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Corporate Governance and Performance of Financial Institutions in Uganda

Eliab Byamukama Mpora¹

Emily Atukunda²

John Bosco Turyasingura³

Mugalula George⁴

David Ngatia⁵

Frank Hagumimana⁶

¹byamukamampora@kab.ac.ug

²eatukunda@kab.ac.ug

³jboturyasingura@kab.ac.ug

⁴hozigeorge.odpp@gmail.com

⁵dngatia@kabianga.ac.ke

⁶frank.hagumimana@ulk.ac.rw

^{1, 2, 3}Kabale University, Uganda

⁴Institute of Petroleum Studies

⁵University of Kabianga, Kenya

⁶Kigali Independent University, Rwanda

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ABSTRACT

This paper investigates the impact of Corporate Governance (CG) measures on financial institutions' performance. The study aimed to examine corporate governance's influence on financial institutions' performance in Uganda and determine the relationship between corporate governance and the performance of financial institutions. It also sought to provide a unified framework for understanding how these performance concepts relate to each other. The study was based on Stakeholder Theory. The research design used in this study was cross-sectional. The population of the study comprised 1,229 registered financial institutions in Uganda. Using Yamane's (1967) formula for sample size determination, a total of 400 respondents were selected. A stratified random sampling technique was employed to ensure proportional representation across different tiers of financial institutions, including commercial banks, credit institutions, Microfinance Deposit-Taking Institutions (MDIs), and Microfinance Institutions (MFIs) registered as Non-Governmental Organizations (NGOs), companies, and Savings and Credit Cooperatives (SACCOs). The findings confirmed that CG and the performance of financial institutions have a mutually supportive relationship. The Pearson correlation coefficient indicates a significant positive correlation between corporate governance and firm performance ($r = .649$; $p < 0.01$), meaning that increased corporate governance in Ugandan financial institutions is associated with positive firm performance. Based on these dimensions, the study proposes a re-conceptualization of the linkage between CG and financial institutions' performance. The study concludes that the robust performance of financial institutions is associated with well-built corporate governance structures. The study recommends that, in the current financial age, financial institutions in Uganda should prioritize key strategies aimed at enhancing growth by training staff and creating a reliable and trusted environment to attract foreign investment.

Keywords: Corporate Governance, Financial Institutions, Financial Performance, Uganda

I. INTRODUCTION

Management scientists are seeing a multiplication in research on business performance (Parinduri, 2019). Firm performance currently implies organizational effectiveness and efficiency and is a catchphrase for profitability, insolvency, and other issues (Lasisi, 2017). Recognizing that profit realization is one of the main motivators for businesses, numerous research studies have been conducted to determine how these companies may stay afloat even in the face of seemingly unstable business conditions (Williams, 2017). There are several advantages to well-managed businesses, including reduced employee turnover and increased corporate social responsibility.

Studies on the relationship between corporate governance and firm performance are scarce, even though firm performance is one of the most important challenges in the service sector. Most studies have been conducted in the production and manufacturing sectors (Danoshana & Ravivathani, 2019). Studies done in the manufacturing sector



may not be generalizable to the service sector due to differences in working groups, technology, work procedures, client roles, employee interdependence, and demography (Iqbal et al., 2019). Since most investments in this sector largely depend on their companies' performance and the contributions they make to their states' economies, this sector needs additional attention. The majority of earlier research on the factors that influence a company's performance has concentrated on a few key areas, including management discretion, Chief Executive officer Turnover intentions, and stakeholders' perceptions of the internal control system (Al-Ahdal et al., 2020). Apart from treating it as an independent variable, no research has examined the corporate governance and performance of financial institutions in Uganda.

Some financial institutions in Uganda have performed poorly in recent years, as demonstrated by the fact that many of them are having liquidity issues, others have stopped operating, and some have closed. To name a few, the cases in question are Sembule Commercial Bank Limited, Greenland Bank Limited, Nile Bank Limited, Co-operative Bank Limited, and Trust Bank Limited (Kyere & Ausloos, 2021). Costs associated with financial institution losses exceeded 10% of Growth Domestic Product in the nations where they happened. Therefore, if a study of financial institutions' performance in Uganda is not conducted, given the contributions that financial institutions make to state economies and the paucity of research, it may be impossible for the business and academic communities to accurately and scientifically ascertain why these organizations continue to perform poorly. The poor performance of financial firms would unavoidably worsen if a probe is not carried out. This study, which looks at the connection between corporate governance and financial organizations' performance, was created as a result of these expectations.

