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ISTANBUL COMMERCE UNIVERSITY

GRADUATE SCHOOL OF FINANCE

INTERNATIONAL FINANCE PROGRAM

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY IN BANKING-CASE STUDY MOGADISHU-SOMALIA

MA Thesis

Abdulkadir Khalif ABDULLE

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T.C. İSTANBUL TİCARET ÜNİVERSİTESİ

T.C.

İSTANBUL TİCARET ÜNİVERSİTESİ

.......Finans....... ENSTİTÜSÜ

YÜKSEK LİSANS TEZİ ONAY FORMU

..........Uluslararası.......Finans.......İngilizce..

Yüksek Lisans programı öğrencisi...Abdulkadir....Khalif....ABDULLE...........'......
..Corporate...governance....and..social...Responsibility...in...Banking..................
..Case.Study:..Mogadishu-.Somalia.....................................başlıklı tez çalışması, Enstitümüz Yönetim Kurulu 20.02.2020 tarih ve .....100-2.........sayılı kararıyla oluşturulan jüri tarafından oybirliği/oyçokluğu ile Yüksek Lisans Tezi olarak kabul edilmiştir.

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ENS.FR.Y15 06.11.2017

ÖZET

Bu Çalışma, kurumsal yönetim ve sosyal sorumluluğun Mogadişu'daki (Somali) bankalarda kâr, satış büyümesi ve öz kaynak getirisi ve aktiflerin getirisine dayalı finansal performans üzerindeki etkisini araştırmak için yapılmıştır. Çalışmaya Mogadişu Somali bankalarından 168 katılımcı dâhil edilmiştir. Veriler tamamen bireysel anket yapılarak toplanmıştır. Çalışma bulguları, kurumsal yönetimin Mogadişu Somali'deki bankaların finansal performansı üzerinde anlamlı bir etkisi olmadığını, kurumsal yönetimin, bankaların finansal performansı üzerinde önemli bir etkisi olduğunu ortaya çıkarmıştır.

Çalışmada, Mogadişu Somali'deki ticari bankalarda kurumsal yönetimin yaygın olduğu sonucuna varılmıştır. Çalışma, etkili bir kurumsal yönetimin gelişmiş karlar, satışlar ve öz kaynak ve varlıklara getiriler sağladığı sonucuna varmıştır. Çalışma ayrıca kurumsal yönetimin iyileştirilmesinin ticari bankalar için tüm finansal performansı artırabileceği sonucuna varmıştır. Sonuç olarak bu gelişme kurumsal yönetim organizasyon için esastır. İkincisi, çalışma, kurumsal sosyal sorumluluğun Mogadişu Somali'deki bankaların finansal performansına düşük bir katkısı olduğu sonucuna varılmıştır, ancak kaydedilen katkılar önemli satış artışında görülebilse de, kâr ve yatırım getirisi üzerindeki etkisi düşük olmuştur.

Çalışmada, bankalar için güçlü bir odaklanmış kurumsal yönetim kararı geliştirmek için üst düzey karar alma sürecini operasyonel seviyeye dâhil ederek etkili bir şekilde kurumsal yönetim karar verme sürecinin geliştirilmesi ve iyileştirilmesini önermektedir. Çalışma ayrıca, finansal performans mükemmelliği için bir organizasyon kaynak tabanı geliştirmenin bir yolu olarak kurumlara kurumsal karar vermenin benimsenmesini ve iyileştirilmesini önermektedir. Kurumsal sosyal sorumluluk durumu, çalışanların durumunu iyileştirmek için daha ileri bir yönetim alanı sağlama ihtiyacı ile geliştirilebilir. Çalışanların yeterince desteklenmesi, müşterilerin gelişimi ve çekilmesi için temel olan iyi bir yol sağlar. Kurumsal sosyal sorumluluk politikalarının, çalışanların gelişimine yönelik politika desteğini sağlayarak iyileştirilmesine ihtiyaç vardır.

ABSTRACT

The study was set to investigate effect of corporate governance and social responsibility on financial performance based on profits, sales growth and return on equity and return on assets in banks in Mogadishu Somalia. The study involved data collected from 168 respondents from the banks of Mogadishu Somalia. The data was collected entirely using the closed ended questionnaires. The study findings reveal that corporate governance had a significant effect on financial performance of the banks while corporate social responsibility had a non-significant effect on financial performance of the banks in Mogadishu Somalia.

The study concludes that corporate governance in the commercial banks in Mogadishu Somalia is prevalent. The study conclude that an effective corporate governance generates improved profits, sales and returns to equity and assets. The study further concludes that improving corporate governance can enhance the entire financial performance for the commercial banks. The conclusion hence is that development of cooperate governance is fundamental for the organisation. Secondly the study conclude that corporate social responsibility has a low contribution to financial performance of the banks in Mogadishu Somalia, though the contributions registered is visible in the significant sales increase, the effect on profits and returns to investments was low.

The study recommends for the development and improvement of corporate governance decision making through effective having an incorporation of the top-level decision making to the operational level to develop a strong focal corporate governance decision for the banks. The study furthermore recommends for the adoption and improvement of corporate decision making to the organisations as means to developing an organisation resource base for financial performance excellence. The state of corporate social responsibility can be developed through the need to provide a further venue of management in order to improve the state of the employees. Enough supporting of the employees provides a good avenue that is fundamental for the development and attracting the customers. There is need to improve the state of corporate social responsibility policies by assuring them of the support for the policy for development of employees.

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LIST OF ABBREVIATIONS

CEO= Chief Executive Officer

CG = Corporate Governance

CSR = Corporate social Responsibility

FP = Financial Performance

GAAP= Generally Accepted Accounting Principles

LLC= Limited Liability Company

NGOs= Non-Governmental Organisation

OECD = Organisation for Economic Co-operation and Development.

UK= United Kingdom

CHAPTER ONE
INTRODUCTION

1.1 Background

Financial institutions are considered relevant in the development of the country. Banks are the main parties in the financial system whose poor management influences growth of the country; therefore, their effective and efficient performance can directly or indirectly affect lives of many. As an example, ramifications of 2008 financial crisis included reduced private or government investments in different fields, as well as increased unemployment, which in long rung may decrease level of labour force supply (Appelbaum, 2012).

High risk taking is considered a dominant reason causing meltdown of financial markets (Peni & Vähämaa, 2011). This can be under control through corporate governance strategies that are intended to provide an agent concern on the misbehaviours for the managers that can't reduce the welfare for the people in the organisations (Gup, 2007). The value for the governance in corporate environment is hence increasing the case for urgency challenges that can restrict the transactions cost that can generate effective contact solutions for the organisations. Since both conditions are present, it's not surprising that researchers connect results of crisis to shortcomings in existing corporate governance practices and regulation (Ellul and Yerramilli, 2013).

New Basel III standards, issued in response to 2008 financial distress may enhance corporate governance by limiting risky decision-making and providing increased transparency for investors (Howard, 2014). The Organization for Economic Cooperation's Development (OECD) and the Basel Committee oversights that provide for the public revision of suggested principles and emphasize the importance of corporate governance for financial stability (OECD, 2010) based on a thorough analysis of corporate governance processes failures during crises.

Besides the act of good governance that is provided in the organisation values aimed at creating strength for the organisations that resist the non-favourable climate for the external environment (Greuning & Brajovic-Bratanovic, 2009), the review of the literature is connected to the best financial improvements that can generate financial soundness for the case of the organisation stakes developments (e.g. Peni and Vähämaa, 2012;).

Evidence of the emphasis on corporate governance is reinforced by the partnership between the CSR principles and corporate governance (Louche & Van den Berghe, 2005). The long discussion provided to the managers of the organisation indicate that CSR is a clear and related concept to corporate social performances for the responsiveness of the organisations under corporate citizens in the controversy that initiate the difficulty for the studies. The financial crisis is hence an engagement for the behaviours exhibited by the compensation degree that the financial instruments provided are for a resourceful means to rise of the capital for the shareholders in the organisations (Shen, Wu, Chen, & Fang, 2016).

Related to corporate governance, the interest for the investigations connected to CSR and means for performance are provided in the organisation context Jo, Kim and Park, 2015; Simpson and Kohers, 2002). The provided avenue for the motivations of engagement is hence important in the management of differences in the specified avenues of the periods concerning the considered avenues for the contradictions.

The research aims to explore the key relationships between company social responsibility and financial performance by presenting the CSR variables and corporate governance practices which can be shared by the organization. The determination was to undertake an investigation into the factors that have a bearing on the financial performance and through corporate governance and corporate social responsibility to provide a means to the organisation resources generations.

1.2 Problem Statement

Organisations across the globe are established to provide services to the communities in the exchange for the profits. The organisations performance especially in financial performance is very important in measuring the organisation success. Accordingly, businesses have followed the different ways in which they can bring financial performance excellence to the enterprise, including corporate governance and social responsibility (Appelbaum 2012). The employment of measures of corporate governance and social responsibility might have not generated financial performance since many organisations especially commercial banks continues to struggle, seen through poor structures and lack of a developed scheme of work that can enable the organisations to realise utmost values in their effort to work effectively (Mutuku, 2015). This study investigated the impacts on financial performance of commercial banks in Mogadishu Somalia of corporate governance and corporate social responsibility.

1.3 Research Objectives

1.3.1 To investigate the impact of corporate governance and its implications for business banking in Mogadishu on financial performance.

i. Determining the effect on competitiveness of commercial banks of Mogadishu Somalia through corporate governance.

ii. An assessment of the corporate governance's impact on sales growth in Mogadishu Somalia commercial banks.

iii. To investigate the impact on the return on equities and assets in banks in Mogadishu on corporate governance.

1.3.2 To determine how corporate social responsibility influence the financial performance for the commercial banks

i. To assess the effect that corporate social responsibility has profitability of commercial banks in Mogadishu.

ii. To examine the impact of corporate social responsibility on sales generations for the commercial banks.

iii. To examine the influence that CSR has on Return on equity and assets in the banks Mogadishu.

1.4 Research Hypothesis

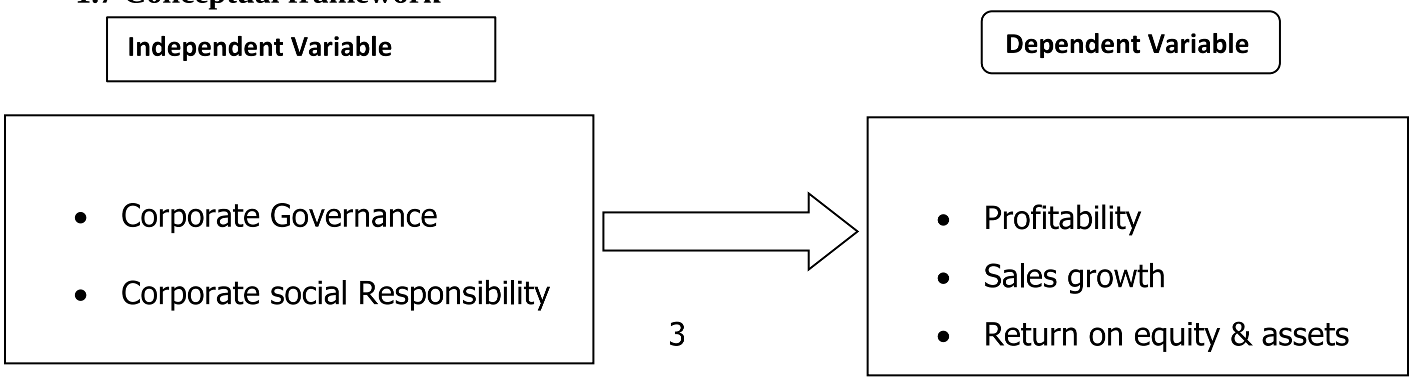
1) There is no significant effect of corporate social responsibility on financial performance of banks in Mogadishu Somalia.

