hypothesis was rejected and concluded that there is a relationship between board independence and financial performance. It means that board independence has a significant positive effect on financial performance. This supports that the majority of independent directors consider the best interests of shareholders first and it also is likely to foster independent decision-making and mitigate conflicts of interest that may arise those lead to an impact on the firm's financial performance.

The board's primary contribution is to develop the company's strategy. exercising proper oversight functions throughout company operations (Zinkin, 2010). Independent directors could provide independent perspectives and actively participate in board debates. They serve as shareholders' representatives on the company's board of directors. As autonomous individuals, they must ensure that their presence and performance are free of any influence from insiders or management. The corporation appoints independent directors to oversee the work of executive directors and top management. As a result, they would seek to maximize shareholder value while pursuing shareholder interests. According to Zinkin (2010), independent directors should consider various aspects that contribute to the proper creation of the firm strategy. They should ask questions about the businesses that the company ventures into, product market segmentation, and the valuable customers within the market segmentation (Fuzi, Rahim, and Tan, 2012). Independent directors with relevant industry backgrounds and wide expertise would be more willing to challenge Chief Executive Officers (CEOs) and the management team in board discussions.

Wang and Oliver (2009) mentioned that the company might comply with the required number of independent directors on the board, but several tactics were done to neutralize the powers of such

directors. The executive directors might appoint someone that has had experience in a passive board, irrelevant background, or is without knowledge to challenge the executive powers. Concerning the mixed results of the relationship between independent directors and a firm's performance, Wallison (2006) argued that having independent directors on the board was not for better performance but for better governance. They would represent shareholders in monitoring management and executive directors' efforts to improve the company's performance. As a result, the executive directors would be unable to commit any criminal act in their self-interest.

4.2.2.2 The summary of hypotheses

Table 4. 4: the summary of hypotheses

Hypothesis	Conclusion	P-value	R-Squared
Ho1: there is no relationship between ownership concentration and financial performance	Rejected	0.01	0.607
Ho2: there is no relationship between audit quality and financial performance	Rejected	0.00000	
Ho3: there is no relationship between board independence and financial performance	Rejected	0.00000	

5.2 Conclusion

This study has been able to achieve its main objective. More specifically, the study has comprehensively investigated the corporate governance practices of listed commercial banks in Rwanda. It has also identified potential obstacles to and enablers of effective corporate governance implementation. Essentially, this study has used Descriptive and inferential statistics to examine the relationship between corporate governance practices and the financial performance of four listed commercial banks in Rwanda as depicted in Chapter 4. The findings of this study are in agreement with the literature identified by different countries' researchers. The results of the regression analysis also indicate the effect of corporate governance on firm performance. This study supports the argument that there is a mixed result regarding the relationship between corporate governance and firm financial performance in Rwanda-listed commercial companies. Consequently, this study will add to the literature on corporate governance practices from the perspective of an emerging economy, and it will also contribute to the development of corporate governance in Rwanda. It is hoped that future researchers will be able to further explore the issues highlighted by this study, implement the developing model of corporate governance and extend the avenues that this study has opened up. The above discussion on the limitations of this study and the possibilities for future research conclude this thesis.

V. CONCLUSION AND RECOMMENDATIONS

5.1. Recommendation

To make strong corporate governance, the study revealed that listed commercial banks' boards of directors as they are key to implementing corporate governance practices need to improve their practices to achieve better banking services leading to profit maximization and wealth maximization. Below are detailed drawn recommendations from the finding of this research:

Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competencies. To improve board mechanisms and member performance, a rising number of jurisdictions should engage in board training and voluntary board review that fit the demands of their clients. External facilitators can help promote impartiality in board evaluations, especially in large organizations. Unless specific qualifications are necessary, such as for financial organizations, board members may be required to acquire appropriate skills upon appointment. Following that, board members can keep up to date on new laws, regulations, and changing commercial and other risks through in-house training and external courses. Boards should assess if they have the correct balance of background and competencies to avoid groupthink and bring a variety of thinking to board discussions.

Boards should consider appointing an appropriate number of non-executive board members capable of exercising independent judgment to responsibilities where a conflict of interest may exist. Key tasks include overseeing the integrity of financial and non-financial reporting, reviewing related party transactions, nominating board members and key executives, and determining board remuneration. While the board as a whole is often responsible for financial reporting, salary, and nomination, independent non-executive board members can provide extra confidence to market participants that their interests are protected. The board should consider establishing specific committees to consider questions where there is a potential for conflict of interest. These committees should require a minimum number or be composed entirely of non-executive members. In some countries, shareholders have direct responsibility for

nominating and electing non-executive directors to specialized functions

Boards could consider forming specialized committees to assist the complete board in carrying out its tasks, particularly audits, and, depending on the size and risk profile of the company, risk management, and remuneration. When the board establishes committees, their mandate, makeup, and working methods should be clearly defined and published by the board. Boards could consider forming specialized committees to assist the complete board in carrying out its tasks, particularly audits, and, depending on the size and risk profile of the company, risk management, and remuneration. When the board establishes committees, their mandate, makeup, and working methods should be clearly defined and published by the board.

Board members should be able to commit themselves fully to their responsibilities. Serving on too many boards can impair board members' performance. Companies have put a limit on the number of board seats that can be held. Specific limitations may be less important than ensuring that board members have legitimacy and trust in the eyes of shareholders. The disclosure of previous board memberships by shareholders is thus a significant instrument for improving board nominations. The publication of attendance records for individual board members (e.g., if they have missed a significant number of meetings), as well as any additional work done on behalf of the board and the associated remuneration, would further contribute to credibility.

The government must consider both the firms' and its interests to reduce the unfavorable association between the financial performance of the enterprises with which it has shared.

5.3 Areas for Further Studies

There are various potential future areas for additional research and development. To begin, to strengthen the Rwandan banking sector, the Central Bank of Rwanda (BNR) released the regulation on corporate governance for banks, which was published in the official gazette n° 6bis on February 5, 2018. This rule provides corporate governance obligations, specifying roles in the banks' management and operational structures, and reinforcing essential components of risk governance. As a result, it is worthwhile to investigate the impact of corporate governance on financial enterprises. The sample of the study ought to be increased and the results from such an investigation would enhance understanding by providing another perspective on the effect on financial firms. Secondly, further research is needed to investigate the effect of the role of the board of directors on firm performance, particularly to investigate the effect of the level of education, gender, experience, and age of board members on firm performance. This will provide a better understanding of the determinants of board effectiveness for the Rwanda-listed commercial banks. Filling these gaps will lead to a better understanding of board procedures and their impact on business success. Third, it would be interesting to analyze the impact of several board committees other than audit committees on the financial performance of listed commercial banks in Rwanda, such as the Risk Committee, Credit Committee, pay and nominating committees, and IT Committee. Further research into their effects could delve deeper into the impact of each committee on the performance of Rwanda's listed commercial banks.

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