1.1 Statement of the Problem

The performance of some of the financial institutions in Uganda in recent times has been evidenced by poor performance: many financial institutions are facing liquidity challenges; others have ceased to operate; and some have closed. Cases in question are: Co-operative Bank Limited, Trust Bank Limited, Nile Bank Limited; Greenland Bank Limited; and Sembule Commercial Bank Limited to mention but a few (Alex & Moses, 2024). In the nations where they happened, the costs of financial institution losses exceeded ten percent of Gross Domestic Product (GDP). Practice is meant to be more sparingly informed by theories. To the extent that financial institution managers may have decided to overlook them, the existing theories such as the Stakeholders' Theory, the Systems' Theory, and the Resource View that attempt to explain why financial institutions are still being attacked by forces that shorten their lifespan have inherent, permanent limitations. The Resource Based View follows, which prioritizes resources like financial capital over human capital. Thus, this necessitated the need to carry this study since if a study of financial institutions' performance is not conducted in Uganda, the academic community and the business community may not be able to determine with scientific rigor why these companies continue to perform poorly, given the contributions that financial institutions make to the economies of the states and the dearth of literature. If an investigation is not conducted, financial firms' poor performance will inevitably worsen. The poor performance of financial firms is bound to rise if an investigation is not done. This study came as a response to these demands where an investigation of corporate governance with the financial institution's performance is carried out.

1.2 Research Objectives

- i. To investigate corporate governance's influence on financial institutions' performance in Uganda.
- ii. To determine the relationship between corporate governance and the performance of financial institutions in Uganda.
- iii. To provide a Unified framework for understanding how the above-mentioned performance concepts relate to each other.

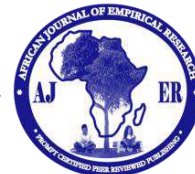
1.3 Research Hypotheses

H₀₁: There is a positive and significant relationship between corporate governance and the performance of financial institutions in Uganda.

II. LITERATURE REVIEW

2.1 Theoretical Review

Stakeholders refer to a group of members who have a legitimate claim on the business (Lubis, 2022). Donaldson and Preston (1995) argue that a theory is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional firm objectives of e.g. innovative performance, production performance, and market performance.



Stakeholder theory is based on the notion that stakeholders are of great importance to business performance and this calls for explicit consideration in business strategy formulation. The current understanding of stakeholder theory derives from the definition of a stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Freeman, 1984). The success of the businesses may largely depend on the management’s capacity to maintain strong internal controls. It is upon this that Brian (2024) argues that managers make the vast majority of important decisions on behalf of the business, even though shareholders may be able to wrest control from them under extreme circumstances by gaining control of the board of directors.

According to Bridoux et al. (2022), instrumental stakeholder theory establishes theoretical connections between certain practices and certain end states. There is no assumption that the practices will be followed or that the end states are desirable. Turyatamba (2022) attests that for business performance to be achieved there is a need for key stakeholders, including the board, to watch over the activities of the business to ensure firm performance. This is in agreement with the study findings by Byamukama et al. (2021). So, in the context of this study, and in an attempt to explain firm performance, internal controls are used as instruments for achieving better firm performance.

Ddamulira (2023) argues that the demands made on directors have grown significantly and the environment they are operating in. Rogers instrumentally discusses stakeholder issues, issues that they have to deal with, have widened to a great extent. This is attributed to the use of a three-dimensional model. The three stakeholder dimensions used by Ddamulira (2023) are stakeholder power, strategic posture, and economic performance. Danoshana and Ravivathani (2019) test Ullmann’s dimensions. Stakeholder power is defined as the control stakeholders exert over resources critical to an organization. Lubis (2022) states that stakeholder power means a firm will be responsive to the intensity of stakeholder demands. It is considered the most important attribute of stakeholder-corporation relationships (Vander Laan Smith et al., 2005). In contrast, stakeholder theory describes the various interested parties within an organization.

In practice, theories should inform decision-making more sparingly. Financial institution managers may sometimes choose to overlook existing theories, such as Stakeholder Theory, Systems Theory, and the Resource-Based View, which attempt to explain why financial institutions remain vulnerable to external forces that threaten their longevity and create inherent challenges. For instance, Stakeholder Theory places significant emphasis on the role of stakeholders, such as owners, while often neglecting non-human resources, including the internal control system’s processes and procedures.