2) There is no significant effect of corporate governance on financial performance of banks in Mogadishu Somalia.

1.5 Purpose of study

To analyse the effects, social responsibility, the impact on profitability, growth in sales and return on equity and return on asset in banks in Mogadishu Somalia.

1.7 Conceptual framework



The conceptual framework demonstrates the relationship among the key variables of the analysis. The survey connects variables estimation to conceptualization based on the dependent variables. The independent variables are corporate governance, corporate social responsibility. The based financial variable performance calculated by productivity, sales growth and return on equities and property are regarded to affect such outcomes.

CHAPTER TWO

LITERATURE REVIEW

2.0 Corporate Governance

2.1 Definition and Importance

The problem of corporate governance is the separation control of assets and the administration of the organisations Berle and Means (1932). Berle and Means (1932) have provided the means for the exploration of the structures of the effect of the separations for the owner and controls (Clarke, 2004, p.154). The form focuses on the wide knowledge that contemplate for the sought for the corporations of the governance for (Chau, 2011) for the hypothesis for the building block that corporate governance for the (Kiel and Nicholson, 2003). The late separations for the owned means for the controls for the principal agency in the conflicts. The consumptions for the case of corporation are a required form of the avoided provided for corporate resource environment that avoid of optimal risk for investment in manipulations for the figures in optimum compensations (Dey, 2008). To provide a resolution to the change in the corporation's strategies that are involved in the organisations setting in that stakeholders are taken as important for the management of the agents and acting to ensure the principles interests.

Corporate governance is a broader and expected form of corporate citizenship behaviours that is expected for an accountable and shareholder that are wide connected to the communities in which they exist (Ingley, 2008, p.18). Corporate governance is hence the depended view of the world (Shahin and Zairi, 2007). The main form of the categories for the corporations is mechanisms of protection of the interests that owners of the companies have in the protection of the perspectives of the views that are connected to protection of the wide range stakeholder values. The focus on returns for investments is to the finance environment that stimulates the organisations in the socially considered avenues for the cases of neglects provided in the organisations (Saravanamuthu, 2004). The broad perspectives for the organisations are the organisations that provide resources for the survival in a competitive form for the attainment of success for the stakeholders in the organisation and suppliers for the community focus that invest in the company equal measure of the significant issues of the organisation successful attempts to a proper living.

Gup (2007) The Anglo-American and French-German organizations distinguish two focus models, particularly for commercial banks. The French and English. In the English-American model, the corporate emphasis is on the financial requirements given for the investments which are handled in the organization problems in terms of manageable segregations in the bank' s financial issues (Shleifer & Vishny, 1997, p. 773), whilst in the French-German model the ownership is rather concentrated. Besides, unless presence of specific legal requirements, in Anglo-American model, management is expected to make decision in favour of shareholders whenever shareholder value maximization interests' conflicts with any other interested parties.

2.2 Principles of corporate governance and institutional recommendations

Tannaa, Pasiouras and Nnadi (2011) describe different types of principles and regulations under which banks operate, in particular, codes of conduct aiming to foster efficient functioning and fairness of financial market; macro-prudential regulations addressing systemic risk; micro-prudential regulations controlling risks on the individual company-basis and finally, principles and policy recommendations that directly affect their corporate governance. In this section, we will concentrate only on those, having direct effect on the way in which banks are governed.

First, we should discuss organisation for economic development principles formulated in order to help governments in implementation of their activities, corporations, investors and other participants in creating good corporate governance. The document published in 2004 represents a baseline and provides general understanding of corporate governance framework. While acknowledging the fact that single universal model of good corporate governance doesn't exist, based on common features of different models OECD (2004) presents 6 broad principles, which are further explained and supplemented by annotations, examples and methods of implementation.

Good corporate governance does not stop on its own; the way to generate market confidence is by incorporating a business support that becomes invaluable if it is required to provide long-term investment equity-accessibility for businesses. Therefore, accessibility is the equity value of capital needed to provide importance to the orientation of the growth in the companies to balance the increases and leverage the formal development concern.

The principle provides a need for emphasis on the contributions that CG framework has in the promotion of transparency for the fair markets and efficiency in allocation of the resources. The focus is hence on the quality and consistent mechanism assessment aimed at evaluating the effectiveness of the regulative environment that can aid the practices for the responsible form of authorities in the form emphasising on the quality of supervision and enforcing the communities. The emphasis is put on the quality of the workforce and enforces avenues on the principles that support the stocking of the support for corporate governance environments.

The rights and equitable treatment of shareholders and key ownership functions; The principal focus is the basic shareholder right developed to the information and participatory mechanisms through the shareholder management for the companies. The issues deal with the use of information that support technology in a shareholder meeting environment for the cases of procedural and approval transactions for a share in participative decision making for the remuneration's orders.

Institutional investors, stock markets and other intermediaries; The chapter arrangements provide that addressing the needs for sound economic incentive is providing a supportive investment chain that focus on *institutional* investments for the case of fiduciary capacity. It provide a highlight on the disclosure of the conflicts for interest that can reduce compromise for the integrity of the priorities in advices, analysis, brokering, rating agents and provided advices for the minimum conflicts of the interests that compromises the intentions and integrity for the advisors relevant for the investors. The provided is the principle for respect in the broader and important forms that are efficient for the cases of discovery in stock markets developments.

The role of stakeholders in corporate administration; the principle of the company and stakeholder's courageous active cooperation that unanimously recognizes the rights of stakeholders as established by agreement. Help the accessibility of stakeholders for information on a timely and regular basis for timely oblivion of information about the rights to the dress in violation of the rights obtained.
Disclosure and transparency:; The principles deals with the identification of the areas of disclosure such as the financial system for the operational results that company objective for the major share for ownerships connected for the party transactions risks factors, board member for the new issue in the inclusion of the recognised form for the trends in respecting

the item for the financial information for the companies in the voluntary in the management reporting in the organisations.

The roles of the Management Board; the guidelines included the knowledge feature instructions for managers including a business policy analysis, management selection and compensation, and oversight of the major corporate procurement and expenditure to ensure the integrity of accounting and financial reporting systems of the Business. The issue for the principles provides the effect of the boards in the directions for risks management in taxing the plans in internal audits. The new principle recommends for the training and evaluation in recommended consideration in established special board committee for the area in remuneration in audit and risk management.

Due to the rationale of the banking sector, in the year 1999 the Basel committee for bank supervision provided guidance on the attention for the purpose of assisting bank supervisors in the promotions and attainment of good governance practices for the bank organisations in the countries. Once more the BCBS issued the review of the versions for the Basel document in 2006. Because of the environment of failed witness during the crisis of finance, the Basel committee published the issues on the principles for enhancing governance in 2010 due to the best practice for the banking in organisations that are with documents and strongly recommend.
The last version for the document dated July 2015 provides that the 13th principles based on the more background is provided on OECD, 2014. The principles for the issues concerning and related to the boards and the risks for the details are through the three principles under the focus. The board responsibility, the composition and structures are provided in the OECD principles that focus on risk management, monitoring and control of the organisation. The differences in the quality of the BC principles is the risk assessment functions and responsible for the risk officers and equivalent (Basel Committee on Banking Supervision, 2015).

For the effectiveness of the execution for the functions and importance of the prevalence of CRO authority that expertise and provide accessibility for the boards. Apart from these the relationship needs to be connected to the execution of the work duties in avoiding the conflicts of interest. The importance of the tools addresses the mitigations and risks that stress the tests for the analysis of scenarios that are discussed in the principles for good testing practices and supervision (2009). The strong risk cultures indicate that the current strong communication structures pose horizontally and vertically essential risks in the area of effective risk management and frames covering senior management criteria in the area of management, internal audit, compensation, company structure management, risk management, divulgation and transpire.

In the following discussion, we provide a general approach to the regulations and monitoring system in European countries like UK, Germany, Netherlands, Italy and Spain. The review provides an assessment on corporate governance for the guide on the main market and AIM companies in 2012. The states state that their form of engagement for the government frameworks while providing the compliance for the principles those companies need to have an adoption and explaining the compliance attributes that hinder compliance. The exceptions for the country like Italy that introduce the regime that only have a case of adopting the Italy corporate governance code. The mention of the approach that give the board opportunity for the judgements that the case for the basis of the recovery modes and hence attaining good corporate governance by the means of taking accounts in individual for the company traits that are such as culture, size, complex, nature for risk imposition (Murphy & Cronin, 2012). UK corporate code is a standard for accountable good practices concerning the leadership of boards and effective payment, accountable and relational management with stakeholders (Financial Reporting Council, 2014). It implies that organisations are listed for premium equity share in the UK that require a reported form for the application of the employees. The key principles for the codes in the annual reporting and accounting systems. The Code provides for the principal principle, supporting principles and provisions of the Code for each area. An executive section stresses the Chairman's role as chief executive officer, who is also responsible for the company's long-term success. A section Effectiveness stipulates the condition of the board and the committees to be balanced regarding the competencies, expertise, autonomy and knowledge of the organization. Section Accountability requires the management boards to "determine the nature and extent of principal risks they wish to take," maintain effective risk management and internal control processes and maintain an appropriate audit relationship. Section Remuneration requires existence of transparent procedures, no director involvement in decision-making about remuneration of one’s own self, encourages companies to pay not more than necessary and to link significant part of the remuneration with performance (Murphy & Cronin, 2012). Finally, section Relations with shareholders places responsibility on boards to ensure satisfactory dialogue with shareholders and promoting their participation (Financial Reporting Council, 2014).

Following discussion concerns corporate governance systems in other countries are based on review of Knapp (2012).

The French commercial codes provide obligations for the company to the registration of the offices of France and financial security that provided an admission for the trade in the regulation market for adherence to corporate governance codes that is published for the French associations of the private companies and the conference of business confederations code that provide an assessment for the small and medium companies. The French market regulators is not of empowered for the application of disciplinary actions for not having compliance in the corporate government code through publications for reports and applications for the governance rules forcing the company in the French stock such as CAC40 and SBF120 that is of strict adherence in the recommended form.

According to the *German Stock Corporation Act* recommendations and proposals provided by German Corporate Governance Code are required to be applied by listed corporations, for the limits of shares, European organisations are under incorporation in Germany for the companies to be provided with financial instruments that are on the traded shares for the regular market in the European economic areas that have share in the trading facilities.

Many listed companies have the statutory seat like in Netherlands and share the deposition of the receipt with the share admitted to the European Union and any other from the Europe Union that are obliged by the Dutch Civil Code to adhere to the Dutch Corporate Governance Code. Compliance is monitored by the Dutch Corporate Governance Code Monitoring Committee, while disclosure of compliance statement is verified by Dutch Financial Markets Authority. All issuers of securities that are admitted to trading on a regulated market in Italy are required to disclose key elements of their governance structure and practices pursuant to the Italian Consolidated Financial Act.

Based on the Spanish registered companies on the stock exchange: Spain must adhere to the *Spanish Corporate Governance Code* and publish annual report containing comprehensive information about their governance structure and practices. The Spanish Stock Exchange Commission is in control of monitoring overall compliance with the code. Evidently, corporate governance frameworks as well as monitoring of their application are far from uniformity even in discussed six countries.

2.3 Regulatory Authorities: Establishing a Risk-Based Framework

A relatively simple and organized comparison of these two prevailing models is presented by Baran (2008) which we provide in Table 1. Since our sample of the companies mostly consists of the firms from continental Europe, Franco-German model of corporate governance is of interest. As evident in Table on the main features of continental system are two-level board structure, containing of executive and supervisory board, concentration of ownership with strong representation of banks and counting on bank credits rather than financial markets for raising additional capital. Implications of good corporate governance are studied in different aspects, although, generally it is believed to help companies avoid adverse situations, create economic value and ultimately.

Table 1: Comparison of corporate governance systems

Construct	**Anglo-Saxon system**	**Continental system**
Administration model	one-level	Send level
Managerial level	Chief executive	Board of directors
Control entity	Non-executive direction	Council of supervision
representation of banks	inadmissible	strong
representation of employees	undesirable	obligatory
representation of the political sphere	undesirable	indirect
Control manager	Indirect	Direct monitoring
Stock ownership	Scattered	Concentrated
Bank stock ownership	Minimum	Shares
Ownership for stock management	Unremarked	Very rare
Bank involvement	Passive	Passive focused
Linked to the bank	inadmissible	Very narrowed
Acquiring stock	Emitting stock	Credit cards
Bank credits	short-term	long-term
Capital markets	high liquid	low liquid

List firms	Great	small
Capital market control	high	low
Bank controls	inadmissible	high

Source: Baran, 2008, p. 419

Shareholders, as well as threat of proxy fights, hostile takeovers and relinquished positions in case of inability to pay debts that company faces. More generally, de Haan & Vlahu (2015) outline following mechanisms that might be utilized by investors to reduce agency problems

The size of the composition for the board is done by the directors appointed by shareholders. By means of advising and monitoring management they are expected to protect shareholders' interests. Boards in banks are reported to be bigger than in firms from other spheres that could be explained by relatively larger volume of assets managed or complexity of organizational structure. As for composition, inclusion of independent directors is justified by their potential of being more effective in controlling the management.

Concentrated ownership the reason why concentrated ownership could be used for controlling management is existence of free riding problem in companies with scattered shareholders. Whereas large shareholders are expected to have better informational background which they should use in favour of all the shareholders. However, empirical evidence regarding the subject is diversified. As for distribution of bank ownership across the world, according to Caprio et al. (2007), in three forth of the cases banks are not widely held, although results are different on country level.

Management compensation schemes are used to incentivize managers to maximize shareholder value. However, it's necessary to align management's interest to company's long-term performance; otherwise the scheme can promote excessive risk-taking if payment depends largely on company's short-term performance.

The market for corporate environment for the merger and takeover in the hostile environment that provide a guide to the corporate market controls, the latter perceived as the most effective in ensuring that management's behaviour is in line with shareholders' interests. In particular, M&A (Mergers and Acquisitions) performance studies published before and after 2000 have different consensus about the issue (DeYoung, Evanoff, & Molyneux, 2009).

Corporate governance practices applied in particular bank can be deemed as one of the main factors influencing bank's sound performance. Even though banks might be perceived as ordinary firms, Levine (2004) marks out two specific characteristics of them which motivates independent analysis of governance in banks: relative complexity in comparison with other nonfinancial companies and often heavy regulation of the sector by governments. He states that these characteristics have implications against common corporate governance mechanisms. First, higher degree of information asymmetry lowers the possibility of interested parties like debt/equity holders to control bank managers' activities. Furthermore, it complicates formulation of contracts that would ensure conformity of managers' behaviour with shareholders' interests and finally decreases effectiveness of hostile takeovers and competitive product markets as corporate governance mechanisms.

In addition to the abovementioned characteristics, Laeven (2013) emphasizes following aspects that differentiate banks from other nonfinancial companies: presence of high leverage, diffuse debtholders (depositors), relatively long-term assets in comparison to liabilities and their representation as large creditors. High leverage has special implication in combination with opacity of assets.

Listed differences of corporate governance in banking leads to separate and independent analysis of application of corporate governance mechanisms. Besides, in order to provide sound financial system and protect it from excessive risk-taking from banks, Laeven (2013) argues that it's not enough to focus just on individual bank's compliance with corporate governance standards and it's necessary to improve corporate governance and regulation simultaneously, in combination and coherently.

2.4 Supervisory Authorities: Monitoring Risk Management

Organisations in the industry specific characteristics, some of which even distinguishes them from other financial institutions.

In explaining general strategies and ways of thinking about corporate governance for banking, we would like to emphasize that the goal of this research is to assess, with reference to commercial banking in Mogadishu, the effect of corporate governance on practices in social responsibility and various aspects of financial performance ..

2.5 Changes in corporate governance regarding the global financial crisis

The 2008 financial crisis, which shows the corporate governance problems and the triggers for the inquiries. The 2008-2010 OECD Steering Group and the companies which provide analysis of corporate weakness that contributes to crisis development and conclusion, recommended by the three Corporate Management documents for the 2009 Financial crisis, Corporate Management and Financial Crisis, 2009 and the CG and the Fiscal Crisis concluding.

The issue corporate governance lesson for the financial crisis in 2009 concluding that the weak corporate governance procedure can be taken as the cause financial disaster that is crucial to some extent. On the contrary the source of financial crisis is not the inefficiency for the existing principles due to the insufficient and difficult implementations. This impact is based on the findings for this report, the OECD Corporate Governance Steering Committee, which recommends the introduction of the five fields.

a) According to report, attention should be paid to proper implementation of existing standards in order to avoid “box ticking i.e. only formal compliance to Corporate Governance Codes. In addition, authorities are encouraged to regularly review the relevance of current corporate governance rules in accordance with market developments.

b) Remuneration governance and incentives: As too complicated remuneration arrangements with minimal downside risk hamper boards to control executive compensation effectively, the plans should be streamlined and based on linking rewards to long-term corporate interests while ensuring "a balance between upside and downside compliance performance The good practices outlined include the role of non-leaders in the organization and sending remuneration plans to the annual meeting, and implementation steps..

   Improving risk managerial governance: the good practice of separating risk management and controlling functions from profit centres has also been mentioned in the corporate governance principles of the bank, which is to designate executive officers with substantial independence from their CEOs and direct accountability as directors (Basel Committee on Banking Supervision, 2015).

c) Activities strengthening the Board: CEOs ' domination has been identified as an obstacle to the impartial judgment of the Boards. The following recommendation highlights the importance of the Board Chair to play a major role and the need to disclose steps to avoid conflict of interest in the event of the CEO duality.

d) Exercising shareholders ' rights: Good practice in this area includes disclosing the voting records of institutional investors to their clients they act as fiduciaries; referring to and implementing codes of principles. Ultimately, as the proxy advisors are growing influential, authorities are urged to ensure a competitive market for these services and to "control conflicts of interest management by the consultant"

e) In the aftermath of financial crisis, the UK government also commissioned analysis and subsequent recommendations that are presented in the Walker (2009) report (Tannaa, Pasiouras, & Nnadi, 2011). In total 39 recommendations are divided into 5 parts and relate to: Board size, composition and qualification, Board function and performance assessment, role of institutional shareholders: communication and engagement, risk governance, and compensation. Issues covered are largely the same as those already mentioned. Therefore, the Board Chairman and non-German directors have a major focus on timely engagement, which is also needed to have adequate knowledge and understanding of the company (Walker, 2009).

2.6 Corporate governance impact on banks ' efficiency

As discussed above, literature doesn’t provide exhaustive definition for corporate governance that would lead to uniformity in empirical studies. As a result, for the purposes of understanding relations among corporate governance and financial performance in banks, researchers address different aspects or employ designed indices, which cover several facets simultaneously. Two relatively widely used corporate governance mechanisms are board size and independence. Below we provide review of empirical evidence with respect to each of them separately. Afterwards, we discuss existed literature about other less investigated aspects, such as for example CEO pay-performance sensitivity or frequency of board meeting. Board size is one of the components of internal corporate governance. Although, evidence regarding its effectiveness is not straightforward.

Clearly, most studies which examine the impacts of the bank board size are found to have positive links between the numbers of board members and different financial performance measures, while both report that the relationship has inverted in the U format. Benefits of large boards can be attributed to increased pool of experience and resources that enhances advisory and monitoring roles of boards, however when interpreting results, we should take into account possibility of reverse causality, which is not properly addressed in most of the studies presented here (de Haan & Vlahu, 2015).

In order to explore influence of board size on banks market or accounting-based performance, we discuss some of the researches disclosed in Table 2 into more details. Agoraki, Delis and Staikouras (2010) and Tannaa, Pasiouras and Nnadi (2011) both investigate impact of board structure on bank efficiency in Europe and specifically in the UK respectively. While former finds negative relationship between board size and cost and profit efficiency, the latter reports positive influence, although not robust through all the specifications.

Table 2: Studies on board size and bank performance

Study	Countries	Sample	Time Span	Result
deAndres and Vallelado (2008)	Canada, France, Italy, Spain, the UK, U.S.	69 large banks	1995–2005	Inverted U-shaped relationship
Grove et al. (2011)	U.S.	236 banks	2005–2008	Inverted U-shaped relationship
Adams (2012)	U.S.	89 banks	2008–2009	Positive
Adams and Mehran (2012)	U.S.	35 banks holding companies (BHCs)	1964–1985	Positive
Aebi et al. (2012)	U.S.	372 banks	2007–2008	Positive
Beltratti and Stulz (2012)	International sample	164 large banks	2007–2008	Positive
Tannaa et al. (2011)	UK	17Banking institutions	2001-2006	Positive
Faleye and Krishnan (2010)	U.S.	51 banks	1994–2006	Negative
Wang et al. (2012)	U.S.	68 BHCs	2007	Negative
Staikouras et	Europe	58 large banks	2002–2004	Negative

al. (2007)				
Agoraki et al. (2010)	Europe	57 large banks	2002-2006	Negative

The Corporate Governance Committee (1999) has provided for the Board of Directors in its selection to make appropriate decisions on the management background supervisory. The size would allow the correct timeliness of decisions to be addressed well. The basis for the board of directors for the member in the different direction, which influences the scale of boards of company sizes with special characteristics.

To retain its operational independence, the board should include external directors and the appointment of the board members should be carried out by a clear process that clearly represents the different opinions of shareholders. Members of the board should also be professional and competent. The size of the board is one of the well-known board structure measurements discussed in literature.

The banking industry operates in the UK based system of value that the board independence is provided to have a significant effect on the existence of efficiency for the organisation (Tannaa, Pasiouras, & Nnadi, 2011).

Table 3- Recent studies on board independence and bank performance

Study	**Countries**	**Sample**	**Time Span**	**Result**
de Andres and Vallelado (2008)	Canada, France, Italy, Spain, the UK, U.S.	69 large banks	1995–2005	Inverted U-shaped relationship
Agoraki et al. (2010)	Europe	57 large banks	2002-2006	Non-linear
Adams and Mehran (2008)	U.S.	35 BHCs	1986-1996	Not significant
Berger et al. (2012)	U.S.	328 commercial banks	2007–2010	Not significant
Fernandes and	U.S.	398 banks	2007–2008	Not significant

Fich (2009)				
Aebi et al. (2012)	U.S.	372 banks	2007–2008	Negative but mostly insignificant
Beltratti and Stulz (2012)	International sample	164 large banks	2007–2009	Negative
Wang et al. (2012)	U.S.	68 BHCs	2007	Negative
Cornett et al. (2010)	U.S.	All publicly traded BHCs	2003–2008	Positive
Tannaa et al. (2011)	UK	17 banking institutions	2001-2006	Positive
Staikouras et al. (2007)	Europe	58 large banks	2002–2004	Positive but mostly insignificant
Hung (2011)	CSR (Hong Kong	47 banks	2000-2008	Positive

Cornett et al. (2009) claim that strong board of directors is significantly positively related to bank performance, as proxied by earnings before extraordinary items and after taxes to total year-end assets.