The next perspective is the Resource Based View, which gives financial capital and human capital a higher priority. Previous studies on corporate governance in the finance industry have shown that bad governance has a detrimental effect on financial organizations’ valuation, performance, and opportunistic manipulation of results. According to Ciftci et al., (2019), companies with lower levels of corporate governance may not implement the proper incentives and controls to increase shareholder value. Additionally, Harun and Hussainey (2020) posit that improvements in particular governance aspects introduced by SOX in 2002 are associated with reduced risk metrics and higher financial business valuations.

2.2 Empirical Review

Rwakihembo et al. (2020) examined the relationship between board composition and financial performance of private limited companies in Uganda. A positivist approach and a cross-sectional research design were employed to collect data from 394 companies in Central and Western Uganda. Pearson correlation and standard linear regression were employed for data analysis. The Findings indicated a positive relationship between non-executive directors on the Board and the financial performance of private companies. The study recommended the management’s careful consideration of long survival prospects as well as the formulation of appropriate policies and survival strategies that oversee long existence to guarantee benefits and optimal performance coupled with profitability that emanate from a well-composed board. The study was limited to only board composition, leaving out other board characteristics that influence financial performance. Besides, it was only positivistic hence subject to methods bias that could have affected the validity of results. The study looked at private companies whereas the current study focused on both public and private financial institutions in Uganda.

Turyahebwa et al. (2022) explored the rapport between internal controls, corporate governance and financial performance of Microfinance Institutions (MFIs) in Uganda with reference to Central Uganda. The study adopted a descriptive, cross-sectional and correlational design and covered 76 MFIs in Uganda with 332 respondents. The findings suggest a significant positive relationship between internal controls, corporate governance, and the financial performance of MFIs. Internal Controls and financial performance of MFIs ($r = 0.651$, $P\text{-value} = 0.000$), corporate governance and financial performance of MFIs ($r = 0.562$, $P\text{-value} = 0.000$). From the results, the study concluded that internal controls, corporate governance, predict over 70.2% of the change in financial performance of Micro Finance Institutions in Uganda. The study attempted to negate or confirm whether the theoretical underpinnings were

empirically supported in Microfinance Institutions in Uganda. The study further established that internal control and corporate governance magnitudes operate in a synergic way to affect financial performance in Microfinance Institutions in Uganda. The study looked at internal controls systems as an independent variable whereas the current study has looked at corporate governance as an independent variable on performance of financial institution which has a very different social and economic backdrop.

Abhilash et al. (2023) carried out a study that aimed to provide a state-of-the-art summary of corporate governance in India. To do so, the study employed a bibliometric analysis with a systematic literature review approach with extensive use of Bibliometric R Packages and VOS Viewer software. To this end, the study reviews a total of 344 articles published in the Scopus database between 2004 and 2022. The findings showed an increasing trend in publications since 2004 till date with an annual growth rate of 23.99%. The network analysis results delineate earnings management, gender diversity, ownership structure, board structure, board size, corporate governance, ownership, and firm performance as major research themes in this field. Thus, the review contributed to the existing literature on CG at the country level and provided scope for further research. This study was carried out in India whereas the current study is carried out in Uganda which has different corporate governance principles.

III. METHODOLOGY

3.1 Research Design

The research design used in this study was cross-sectional. Both qualitative and quantitative approaches to data collecting and analysis can be used with this design. In order to provide a statistical viewpoint and demonstrate the connection between corporate governance and performance of financial institutions in Uganda the quantitative and qualitative approaches made it possible to quantify the results (Fadison *et al.*, 2024).

Table 1

Sample Size Determination as Presented in Tiers

Tier	Financial Institutions	Freq.	Proportion	Sample Size
1.	Commercial banks	23	.0187	8
2.	Credit Institutions	3	.002441	1
3.	MDIs	3	.002441	1
4.	MFIs registered as NGOs, Companies & SACCOs	1200	.9764	390
Total		1229		400

3.3 Target Population

The target population refers to a specific observation of interest within a large set, such as a cluster or events, as demonstrated by Burns and Burns (2018). The targeted population was all registered financial institutions in Uganda. As of July 2024, Uganda had 1229 operation financial and deposits taking institutions, and the participants consisted of managers who were majorly involved in financial matters. Using Yamane's (1967 formula of sample determination a sample of 400 was determined and used in this study.

3.4 Sample Size and Sampling Technique

The study adopted a stratified random sampling technique to ensure representative participation from various financial institutions. The sample was categorized into four tiers: commercial banks, credit institutions, MDIs and MFIs registered as NGOs, companies, and SACCOs. A total of 1,229 financial institutions formed the population, from which a sample size of 400 was obtained based on proportional allocation. The sample distribution across tiers was guided by the relative proportion of each category within the total population.