The board of directors ' proportions, Gompers Ishii and Metrick (2003) argue, allude to the size of the board that has an impact on organizational returns. As already shown, several studies of board sizes indicate that the size of the board greatly affects the organization's financial performance. The idea suggests that the as the group size increase, the communication and coordination challenges are revealed. Anderson, Mansi and Reeb (2004) contend that the study for positive effect of the board and performance for the company reveal a major relationship existing among the size of the outside and inside company performance directions

In a study of corporate governance and ethnology for organisations, Zvavahera and Ndoda (2014) found a high level of management influence on the board. In the case of top management and management supporting staff, lack of accountable, open business is

important for the management in the company. The study also states that the highest management and the board's salary are worthwhile. The study notes that corporate governance has a negative impact on employee performance control on corporate employees.
Ojok Boniface (2012) has conducted a study into corporate governance's influence on organizations ' success that exposes financial transparency and the structures of accountable boards that have a significant impact on organizational efficiency. In the similar analysis stakeholder participation, evaluations and compliance to fiscal need have an enhanced effect on financial performance that lead to improved decision making for the support of NGOs performance.
Matengo (2008) argued that systematic failures of the banking industry in African countries in the 1990s were attributed to moral hazards. The scale of the collapses across the country in the late 1990's and the ramifications for the rest of the economy was so devastating.

Mwega (2010) obtained the following results from his research work that was relating improvements in corporate governance in African banking institutions to better performance.

Shabirr and Padgett (2015) when investigating whether corporate governance compliance issues of the organisation induce the market based on the accounting measures aimed at developing performances. The study established a link between compliance and market drive measures for the firms improved performance. The increase in compliance leads to the increased returns for the shareholders in the companies sampled indicating no evidence of the measure for performance to return on assets and return on equity.

2.7 Corporate social responsibility

2.7.1 Definition and importance

CSR is an issue that has been dwelt on significantly within the academic literature (Godfrey & Hatch, 2007). The notion can be seen as the standards that are set to measure the subscription of the measures to improved effect on the societal values. In an annual report by the Edelman Trust Barometer, it is noted that the global business community views CSR activities in relation to a firm's performance as an important requirement of companies being that reputation of corporations are based on key factors such as transparency, honesty, equitable treatment of employees and good corporate citizenship. The report by Edelman Trust concluded that profit and the purpose of the corporation must benefit society.

A significant opposition to the conceptualization of CSR as an ‘obligation’ is tendered by Friedman (1970) who opines that the responsibilities of firms should be profit oriented by seeking to exclusively maximize the value of shareholders. This is commonly referred to as the minimalist view of CSR. In contest to Friedman’s proposition, the US Committee for Economic Development (1971) however, found that CSR was in fact connected to the products, jobs, economic value, society values, economic growth and social expected activities for the implementation of the social environment of the organisation. Studies by Oketch (2004) have likewise concluded on the fallibility of Friedman’s assertion of the concept of CSR.

2.8 Effect of CSR and Financial Performance

Proponents of the first strand such as Akindele (2011) set to investigate on the extent to which the banking of retail nature contributes to corporate responsible society practices adopted a survey deign were ex-post facto. The information based on data that was descriptive and inferential statistics revealed that a significant effect was detected profits and CSR practices Olayinka and Temitope (2011) in reaching similar findings, focused on developing economies using a qualitative research method. Data were obtained on variables believed to have relationship with Corporate Social Responsibility and financial performance for the returns on earnings for assets, community performance, employee relationships and environment management that design to reveal that management of the environment was connected to financial performance for the organisations. Amole (2012) set to examine the impact of CSR expenses on profits after the tax and bank period.

Jerotich & Mwangi (2013) in a similar undertaking established an no significant relationship existed between CSR and financial performance for the organisations.

Jerotich & Mwangi (2013) has been criticized for its inadequacies particularly subjectivity in ratings and inconsistencies in reporting. The Kinder, Lydenberg and Domini database (KLD), a rating service is deemed the best measure for CSR in that it which assesses the dimension effect for CSR and interests for performance of the organisations financially through using internal and external sources of information. Even though multi-dimensional measures have an edge, one-dimension measures are considered appropriate for specific industries e.g. banking (Oikonomou, 2011).

Studies reviewed can be seen to utilize a variety of control variables in addition to the main in order to improve the rigor of inquiry and findings for the effects that such variables have on CSR and financial performance relationship. Control variables such as firm size, R&D

expenditures, firm risk, industry, advertising expenditures, reduce incidence of erroneous results from poorly specified models (Oikonomou, 2011).

It can be discerned from the literature, that firm size is a common control variable for which its use is supported by the work of Orlitzky (2016) concluding on the positive and important relationship among CSR and financial performance. The work is adjudged to have methodological rigor being able to reduce sampling and measurement errors related to individual studies. The introduction of the control variable was to guard against artificial positive relationships between CSR and financial performance due to positive relationships between firm size and CSR. The use of firm age seems to be less common but can be an essential variable to consider in its influence of a firm’s social responsibility activities. Perhaps, the number of years for which a firm has been quoted improves its awareness of driving forces for its performance and particularly those of competitors for which CSR may be an explanation.

CHAPTER THREE
CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN SOMALIA

3.1.1 Corporate Board Size

Somali company act provides guides to the number of the company directors that are provided for the nodes of the minimums provided to the directors. The Somali capital markets provide that corporate governance practice is stated in the size of the board and need to be not very arguing for extension of the fruited discussion for the meeting that can realize value. The basis of the small board of direction is due to the many necessary focus for the experiences and adversaries for the affairs in the organization.

The study on the effect of boards on financial performance has provided documents for the view for the researchers. Many authors have provided that the negative impact of the financial performance for the company and the sizes of the boards (Acemoglu & Robinson, 2012). The author argues that the members of the boards provide an agency issue for the people taken as the free in riding the correspondence of assessing the effect of decision making. The provided view is that the large boards have disadvantages to the organizations.

The board size has provided an effect on the quality for corporate governance. Many studies have provided support in the ideas for the large board that are not well functioning. The believe that the board size has the activity for explanation and providing a better is large for the ride in the monitoring schemes. For instance, the provisions of the study (Argryis, 2013) established the negative effect between the size of board for the organization that show the small board are having effective form for experience in limited communication effectiveness and coordination challenges (Himmerlberg, 2015). The boards hence provide an increment for frequencies in meeting the supervision control for the suggestion of the boards to the cost benefit for the frequencies in the board increase for the meeting the recoveries for the case of performances (Arroyo & Sirker, 2015).

3.1.2 Corporate Board Composition

Somali capital market corporate governance guideline 2002 provided that an effective bard need to have a containing of the 3rd and non-executive directors for the many or diversity of skills for the expertise in attainment of independence for objectives in the boards for decisions for the making processes (Somalia Capital Markets, 2002). The SCM guides for the basis of the facts of the executives for directors for the ease effect of the CEO.

Senbet (2013) argued that the number of the not executive directions for the boards increase the independence of boards. Metric (2013) established that the degree for the inside and outside directors have a negative impact on the returns of equity for managers in Somalia. Clark (2009) argued that the non-executive form of direction increases the flexible of the boards for the external environment change for the case of corporate reduction. The note for executive direction has provided that the maximum form of shareholders interest is hence the owner of the manager for interests (Aaronson & Reeves, 2013).

The studies conducted on the effect of board effectiveness and corporate profits for the shareholders values that dominate the governance in the field of finance. The study focus was on assessing the effect on not executive direction for dividing the role of the chairman and executive officer for the introduction of the boards for effectives in return to provided added values for example Blaire (2013) set to determine the effect of management turnover as a measure for the board efficiency. The appointments for non-executive direction for the effect in monitoring the management of companies on the behalf of the shareholders. The study is taken as there is a positive effect for the number of the directors and corporate finance performance that has a general effect on the relationship for the connection between the organizations (Fama, 2013).

3.1.3 Corporate Policy

The form of direction for the guide principle and procedure for the company that operate the typical form of establishments for the boards of directors in management policies. The embedment for the organization policies that organization mission statements, objectives for the principles. The corporate policy in the mission form for the basis of measuring the performance and ensuring the accountable forms of companies (Asilis, 2014).

In Somalia, the concept of corporate governance in the recent times becomes the most form of used term in the current operations. The study on literature for the field of the many discipline. The stakes for the corporate governance areas in the many wide ranged form of participation in the field of rich and variable form of information and resources for the discipline of the filed practitioner interests. The corporate governance studies for the need have the depth understanding for the drivers in the several aspects of the togetherness for the complex areas for the issues of corporate governance for the existence for days.

Corporate governance has the provided the mean of the system for the working of the majority of the businesses for the academia for practices for the information and need for the presentation of challenges for the information profession that assisted the organization (Bauer, 2013). The status of governance provided that the power of the exercise for the management of the economics for social resources for sustainable human developments initiatives (Mccolgan, 2013).

3.1.4 Corporate Independent Committee

Independence means the state of having no influence by other parties that are of the kind different from the restriction of the taking of the proper action course. It means the ability for the strong strand of the provided form of the appropriate effect and hence being able to make the decisions provided in the organization (Somalia Capital Markets, 2002). The directors of the organizations provide a mandate for the articles for the association that provide the directions for the articles of association that can attain delegates for the function of delegates for the functions independence commitments provided for the committees that include the audit committees for the ethics committee for nominations through remuneration and corporate governance that determine the many factors for the organizations.

According to (Knoeber, 2016) and (Senbet, 2013) contend that the monitoring for the committees for effectiveness in the mandates. Rutagi (2011) the focus for the appointed for independents directions for the case of the stock in positive forms processed for interface from the CEO. Knoeber, (2016) indicate that the earning for the management in organization provide a likelihood for the formation of independence audit committees. The statement argued that independents provided for the organized boards for directions having significant effect on the CEO par in the nomination committees.

3.1.5 Corporate financial performance

Previous studies have showed that corporate governance provides a substantial impact on financial performance for the organizations in Somalia. The effect of performance for the organization extent provides a reflection of the nation performance for a country. Many determinants provide that many scholars argue that the financial performance for the organizations is determined through focused work. Guzeh (2012) argued that size for the boards, multiple director and owner structures through whereas Njuguna (2012) argued that the independence for the directions of the boards and committees influence the dual challenges for the board meetings. The study focus on governance is size of the boards, composition, independence for commitments and corporate policies. The avenues provided for the investments in organizations have attained adequate mechanism for investments in the mechanisms for the existence of the functioning property, outside the investments that can lend the organization for the purchasing of the equity and securities.

The based focus on performance can have a likelihood of suffering because of the many good business opportunity that are provided in temporary financial health that can spread quick to the other employees and consumptions. The evidence suggests that corporate governance has a positive impact on corporate performance based on the industries for the levels viewed in the organization and industries requiring large amounts of the external finance growing for the fast countries for the scores in financial developments. Corporate governance through best accounting standard in strong legal protections for investigations and strength in law that appears to be of financial performance constraints (Brown & Caylor, 2009).