Table 2

Sample Size Determination as Presented in Tiers

Tier	Financial Institutions	Freq.	Proportion	Sample Size
1.	Commercial banks	23	.0187	8
2.	Credit Institutions	3	.002441	1
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4.	MFIs registered as NGOs, Companies & SACCOs	1200	.9764	390
Total		1229		400



3.4 Data Collection Instrument

The current study adopted questionnaire items that were previously used elsewhere. All the variables were scored on a 6-point Likert scale. The Corporate Governance variable it consists of Board Effectiveness and Competence, Knowledge and Experience, Commitment and Recognition of Complexities, Involvement in Strategic Decision-Making Processes, and Monitoring and Control as constructs.

3.4.1 Reliability and Validity

Before the actual distribution of the questionnaire to the participants, it underwent a pretest to ensure its competence as a tool. Pretesting of the questionnaire was conducted in one of the financial institution Branches located in Ndeba, Kampala represents 10% of the target population. Cooper and Schindler (2017) assert that a 10% sample of the target population is sufficient for conducting pilot testing. All 10 branches that were used for piloting were eliminated from the study. The goal of this was to attain reliability equivalents, which are employed in quantitative research. Credibility, adaptability (transferability), audibility (dependability), and conformability are all factors that contribute to the rigor or reliability of qualitative research.

3.5 Data Analysis and Presentation

All the data were coded for analysis using the Statistical Package for Social Sciences (SPSS), version 20.0. All the negative items in the questionnaires were reverse-coded. The *p-value* was set at .05 for the entire statistical tests used. The frequencies of all items were examined to detect any missing data or errors in data entry. In this study, the data analyses included preliminary analyses, namely checking for missing values, potential outliers, and also for the assumptions for parametric tests (linearity, reliability of measurement, homoscedasticity, and normality).

V. FINDINGS & DISCUSSION

4.1 Corporate Governance's Influence on Financial Institutions' Performance

This section analyses, interprets, presents, and discusses findings on the fourth objective: to examine corporate Governance's influence on financial institution. The respondents were given several 5-point Likert Scale questions to respond to: 1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree and 5- Strongly Agree.

Table 3

Showing Corporate Governance's Influence on Financial Institutions' Performance

Item	Mean	Std. Dev.
Information access		
At the bank, all public information is published	3.95	.999
There is no falsification of information at the bank	3.49	.798
All relevant documents/reports/statements of the bank are available for access	2.98	.737
The information provided to the public is complete	2.98	.812
Dissemination of bank information is done in a timely manner	2.54	.925
The bank provides regular progress reports about its performance to statutory bodies	3.34	.938
Independent verification		
At the bank, management ensures that certification of agency records is carried out	3.56	.941
The bank financial statements are authenticated by statutory bodies	4.07	.827
All bank reports submitted to statutory bodies are verified	3.90	.700
The bank regularly under goes an audit process to verify its performance	3.62	.812
An assessment of the bank's financial statements is carried out on a terminal basis	3.71	.783
During the verification process, the issues raised are addressed amicably	3.46	.901
Proof of bank expenditures and revenue is ascertained by statutory bodies	3.34	.938
Disclosure		
The bank responds to audit queries raised by statutory bodies	3.69	.702
The bank facilitates the understandability and interpretation of the published information	3.56	.805
The information that is disclosed by the bank is a reflection of its performance	3.08	.829
Due to the bank's level of openness, it is trusted by the public	3.30	.744
The audited accounts of the bank are available for public access	3.71	.809
The information provided by the bank is error free	3.39	.702

The results on information access as a component of transparency in table above showed that there was agreement that the bank published all public information ($mean=3.95$) whereas, the respondents disagreed that all relevant documents/reports/statements of the bank were available for access ($mean=2.98$), the information provided to the public was complete ($mean=2.98$) and dissemination of institutions information was done promptly ($mean=2.54$). This was evidence that there was some level of information access by the public on the institutions much more needed to be done to enhance the accessibility of the required information about the bank by the public. Regarding independent verification to enhance transparency, the majority of the respondents again agreed that the bank's financial statements were authenticated by statutory bodies ($mean=4.07$), all bank reports submitted to statutory bodies were verified ($mean=3.90$), an assessment of the bank's financial statements was carried out on a terminal basis ($mean=3.71$), the bank regularly underwent audit processes to verify its performance ($mean=3.62$) and management ensured that certification of bank records was carried ($mean=3.56$). The results point to the fact that the bank carried out independent verification of its financial records by statutory organs so as to promote transparency. The results on disclosure as a component of transparency showed that the audited accounts of the bank were available for public access ($mean=3.71$), the bank responded to audit queries raised by statutory bodies ($mean=3.69$) and the bank facilitated understandability and interpretation of the published information ($mean=3.56$). From the results, the standard deviation result of less than 1 is proof that transparency determined bank performance. Likewise, the standard deviation results provided evidence that the results obtained information access, independent verification and disclosure could be applied to institutions and therefore could be generalized for other financial institutions in Uganda.