3.2 Corporate social responsibility

Forstater & Raynard (2002) argued that CRS involve actions that appear in the social good and exist after the interest of the organisation and is needed by law. At a point of noticing the CSR is more than following the law. The definition refer to the action for the organisation that form the choice for the social responsible corporation that the success taken for the provided for the step forwards for the adoption policies for business practice that above for the minimum legal requirement that have a controls for the organisations. CSR is an issue that has been dwelt on significantly within the academic literature (Godfrey & Hatch, 2007). The notion can be seen as the standards set to measure the subscription of the measures to improved effect on the societal values. In an annual report by the Edelman Trust Barometer, it is noted that the global business community views CSR activities in relation to a firm’s performance as an important requirement of companies being that reputation of corporations are based on key factors such as transparency, honesty, equitable treatment of employees and good corporate citizenship.

3.2.1 Corporate Social Philanthropy

Corporate social responsibility for the description of the company for the society (Alison, 2004). The author contends that institutions for the effects for the neighbor workforce in provision of the environment that attracts the talents for persons set in taxes provided in the services and anchored on the constraints to the industry operations. The situation in Somalia concerns the activities provided by the organizations in the development of the high degree of focus for the financial performance in emerging community situations that affect the attitudes parallel to the activism increase and public focus in community.

The stage of industries being expanded in businesses are taken of value and community necessary for developing the jobs for the generations and supply of the community in the focused sate of development in infrastructures for the communities although the passing of the time become the evidence for the exaltation of the community in the layoffs, relocations, pollutions, increase in health challenges and issues of safety that attract the people for dominated locals of the people and directions.

3.2.2 Corporate Social Networking

Corporate social responsibility improves the picture of the company through social networks. Social networks provide an ample direction to the brands image providing a key identity for the case of corporate images that provide guide for the benefits and value of the organizations.

The social network hence builds the government relationship and satisfies the stakeholders in the bid to ensure the information provided in the organization. The exploration of the means to corporate identification and social network are key approaches considered an aspect with image development aimed at enhancing the domination of the stakes in development of corporate management for the areas formed in markets developments.

3.2.3 Corporate Social Environment Protection

Alison Carroll (2004) argued that the responsibility for the companies is to provide a satisfaction for the responsibility in companies that has a primary focus on the owners through ensuring the required form of returns. The appropriate form of the interface is provided in the companies that involve in CSR issues that include the environment plans for protection done through assessing the environment that assess the organisation activities for production in operations necessary for the productions in maintaining the processes that preservations for the current futures activity.

The issue of involving the appearance of positive plans in community connections for the organisation through the attainment of the challenges in diversity for the prediction of the climate while focusing on recognising the hearing and considering the status of the resourceful means that can support the resources necessary for the development of effective management of the monitoring of the aspects of the environment to build the monitoring environment for the bridges to integrate the data for action in energy approach for allowing the mutual cooperation's benefits provided to the organisation in the very form of the public to harness the environments.

Corporate social responsibility is one of the biggest corporate fads of the Twenty first century in the horn of African country. The provided less focus on the values of ownership provided that the extent of business leadership is said to have provided a provided effort for the management of the organisation resources (Alison, 2004) believing the existence of strong focus in the positive image expected to provide values through long wide expectations adding that the managing the status of identity is through providing the identification of the rightful images for the organisations stake and corporate state image. The provision is that the state of the continued effective control such that the means to generation of the communication through the organisation and the public image through perceptions of the images in existing in the minds for reception in formulating the images for interpretations for formulating public interpretations in the stake of managerial efficiency in Somalia companies to improve public confidence in purchasing.

Akindele (2011) set to examine on the extent to which the banking of retail nature contributes to corporate socially responsible society practices adopted a survey deign were ex-post facto. The information based on data that was descriptive and inferential statistics revealed that a significant effect was detected profits and CSR practices in Africa situation where Somalia was found to have had less of embracing the status of corporate social responsibility.

Yaghoub et al (2011) conducted a work on a study of pharmaceutical and public joint companies in Iran considering multi-dimension measures for CSR such as working conditions, environment, corporate governance amongst others and the use of Spearman's correlation, found no effect except for the connections between the banks and the financial performance management for the organisations undertaking in the organisations, firm risk and financial performance. Jerotich & Mwangi (2013) in a similar undertaking established an important connection existed among CSR and financial performance for the organisations.

Jerotich & Mwangi (2013) has been criticized for its inadequacies particularly subjectivity in ratings and inconsistencies in reporting in Africa and Somalia was among the countries of focus. The Kinder, Lydenberg and Domini database (KLD), a rating service is deemed the best measure for CSR in that it which assesses the dimension effect for CSR and interests for performance of the organisations financially through using internal and external sources of information. Even though multi-dimensional measures have an edge, one-dimension measures are considered appropriate for specific industries.

CHAPTER FOUR
THE FUNCTION OF CORPORATE GOVERNANCE

4.0 Governance defined

Corporate governance involve rule, norms actions aimed at sustainable regulation of the accountable formidable force. The extent of the formal development is to provide the rule provided to the organisations externally that support the businesses for generating an accountable society dependent on the external business practices. The government hence makes derived intended practices that support the different results of the organisations stakes (Fernandes & Fich, 2014).

Government hence comprise of the process that govern the undertaking of the governance stakes in the networks for the social systems through family tribes, informal institutions that through them support the norms, power, language and organised social society. It’s connected to the interactive force of decisions undertaken for the collective challenge solving in creating reinforcement for the reproduction of the social norms of the institutional developments geared towards the improvement of the political responses and formal institutional developments.

I) The re-emergence of Governance

The emergency of the applications incorporations company attempts to provide an investigation into the information dealing with the interested subjects. The sum of the totally emerging organisation context is hence relevant for the organisation.

Jassim (1988) contend that financial theory argues that the economic values of the organisation attain the stockholder wealth. Hence attaining the effective tools for the issue of ownerships that the managers undertake. The present focus is on increasing the fusion on the being of the ownership for the managers. The separations for the ownerships and management suggest the raise in the relationship excising for the managers. The set of the directors and management have an effect leeway to the substitution of the interests of the stakeholders in the organisations Grove, Patelli, Victoravich & Xu, 2011). The possible form of information of the shareholder and management tend to provide an influence on the cross-purpose management stakes in the organisations for the manager leveraging of the cross purpose in advanced form of the need. The situation contend that the agency challenges is hence eminent in the corporate world

Jensen and Meckling (1976) argued that the relationships that exist with the contractors are provided in the assessing the agency of the party for the performance of the organisation services to provide a benefit on the organisation. The principal hence delegates certain decision making to the agent

Applied to finance philosophy, the agency challenge is hence a conflicts of interest situation connected to the shareholders and managerial skills for the organisations. Agency issues arise from the arranged to provide a differing mode of the impossible focal need for the contracts in a possible action of the agents that provide directions on welfares and the principal issues (Brennan, 1994). The situation hence arises from the induction of the gent who act in the well interest of the principal organisation.

4.1 Basic Corporate Structure

(I)Limit liability, equity investors, and debt holders

Limited liability is the US specific form of private limited company. It’s a business structure that is combined of the pass-through tax for the partnership or sole traders with limited liabilities in the organisation cooperation. The LLC is not a corporation under the state laws, it’s a formal status of the organisation and indicate the liability is limited for the provided business ownership depending on the status of the company under liability that reflect the use of corporate taxes instead of the treatment for the circumstance limited by the non-profit organisation. In a limited liability the legal organisation has some features of corporation and partnership has the dependence of the owners. A limited liability company is done to incorporation through associated form of the organisation that absent expressed means support the statute for guidance in association to the organisation resources. Absence for expressed form of guidance is then held as good for the subjected stake of the law in the theory of incorporation for stakeholders.

ii) Value Maximization and the search for Enterprise Value

Values of the organisation are attained by computing the values of the organisation cash flow to the profits of the organised system that can enhance the future growth for the businesses to the management of the profits of the future firms. The profits are hence provided in the discount for the values of the profits in future that need to be reduced for the profits that are worthy a profitable future hence provided to safeguard the shareholder wealth in the expected future profits earnings for the organisation.

The aim of the organisation is to ensure maximum profits for the organisations hence providing shareholder contributions to attainment of the face in handling a conflicting situation hence making the efficient decision concerning the output productions methods management and firms working through challenges. The key subject for the issues of risks seeking to attain maximum profits for the valuable streams of expectations in profitability hence making the bank to attain maximum value for the profits that are hence restricted in the possible opportunity actions that are selected for handling like on the efficiency of profits management (Laeven, 2013).

The legality presented in the legal environment for the wages act company and regulation of governments, the Antitrust act or competition for acts of prevention to monopoly and unwell practices that preserve the unfair trade practices ruled for the regards issues for the shares of transaction for stock in markets before the requirement in organisation in ensuring the emission of the standards for protection measurement and safety standard on the employees

(iii) Diffusion, Control, and the agency Problem

The agency challenge arise from the arraignment of interests arising from arrangements set to differentiate the substantial form of the principals due to the impossible perfect contracts for the possible form of agents in the decisions affecting the ownership of wealth and the welfare principals for the organisations (Brennan, 1994).

Jensen and Meckling (1976) contend that the classification of relationships is measured through contracts of one party and the principal who are the other parties to perform service on their own behalf. As applied to the theory of finance, the agency theory contend that conflicts come from the creditors, shareholders and management due to changing views (He & Sommer, 2011).

The agency problem emanates from the arrangement where the interests of the agent differ substantially from those of the principal because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal (Brennan, 1994).Emanating from this problem is how to induce the agent to act in the best interests of the principal. The agency problem arises due to the separation of ownership and control of business firms. In theory the shareholders, being the owners of the firm, control its activities. In practice, however, due to a diffuse and fragmented set of shareholders, the latter appoints board of directors to direct the affairs of the company.

iv) Forms of Ownership and Control

Partnerships

Partnerships are businesses that ownership is taken by 2 or more people who act as co-owners. The forms of partnerships are generally partnership and limited partnership different from the primary liability covered through different primary focus for the organisation's ownerships. The partnerships hence provide a force that supports the business for the case of limited companies and those of sole traders (Laeven, 2013). Limited partnership has a least form of partners that provide limited liability implying that the person responsible is the debts for creating the debts. The considerations for the relative for the development of the created cheap regulation for the sole proprietors in the benefit of the combination for knowledge in the additional values.

Corporations

The likelihood for the examples of corporations in the forms of owned legal entities for separations of the ownership hence creating a limited liability for the ownership of the legal separated entities for the organisations hence creating a liable force for the taxation. The corporations hence provide an ease form of the raise in capital sold in sole ownership for the partners of large part due to great sources funds for the available avenues of the stock (Muriithi, 2005). The style of the great avenues of governance regulated environment cooperation to enhance required form of extensive records management.

Limited liability Company

This business ownership is taxed in partnership form that enjoys the values of the limited business liability in an organisation for corporations. The comparison is that simple avenues for the partnerships provide an organised form of receipt for taxation while receiving the complementary reception for the more credit on the partnership scale for the coming of the resources in a workable mechanism straight from the organisation to unfortunate the professionals in getting the capital or working capital (Manville & Ober, 2003). The degree of unfortunate venture hence drives a need for a desired organisation focus aimed at enhancing the effective management mechanisms for the organisation corporate style.

Franchise

Franchising is an ownership for the various forms of the management of assets. Under this form, the ownership allows the franchisee to borrow the franchisor business model brands for a certain period. They provide a value to include trainings on the operation of franchise, systems and technology that operate on the guide of marketing, adverts and several business models that provide a network for the sharing of the experiences. Franchise presents the ownership disadvantage of structure for the fee, loyalty on sale profits and strict maintains for ownership of resources.