4.2 The Performance of Financial Institutions in Uganda

This section analyses, interprets, presents and discusses findings on the fourth objective: to examine the Performance of Financial Institutions in Uganda. The respondents were given several 5 point Likert Scale questions to respond to 1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree and 5- Strongly Agree.

Table 4

Showing Corporate Governance's Influence on Financial Institutions' Performance

Participation	Mean	SD
Management provides adequate information when making accountability	3.39	.692
Management adheres to accountability procedures set by law	3.56	.705
There is stakeholder participation during accountability	3.78	.729
The degree of participation during the accountability process leads to compliance	3.90	.844
The accountability process is used as a means of assessing resource allocation	3.71	.709
The management of the bank is committed to the accountability process	3.95	.671
Evaluation		
At the bank, there is resource monitoring	3.63	.719
Significant departures from accountability set targets are reported	3.46	.951
At the bank a lot of emphasis is put on timely provision of Accountability	4.37	.813
The availability of monitoring frameworks enhances accountability	3.78	.788
Management provides for tracking variances and backlash	3.06	.638
There is a clear methodology of tracking accountability	4.05	.817
There is identification of the risky areas likely to affect the accountability process	3.80	.789
There are well set internal controls to check the accountability process	3.59	.795
Independent financial reviews are carried out at the bank	3.09	.895
Fiscal compliance		
The bank adheres to set financial sector policies, rules and regulations	3.62	.932
The bank adheres to accountability procedures governing the banking Sector	3.65	.882
The right priorities are usually set during the budgeting process at the Bank	3.32	.714
There are effective internal controls used to monitor the operations of the bank	3.25	.795
Staff are aware of the policies, laws, and regulations	3.61	.881

Basing on the study results in Table 4 about participation as a component of accountability, the majority of the respondents revealed that management was committed to the accountability process ($mean=3.95$), the degree of participation during the accountability process led to compliance ($mean=3.90$), there was stakeholder participation during accountability ($mean=3.78$), the accountability process was used as a means of assessing resource allocation

(mean=3.71) and management adhered to accountability procedures set by law (mean=3.56) which was indication that the work processes were determined by their line managers or according to set guidelines and policies. Regarding evaluation as a component of corporate governance, the respondents showed that a lot of emphasis was put on timely provision of accountability (mean=4.37), there was a clear methodology of tracking accountability (mean=4.05), there was identification of the risky areas likely to affect the accountability process (mean=3.80), the availability of monitoring frameworks enhanced accountability (mean=3.78), there was resource monitoring (mean=3.63) and there were well set internal controls to check the accountability process (mean=3.59).

4.2.1 Correlation Analysis

Table 5 shows that Pearson's Correlation Coefficient for corporate governance and performance of financial institutions was $r = 0.633$, which was positive with probability value ($p = 0.000$) that is less than $\alpha = 0.01$ level of significance, showing a positive relationship between corporate governance and performance of financial institutions at the one per cent level of significance. This implied that for the bank to enhance its corporate governance, it had to be more transparent to have a positive influence on the performance of financial institutions at the bank. This position was also shared by top executives such as the executive committee members, top managers and heads of department who revealed that transparency at financial institutions was paramount in promoting profitability, cost reduction, growth and liquidity.

Table 5

Showing the Relationship between Corporate Governance and the Performance of Financial Institutions in Uganda

Variables		Corporate Governance	Performance
Corporate Governance	Pearson Correlation	1	.633**
	Sig. (2-tailed)		.000
Performance	Pearson Correlation	.633**	1
	Sig. (2-tailed)	.000	

The correlation results between corporate governance and performance of financial institutions are supported by the multiple regression results in Table 5, Beta=.390 which revealed that corporate governance determined a change in corporate governance and. The results provide confirmation that availability of corporate governance with regard to information access, independent verification and disclosure will enhance the effectiveness, efficiency and service delivery of financial institutions to the tune of 63.6%.