4.2 Accountability and the need for Corporate Governance

(I) Internal Governance

The internal corporate atmosphere allow the monitoring of activities that provide a correction to the attainment of the organisation goals, these include monitoring the directors then the directors with the legal authority to hire fire compensate management and safeguard invested capital for supporting regular meetings that allow the problems to be mentioned that provide a ground for effective handling of the challenges in a bid to develop an effective workforce for the employees (Mwangi, 2013).

Internal control process is then policy development aimed at enhancing the directors, audits committee. Managers, and different persons in providing an effective and resonate assured scale of the attainment of the laws and regulations that support the internal personnel in the organisations to design and implement the organisations control processes for a reliable force of financial development and reporting's.

ii) External corporate governance controls

under external corporate governance the controls for the stakeholders externally is done under the organisation umbrella that include the provision of competitions, debts for the agreements, demands for assessments of information, governments restrictions and managing the labour force through media and pressure for the case of organisations.

The directors for the board have a fundamental role of the internal and external financial reporting supporting. The key focus for the officers is the provision of participation for the boards used for the highest degree of the reliance for the integrity in supply accounting information management (Manafi, 2015). They have responsibility of undertaking the management of the system in accounts and rules development in terms of accounting standards and GAAP allowing management to have choices in assessing the methods used in measuring the criteria for recognising the financial reporting constructs. The fundamental aspect of the selection is improvement of the performance increment for the information risks for users. Financial reporting fraud is hence a not disclose for the deliberation of the values that have a contribution for the use information in risk management. This can reduce the risks to enhancing the perception of integrity of the reports, companies that are audited for independence of the corporations that are provided in the use of financial reports for the firms.

iii) The Benefits of Governance

a very fundamental value of corporate governance is supporting the organisations in attaining directions for the linking of the visions, strategies, goals and the directors that enable the taking of decisions on projects that can be reflected in the order of attainment of the visions responsible for growth and need in future, for instance organisations with good visions are among the biggest in the middle east he organisations have been bidding in big sewage tunnels such as in Dubai.

The values of the governance provide an elaborate issue of sponsoring the organisations that facilitate the directors in boards for the value of seeing the accountability for the implementation of projects hence necessary for projects development management that enable the design of imminent strategy on decisions required (Manville & Ober, 2003).

A further example is the management of the board of directors that are aware for safety management that escalate in the organisation program hence supporting the organisation of structuring of reports that enable the effective developed programs for projects managers in planning and considering the reviewing of cycles. The general aim is to provide a support system that can enable the management of the organisation people in risks related to the effects of businesses and provide a harm to environment that support the effectiveness of the organisations resources.

Corporate governance encourages the development for honest in the organisation culture. The project management for the senior people are encouraging the reporting for honesty for the detection of challenges on having the importance that supports the direction of the board for the recovery actions for solving the issues. The projects management reports provide that the supply of the pumps on the projects support the delay for the wrong delivery on purchasing orders, these will reduce influence of the completion for the project in subjecting to penalty (Manafi, 2015).

Corporate governance supports the project management status for the capable within organisations that are concerned with improved efficiency controls in the performance for the projects and resources in the well-developed communications that stakeholders are engaged in making the efforts for the waste of the efficient used for the needs the organisations.

CHAPTER FIVE

METHODOLOGY.

5.1 Research design

According to Kumyar (1996) a research design as a strategy attained by the researchers in the answering of the research questions objectively in accurate and economical manner. The cross-sectional survey was adopted using a mixed methods approach. Creswell (2003) in his study states that cross-sectional survey mainly uses questionnaires or structured interviews in the collection of data for the purpose of providing the general form of the same for the population. The researcher employed a quantitative research approach (Mugenda, 2003). In this case the quantity method is used in helping the conducting investigations on the casual relations

5.2 Study Population

The study primarily focused on the employees of five banks from Mogadishu Somalia the banks include Salaam Somali bank, Dahabshiil international bank, premier bank, international bank of Somalia and Amal Bank. According to the organisation human resource management for the companies of 2018, the banks have a total population of 550 employees at the headquarters of the banks. These were both managerial and staff. These was selected to collect the data that is required by the researcher.

5.2.1 Sample Size

The sample was attained using Krejcie and Morgan (1970) table. According to Morgan, population of 550, a sample size of 217 respondents were selected for the study.

Table 5.1: Populations and Sampling in the study

Category	Population	Sample size
Salaam Somali bank		
Managerial staff	17	5
Technical staff	120	41
Dahabshiil international bank		
Managerial staff	15	6
Technical staff	115	50
Premier bank		
Managerial staff	14	6
Technical staff	99	37
Amal bank		
Managerial staff	10	4
Technical staff	78	31
International bank of Somalia		
Managerial staff	10	4
Technical staff	72	33
	550	**217**

Source: Primary Source, 2018.

5.3 Sampling Techniques

The non-probability sampling technique for the selection of the sample. Probability sampling of quantitative sample techniques are given for the members of providing chance for the selection of the selected people. The study used simple random sampling techniques to select a sample of technical staff. A sample frame was used so that all (technical staff) can be randomly sampled this enable all subsets of the frame to be given equal probability. Nonprobability is a type of sampling that adopts non randomness in selecting the sample. The study also applied purposive sampling techniques to select the managerial staff from the study.

5.4 Data Collection Methods

This study focused on the use of both primary and secondary data.

5.4.1 Survey

The study used the questionnaire method to collect data to facilitate collecting large amounts of the data from the respondents for a short time. Questionnaires are cheap and fast to distribute allowing respondents to fill out information in a short period of time

5.4.2 Interview Method

This method used to collect data through one on one personal interview with all respondents. Interviews are used to conduct in order to obtain first-hand information. This method helps in collecting information that cannot be directly observed or got using questionnaires. The interviews were conducted with the managerial staff of the banks.

5.5 Data Collection Instruments

5.5.1 Questionnaire

Closed ended questionnaire was the data collection that is required for the attainment of the information for the large people for the respondents that are many efforts. The questionnaires are self-administered, they serve as the convenience for the attainment of the research of the need for the sitting of the respondents in the finishing the answering of the questions for them. The study employed closed ended questionnaires based on the composed of the questions based on the respondent’s degree of the selection options for the description of the sentiment. The questionnaires on corporate governance, CSR and financial performance was based on the works of Ruin (2001) and Shleifer and Vishny (1997) while CSR based on the scales of Turker (2009: 418) and financial performance was based on the scale of Ittner Larcker & Randall (2003) and Valsamakis (2005). The questionnaires composed of the questions that are in the respondents for the selection of options that are based on the scale of 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree and Strongly agreed

5.6 Data Quality Control

This ensures that the data to be collected is valid and reliable. Therefore, the researcher test for validity and reliability.

5.6.1 Validity

To test validity of the questionnaire the investigator former formulated for questions in accordance to the objectives and the questions for the presented for the formulations for the questionnaires. The validity for the questionnaire was provided to three experts for the evaluating the references for the questions. To measure the validity of the content validity Index (CVI) in testing the validity for the questionnaires. The CVI is computed for the use of the formula provided below.

$$CVI = \frac{\text{Items rated relevant/Very relevant by both rates (3 or 4)}}{\text{Total number of items in the instrument}}$$

The Validity of coefficients was accepted if the CVI is above 70%.

5.6.2 Reliability

The research questions for the variable were reflected in the items of the questionnaire that needed to be tested in the Cronbach's Alpha coefficient. The determination of consistent focus for stable items in the research instruments, the examiner selected the Cronbach's Alpha values. In the determination of the value of the Alpha the questionnaires are reliable for the means of the instruments for the collection of data and investigation and analysis (Nunnaly 1978). The test for reliability is provided.

Table 5.1: Reliability of the study

Variable	Cronbach' Alpha
Corporate Governance	.853
Corporate Social responsibility	.806
Profitability	.751
Sales growth	.821
Returns on assets and equity	.763

5.7 Procedure of Data Collection

Primary data was collected using administering questionnaires. These were distributed to the respondents for a period of one week to allow the respondents fill out the questionnaire. Follow up was made to ensure high response rate is recorded. For Interviews, the researcher scheduled meeting with the respondents and carry out face to face interviews with the selected key informants. The interview was carried out with the help of an interview guide. At all times, the researcher ensured that interviews and delivery of questionnaires is done at times that do not interfere with the official work schedules of respondents and where they conflict, the researcher sought special permission from the banks.

5.8 Data Analysis

Research involved the use of quantitative data analysis.

5.8.1 Quantitative Data Analysis

The study employed descriptive and inferential statistics. Descriptive data analysis and interpretation was done using SPSS. Quantitative data from the questionnaire that was closed ended. The demography of the respondents were analysed based on frequencies and percentage while the objectives were determined descriptively based on mean and standard deviation then regression analysis was used to determine the effect of corporate social responsibility, corporate governance and their impact on profitability, sales, returns on assets. The decision rule for determination of hypothesis was 0.05 level of significance.

The interpretations are provided based on the data provided below.

Mean range	Respondent	Interpretation
4.23 - 5.00	Strongly agree	Very Good
3.42 - 4.22	Agree	Good
2.61 – 3.41	Not Sure	Fairly good
1.81 - 2.60	Disagree	Poor
1.00 - 1.80	Strongly disagree	Very poor

CHAPTER SIX

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

6.1 Response Rate

The study targeted a sample of 217 people that are selected from the commercial banks in Mogadishu Somalia. The data was collected from 168 respondents out of the sample that was given the questionnaires. The data collected revealed that information was attained from a high response rate so is considered as qualitatively and quantitatively acceptable for the case of data collection.

Table 6.1: Response Rate

Respondents Category	Sample Size	Actual returned	Percentage
All respondents	217	168	78

Source: Primary Data, 2019

Results in table 5.1 above reveal that majority respondents in the study were 168 respondents. Although the response was not on the actual, the data was collected from responsible respondents hence not doubtable for data collections.

6.2 Demographic profile of respondents

6.2.1 Gender of respondents

The researcher collected information based on the gender of the respondents. The information provided below indicate the same as the data provided under

Table 6.2: Gender of respondents

Gender	Frequency	Percentage
Male	114	67.9
Female	54	32.1
Total	**168**	**100.0**

Source: Field Data, 2019

Here findings from the field indicate that many respondents were male (67.9%) who were most of the respondents. The few respondents were respondents 32.1% of the respondents who were the respondents. The studies imply that most of the respondents were males who were majority of the respondents. The study results indicate that the many respondents of consulted were for the data collection.

6.2.2 Age of respondents

Table 6.3: Age of respondent

Age	Frequency	Percentage
Below 20 Years	7	4.1
20 - 30	30	17.9
30 – 40	46	27.4
40 – 50	52	31.0
50+	33	19.6
Total	**168**	**100.0**

Source: Field data, 2019

The study results indicate that most of the respondents were 31% of the respondents while 30-40 had 27.4% of the respondents while those of 50+ had 19.6% of the respondents while 20-30 had 17.9% respondents while 20 years below have 4.1% of the respondents. Most of the respondents imply that the many respondents are provided for information in the study. The study reveals that the majority respondents indicate that many respondents were presented for the data.

6.2.3 Findings on education of respondents

Table 6.4: Show education of the respondents

Academic qualifications	Frequency	Percentage
Certificate	17	10.1
Diploma	24	14.3
Degree	89	53.0
others	38	22.6
Total	**168**	**100.0**

Source: Field data, 2019

The findings show that many respondents were degree holders who represented 53% followed by others who had PhD, master’s degree and professional qualifications at 22.6% while diploma had 14.3% certificate 10.1%. The results indicate that majority respondents were educated hence data collected is fit for the purposes of collecting the data from the field.

6.2.4 Marital status

Table 6.5: Marital status of respondents

Marital status	Frequency	Percentage
Single	37	22.0
Married	110	65.5
Divorced/Separated	21	12.5
Total	**168**	**100.0**

Source: Field data, 2019

The findings indicated that many respondents were married at 65.5% while the single were 22.0% those who divorced 12.5% of the respondents. The outcome indicates that many respondents were mature and old enough to collect the data. The results further show that the many responses are a sign of responsibility hence the provision of data is quite difficulty in the providing the data for the study.

6.2.5 Time of work

Table 6.6: Time of work of respondents

Time of work	Frequency	Percentage
1-4 Years	49	29.2
5-9years	26	15.5
10-14years	60	35.7
15 years above	33	19.6
Total	**168**	**100.0**

Source: Field data, 2019

Findings in table 5.6 show that many respondents were in the age of work of 10-14 years while those of 1-4 years were 29.2%, those of 5-9 years were 15.5% and those of 15 years above were 19.6% respondents. The study findings indicate that the majority respondents had experience in working with the banks in Mogadishu, they hence understand the study.

6.3 Descriptive statistics on corporate governance in banks in Somalia

Before focusing on the objectives of the study and measuring the effect between variables. The research first sought to examine the description of corporate governance in banks in

Somalia while focusing on the descriptive statistics after linear regression is conducted to determine the effect between the variables of the study. The presentation of the data is connected to the like scale measure of 5, 1. Based on strongly agree to strongly disagree.

Table .6.7: Descriptive statistics on corporate governance in banks in Somalia

Descriptive Statistics

Corporate governance	N	Mean	Std. Dev	Interpretation
The boars have meeting on the regular basis	168	2.869	1.412	Fairly good
The bank perform appraisal for the board on regular basis	168	2.886	1.432	Fairly good
The vision for the bank, mission and direction are formed by the board	168	2.809	1.335	Fairly good
The board members are provided with an appointment Letter	168	3.595	1.493	Good
The bank follows corporate government's regulations	168	3.970	1.296	Good
The institution provides equal access to data for Shareholders and investment analysts	168	3.506	1.472	Fairly good
The institution publishes and distributes its money results and management analysis for analysis	168	3.797	1.113	Good
The institution posts its money results and management analysis on the net.	168	3.035	1.366	Fairly good
Share holder are units inspire to attend and vote through the annual meetings	168	2.571	1.386	Fairly good
There is adequate chance for the stakeholders to get and review monetary reports before the annual meetings	168	2.886	1.486	Fairly good
There is adequate time for the annual stakeholder meetings with the stakeholders	168	2.696	1.348	Fairly good
Corporate Governance	**168**	**3.147**	**.404**	**Fairly good**

Source: Field data, 2019

The results in table above reveal that corporate governance in the banks in Somalia is fairly good. Though some avenues of the study point to good corporate governance, the overall mean reveal a fairly good mean with 3.147, interpreted as fairly good. The standard deviation of .404 reveals a low deviation away from the mean indicating that the overall results indicate that the corporate governance environment is poor.

6.3.1 Descriptive statistics on corporate social responsibility in banks in Mogadishu Somalia

Table 6.8: Corporate social responsibility in banks in Mogadishu

Descriptive Statistics

Corporate Social responsibility	N	Mean	Std. Dev	Interpretation
The bank gives a broad range of indirect benefits to enhance the quality of employees' lives.	168	3.053	1.296	Good
The bank policies give a safe and healthy working atmosphere to all its workers.	168	2.434	1.343	Poor
There are enough numbers of opportunities to improve my skills in my current job.	168	3.488	1.418	Fairly good
Our bank policies inspire the employees to improve their skills and careers.	168	2.827	1.555	Fairly good
Our bank executes adaptable policies to give a good work & life balance for its employees	168	3.250	1.352	Fairly good
The bank gives full and correct information about its products to its customers	168	2.988	1.308	Fairly good
The bank promotes to schools, hospitals, and parks according to the demands of the society.	168	3.488	1.539	Fairly good
Our corporation always pays its taxes on a regular and continuing basis	168	3.297	1.595	Fairly good
The bank fulfils with legal rules entirely and promptly	168	3.309	1.484	Fairly good
The bank's main principle is honesty in every business dealing	168	2.982	1.424	Fairly good

The bank applies special programs to reduce its negative influence on the natural environment	168	2.702	1.274	Fairly good
The bank helps nongovernmental organizations working in difficult areas.	168	3.053	1.473	Fairly good
Corporate Social Responsibility	**168**	**3.072**	**.401**	**Fairly good**

Source: Field data, 2019

Concerning the status of corporate social responsibility, the study results reveal that the status of corporate social responsibility in the banks in Mogadishu is fairly good based on the mean of 3.072, SD=.401 interpreted as fairly good. The study results indicate that the CSR in the banks in Mogadishu have performed fairly well on the CSR activities aimed at enhancing the financial performance.

6.3.2 Financial Performance of banks in Mogadishu Somalia

Table 6.9: Financial Performance of banks in Mogadishu Somalia

Descriptive Statistics

	N	Mean	Std. Dev	**Interpretation**
Profits have increased over the past three years	168	2.9881	1.435	Fairly good
There has been increment in the profits due to cost reduction	168	3.1905	1.451	Fairly good
Profits earned been sufficient to meeting the returns on investments	168	3.6548	1.203	Fairly good
Profitability	**168**	**3.2778**	**.767**	**Fairly good**
There is growth in the sales capacity	168	2.3988	1.300	Poor
There is effectiveness in the marketing for the products	168	2.3988	1.300	Poor
Loyalty for the customers increased the sales growth	168	3.0893	1.396	Fairly good
Sales growth	**168**	**2.9220**	**.647**	**Fairly good**

The returns on equity employed is high annually	168	2.9405	1.260	Fairly good
There is equitable flows in the returns on the equity	168	2.8929	1.262	Fairly good
The ban returns on the assets is enough on the annual basis	168	3.2381	1.253	Fairly good
Return on assets and Equity	**168**	**3.0357**	**.706**	**Fairly good**
Financial Performances	**168**	**3.0785**	**.706**	**Fairly good**

Source: Field data, 2019

The financial performance of commercial banks in Mogadishu was measured through profitability, sales growth and return on assets and equity. The measure of the study provides that the financial performance of the banks in Mogadishu regarding profits was fairly good based on the mean of 3.2778 interpreted as fairly good. The sales growth for the banks was also fairly good with 2.9220 and that of return on assets and Equity was 3.0357 interpreted as fairly good. On average hence the reveal the financial performance of the banks in Mogadishu was overall fairly good based on the mean of 3.0875 interpreted as fairly good.

6.4 Effect of corporate governance on financial performance of banks in Mogadishu Somalia.

in consideration to fulfil this objective, the researcher conducted the study on assessing the effect of corporate governance on profits, sales growth and return on equity and assets in banks in Mogadishu Somalia. The study runs a simple linear regression analysis to present the effect based on these sub-objectives.

i. To decide the impact of corporate governance on Profits of the banks in Mogadishu Somalia.
ii. To examine the impact of corporate governance on sales growth in banks in Mogadishu Somalia.
iii. To examine the impact of corporate governance on return on equity and assets in banks in Mogadishu.

6.4.1 Effect of corporate governance on Profits of the banks in Mogadishu Somalia

Table 6.10: Regression on corporate governance and Profitability of the banks in Mogadishu Somalia

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.245[a]	.060	.054	.74635

a. Predictors: (Constant), Corporate Governance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.901	1	5.901	10.594	.001[b]
	Residual	92.469	166	.557		
	Total	98.370	167			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Corporate Governance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.817	.453		4.013	.000
	Corporate Governance	.464	.143	.245	3.255	.001

a. Dependent Variable: Profitability

Source: Field Data, 2019

Regression analysis of the results on the effect of corporate governance on profitability of banks in Mogadishu, the study findings indicated that the R value was .245, this imply that corporate governance lead to profitability by 24.5%. The error estimate of .74635 signifies the closeness of data.

The Analysis of variance (ANOVA) table reveal association between Corporate governance and profitability of the banks in Mogadishu was significant (Sig= .001) that is below the significant value of 0.05. The study results indicate that corporate governance has a significant a predictive potential on the profitability of the banks.

Regarding the coefficients of the study, both the independent and dependent variable corporate governance and profitability had the levels of significance of below 0.05.the study results imply that corporate governance had a significant effect on the profitability of the banks in Mogadishu. The study hence implies that improving the corporate governance is a tool for enhancing profitability.

6.4.2 Effect of corporate governance on sales growth in banks in Mogadishu Somalia.

Table 6.11: Effect of corporate governance on sales growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.116[a]	.013	.007	.64472

a. Predictors: (Constant), Corporate Governance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.940	1	.940	2.261	.035[b]
	Residual	69.000	166	.416		
	Total	69.940	167			

a. Dependent Variable: Sales growth

b. Predictors: (Constant), Corporate Governance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.505	.391		8.965	.000
	Corporate Governance	.185	.123	.116	1.504	.035

a. Dependent Variable: Sales growth

Source: Field Data, 2019

The study findings on the impact of corporate governance on sales growth of banks in Mogadishu, the findings presented that the R-value was .116, meaning that corporate governance leads to sales growth by 11.6%. The error estimate of .64472 signifies the closeness of data.

The Analysis of variance (ANOVA) table reveal that corporate governance affect the sales revenue performance in Mogadishu was significant (Sig= .035) that is below the level of significance of 0.05. The study results imply that corporate governance has a significant a predictive potential on sales growth of the banks.

Regarding the coefficients of the study, both the independent and dependent variable corporate governance and sales growth had the levels of significance of below 0.05. The study results imply that governance of corporate organisations had a important impact on sales growth of the banks in Mogadishu. The study hence implies that improving the corporate governance is a tool for enhancing sales growth of the banks.

6.4.3 Effect of corporate governance on return on equity and assets in banks in Mogadishu.

Table 6.12: Regression on corporate governance on return on equity and assets in banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.129[a]	.017	.011	.70267

a. Predictors: (Constant), Corporate Governance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.379	1	1.379	2.792	.007[b]
	Residual	81.963	166	.494		

	Total	83.341	167			

a. Dependent Variable: Return on assets and Equity

b. Predictors: (Constant), Corporate Governance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.329	.426		5.466	.000
	Corporate Governance	.224	.134	.129	1.671	.007

a. Dependent Variable: Return on assets and Equity

Source: Field Data, 2019

The study results concerning the impact of corporate governance on Return on assets and Equity of banks in Mogadishu, the study indicated that the R-values of the study was .129, this imply that corporate governance leads to Return on assets and Equity by 12.9%. The error estimate of .70267 signifies the closeness of data.

Concerning the ANOVA analysis show that the connection among Corporate governance and Return on assets and Equity of the banks in Mogadishu was significant (Sig= .007) that is below the level of significance of 0.05. The study results imply that corporate governance has an important predictive potential on return on assets and equity of the banks.

Regarding the coefficients of the study, both the independent and dependent variable corporate governance and return on equity and assets had the levels of significance of below 0.05.the study results imply that corporate governance had an important impact on returns on assets and equity of the banks in Mogadishu. The research hence implies that improving the corporate governance is a tool for enhancing return on assets and equity of the banks.