Table 6

Multiple Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.863	.437		1.976	.052
	Boar Composition	.165	.148	.130	1.112	.269
	Accountability	.239	.115	.246	2.085	.040
	Transparency	.372	.115	.390	3.221	.002

Dependent Variable: Performance of Financial Institutions R Square = .458 Adjusted R Square = .437

Results in the table found out accountability, transparency and board composition predict 43.7% of organizational performance (Adjusted R Square = .437). The regression model was significant and thus reliable for making conclusions and recommendations. The most significant predictor of organizational performance was transparency (Beta= 0.390, $t = 3.221$, Sig. = .002) followed by accountability (Beta= .246, $t = 2.085$, Sig. = .040) and then board composition (Beta= 0.130, $t = 1.112$, Sig. = 0.269). The findings revealed that accountability and transparency were strong predictors of organizational performance, whereas board composition did not register a significant effect on organizational performance.

4.3 Discussion

A significant and positive relationship was established between corporate governance and the performance of financial institutions in Uganda. This finding implies that the robust performance of financial institutions is associated with well-built corporate governance structures. This is true because the board structure, for instance, can influence the kind of vision a firm should pursue. This finding connects well with the conclusions of Bawaneh (2020) that policy and decision-making that corporate boards make, have a significant positive relationship with the financial performance of institutions. In addition to this, this finding is also supported by that of Turyasingura (2023) who



demonstrated that the corporate boards affect the performance of firms: independent directors, in this case the corporate board members, have a capacity of triggering a positive and significant effect on firm performance. This links well with the Resource Based View theory that emphasizes that the kinds of resources organizations possess have a significant effect on their performance.

The findings were further supported by the multiple regression results, which revealed that financial transparency determined a change in organizational performance. In support of the findings of the study, carried out by Irumba (2024) asserts that transparency may not lead to immediate success, but lack of transparency can lead to the quick failure of an organization. While increasing transparency means that organizational mechanisms operate closer and closer to true efficiency, shareholders and stakeholders have more power, and the privacy right of corporations slips slowly away. Institutional transparency is essentially about trust. Assuming the information that is transparently provided by an organization is accurate, true and non-selective, it is likely that the public will trust a transparent organization over a non-transparent one. According to (Banto & Monsia, 2021) transparent and consistent reporting will promote sound decision-making, which can improve financial institutions and attract additional capital. This was supported by the multiple regression results, which revealed that accountability predicated a change in the performance of financial institutions. In agreement with the findings, Ivan (2023) revealed that accounting exploits the role of accounting information as a source of credible information variables that support the existence of enforceable contracts, such as compensation contracts with payoffs to managers contingent on realized measures of performance, the monitoring of managers by board of directors and outside investors and regulators, and the exercise of investor rights granted by existing securities laws. Arising from the above, it can, therefore, be concluded that corporate governance is one of the independent predictors of financial firm performance in Uganda. It is recommended that corporate governance measures should be put in place and be made to function properly if the financial institutions are to continue operating in Uganda.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study aimed to investigate the effect of corporate governance on the performance of financial institutions. The findings imply that the robust performance of financial institutions is associated with well-built corporate governance structures. This is true because the board structure, for instance, can influence the kind of vision a firm should pursue. Transparency was found to be the major predictor of financial institutions' performance.

Empirical evidence confirmed that corporate governance and the performance of financial institutions have a mutually supporting relationship. Based on such dimensions, the study highlights the strong linkage between corporate governance and financial institutions. In addition, empirical evidence from this study shows that corporate governance plays an important role in promoting the performance of financial institutions at various levels. There is a positive and significant relationship between corporate governance and the performance of financial institutions in Uganda. In this light, it can be concluded that corporate governance is a key determinant of financial performance.

5.2 Recommendations

Financial institutions should enhance the pillars of good governance by implementing robust corporate governance mechanisms, including board effectiveness, professionalism, experience, commitment, and active involvement in decision-making.

Transparency emerged as a key predictor of bank performance. Therefore, bank management should prioritize information access, independent verification, and disclosure to strengthen performance.

Accountability was also identified as a significant factor influencing bank performance. To enhance decision-making and overall performance, management must ensure that financial reports are accurate, relevant, and reliable.

Additionally, board composition plays a crucial role in bank performance. Thus, management should appoint board and committee members with the necessary competencies, promote gender balance, and uphold independence in decision-making.

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