In the overall assessment of the impact of corporate governance on financial performance of banks in Mogadishu Somalia. The three sub points all reveal a significant impact of corporate governance on financial performance for the banks, all the results were below 0.005 level of significance, the researcher hence rejects the null hypothesis and concludes that there is a significant effect of corporate social responsibility on financial performance of banks in Mogadishu Somalia.

6.5 Effect of corporate social responsibility on financial performance of banks in Mogadishu.

To provide responses to the objective, the researcher conducted the research on assessing the impact that corporate social responsibility has on profits, sales growth and return on equity and assets in banks in Mogadishu Somalia. The study runs a simple linear regression analysis to present the impact based on these sub-objectives.

i. To evaluate the contribution of corporate social responsibility on profitability of the banks in Mogadishu.
ii. To examine the impact of corporate social responsibility on sales of banks Mogadishu.
iii. To examine how corporate social responsibility of corporate organisations on Return on equity and assets in the banks Mogadishu.

6.5.1 Effect of corporate social responsibility on profitability of the banks in Mogadishu

Table 6.13: Regression on corporate social responsibility on profitability of the banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.004[a]	.000	-.006	.76979

a. Predictors: (Constant), Corporate Social Responsibility

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.003	.958[b]
	Residual	98.369	166	.593		
	Total	98.370	167			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Corporate Social Responsibility

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.302	.460		7.179	.000
	Corporate Social Responsibility	-.008	.148	-.004	-.052	.958

a. Dependent Variable: Profitability

Source: Field Data, 2019

Findings in table above concerning the impact of corporate social responsibility on profitability of banks in Mogadishu, the results reveal that the R value was .004, this imply that corporate governance leads to profitability by 0.4%. The error estimate of .76979 signifies the closeness of data.

The Analysis of variance (ANOVA) table reveal that the impact among Corporate social responsibility and profitability of the banks in Mogadishu was non-significant (Sig=.958) that is above the level of significance of 0.05. The study findings imply that corporate social responsibility has no important impact on profitability of the banks in Mogadishu Somalia.

Regarding the coefficients of the study, both the independent and dependent variable corporate social responsibility and profitability had the levels of significance of above 0.05.the study results imply that corporate social responsibility had no important impact on profitability of the banks in Mogadishu. The study hence implies that corporate social responsibility has low impact on profitability of the banks.

6.6 Effect of corporate social responsibility on sales of banks Mogadishu.

Table 6.14: Regression on corporate social responsibility and sales of banks Mogadishu

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.179[a]	.032	.026	.63856

a. Predictors: (Constant), Corporate Social Responsibility

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.252	1	2.252	5.524	.020[b]
	Residual	67.687	166	.408		
	Total	69.940	167			

a. Dependent Variable: Sales growth

b. Predictors: (Constant), Corporate Social Responsibility

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.811	.381		9.990	.000
	Corporate Social Responsibility	-.289	.123	-.179	-2.350	.020

a. Dependent Variable: Sales growth

Source: Field Data, 2019

The outcomes on corporate social responsibility and its effect on sales growth of banks in Mogadishu, the results further show that .004, this imply that corporate governance leads to sales growth by 17.9%. The error estimate of .63856 signifies the closeness of data.

The analysis for variance table reveal that the effect among Corporate social responsibility and sales growth of the banks in Mogadishu was significant (Sig=.020) that is below the level of significance of 0.05.The information show corporate social responsibility has important impact on sales growth of the banks in Mogadishu Somalia.

Concerning the coefficients of the study, both the independent and dependent variable corporate social responsibility and sales growth had the levels of significance of above 0.05.the study results imply that corporate social responsibility had an important impact on sales growth of the banks in Mogadishu. The study the findings show that corporate social responsibility affects the sales revenue of the commercial banks in Mogadishu Somalia.

6.7. Effect of corporate social responsibility on Return on equity and assets in the banks Mogadishu.

Table 6.15: Regression on corporate social responsibility on return on equity and assets.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.016[a]	.000	-.006	.70847

a. Predictors: (Constant), Corporate Social Responsibility

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.021	1	.021	.042	.837[b]
	Residual	83.320	166	.502		
	Total	83.341	167			

a. Dependent Variable: Return on assets and Equity

b. Predictors: (Constant), Corporate Social Responsibility

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.949	.423		6.968	.000
	Corporate Social Responsibility	.028	.137	.016	.206	.837

a. Dependent Variable: Return on assets and Equity

Source: Field Data, 2019

Findings in table above involving the impact of corporate social responsibility on return on equity and assets of banks in Mogadishu, the findings show that the R value was .016, this indicate that corporate governance leads to return on assets and equity by 1.6%. The error estimate of .70847 signifies the closeness of data.

The Analysis of variance (ANOVA) table reveal that the impact among Corporate social responsibility and returns on assets and equity of the banks in Mogadishu was non-significant (Sig=.837) that is above the level of significance of 0.05. The study results imply that corporate social responsibility has no important impact on returns of the banks in Mogadishu Somalia.

Regarding the coefficients of the research, both the independent and dependent variable corporate social responsibility and returns on equity and assets had the levels of significance of above 0.05. The study results imply that corporate social responsibility had no important impact on returns of the banks in Mogadishu. The study hence implies that corporate social responsibility has low effect on returns on equity and assets of the banks in Mogadishu.

The overall results on the effect of corporate social responsibility (CSR) on financial performance of banks in Mogadishu reveal that the context of CSR has a supportive contribution to financial performance concerning sales growth with less contribution to profits and returns on equity and assets. Based on the results, the research is in agreement with the stated hypothesis that there is no considerable impact of corporate governance on financial performance of banks in Mogadishu Somalia.

CHAPTER SEVEN
CONCLUSION AND RECOMMENDATIONS

The objective of the research was to investigate impact of corporate governance and social responsibility on financial performance based on profits, sales growth and return on equity and return on assets in banks in Mogadishu Somalia. The study based on the main objectives was to determine the effect of corporate governance and corporate social responsibility on financial performance of banks in Mogadishu Somalia.

The major first objective on the impact of corporate governance on financial performance of banks in Mogadishu Somalia, Based on three sub objectives all reveal a significant effect of corporate governance on financial performance for the banks, all the results were below 0.005 level of significance, the researcher hence rejects the null hypothesis and concludes that there is a significant effect of corporate social responsibility on financial performance of banks in Mogadishu Somalia.

Regarding the effect of corporate social responsibility on the financial performance of the banks in Mogadishu. The overall results on the effect of corporate social responsibility (CSR) on financial performance of banks in Mogadishu reveal that the context of CSR has a supportive contribution to financial performance concerning sales growth with less contribution to profits and returns on equity and assets. Based on the results, the research is in agreement with the stated hypothesis that there is no significant impact of corporate governance on financial performance of banks in Mogadishu Somalia.

On overall the performance of the commercial banks in Mogadishu Somalia was overall fairly good. The financial performance for the banks was measured in terms of the bank system operations. The corporate governance was found to have an overarching impact on financial performance of the banks than corporate social responsibility.

The research concludes that corporate governance in the commercial banks in Mogadishu Somalia is prevalent. The study conclude that an effective corporate governance generates improved profits, sales and returns to equity and assets. The study further concludes that improving corporate governance can enhance the entire financial performance for the commercial banks. The conclusion hence is that development of cooperate governance is fundamental for the organisation.

Secondly the study conclude that corporate social responsibility has a low contribution to financial performance of the banks in Mogadishu Somalia, though the contributions registered is visible in the significant sales increase, the effect on profits and returns to investments was low. The study concludes that corporate social responsibility has a little place for financial performance enhancement in the commercial banks in Mogadishu. The analysis conclude that other financial performance stimulates need more focus than corporate social responsibility.

The study recommends for the development and improvement of corporate governance decision making through effective having an incorporation of the top-level decision making to the operational level so that to develop a strong focal corporate governance decision for the banks. The study furthermore recommends for the adoption and improvement of corporate decision making to the organisations as means to developing an organisation resource base for financial performance excellence.

The state of corporate social responsibility can be developed through the need to provide a further venue of management in order to improve the state of the employees. Enough supporting of the employees provides a good avenue that is fundamental for the development and attracting the customers. There is necessity to improve the state of corporate social responsibility policies by assuring them of the support for the policy for development of employees. There is need to incorporate the consumer protections in order to improve the means for enhancing the mechanisms for conducting awareness programs.

The study provides the newness of the direction and focus that the research on financial performance and provide the data on the relevance of corporate decisions on financial performance.

In providing an understanding on the impact of corporate governance and corporate social responsibility on financial performance, the study provides an additional value for understanding the importance of corporate governance in financial performance of the banks.

The legitimacy of the research is likely to face some threats borne out of the following situations;

(i) Language barrier since some targeted respondents didn’t interact fully with the researcher because of not understanding the local language. Simple designed questionnaires were employed to curb this with the use of local research assistants.

(ii) Respondents withholding information due to fear of being victimized but however, the researcher assured them that the information would be kept confidential.

(iii) Poor response, in the case of unanswered and semi-answered questionnaires and unwillingness of the respondents to answer the question during interviews.

(iv) The researcher found it difficult to access confidential information. Though the researcher obtained an introductory letter and confirm that the study was purely academic, its delayed data collection.

The investigator suggests the following as possible areas for further research on corporate governance, corporate social responsibility and financial performance of the organizations.

- Management decision making and financial performance of organisations
- Consumer protection and financial performance
- Environmental policy and financial performance

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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Dear Respondent

This questionnaire is designed to seek information from you on the "corporate governance and social responsibility and financial performance in the banking sector in Mogadishu Somalia. It is carried as a partial fulfilment of the requirements for the award of master's degree in International Finance of Istanbul Commerce University. Your contribution, opinions and experience will be highly appreciated.

Thanks for your cooperation.

PART I: Demography of respondents

1. **Gender**
   a) Male ☐
   b) Female ☐
2. **Age**
   a) 20 – 29 ☐
   b) 30 – 39 ☐
   c) 40 - 49 ☐
   d) 50 + ☐
3. **Qualification academically**
   a) Certificate ☐
   b) Diploma ☐
   c) Degree ☐
   d) Masters ☐
4. **Marital status**
   a) Single ☐
   b) Married ☐
   c) Separated/divorced ☐
5. **Time period of work**
   a) 1-4 years ☐ c) 10-14 years ☐
   b) 5-9 years ☐ d) 15 and above ☐

Under the following sections, please tick according to your level of agreement

5. SA Strongly Agree
4. Agree
3. Not Sure
2. Disagree
1. Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

PART II: Corporate Governance

N0	Scale	1	2	3	4	5
	Practices and policies of Corporate Governance					
1	The boars has meeting on the regular basis					
2	The bank perform appraisal for the board on regular basis					
3	The vision for the bank, mission and direction are formed by the board					
4	The board members are provided with an appointment Letter					
5	The bank follows corporate government's regulations					
	Disclosure Policies And Practices					
1	The institution provides equal access to data for Shareholders and investment analysts					
2	The institution publishes and distributes its money results and management analysis for analysis					
3	The institution posts its money results and management analysis on the net.					
	Share holder right and responsibility					
1	Share holder are units inspire to attend and vote through the annual meetings					
2	There is adequate chance for the stakeholders to get and review monetary reports before the annual meetings					
3	There is adequate time for the annual stakeholder meetings					

	with the stakeholders					

PART III: Corporate Social Responsibility

N0	Scale	1	2	3	4	5
1	The bank provides a wide range of indirect benefits to improve the quality of employees' lives.					
2	The bank policies provide a safe and healthy working environment to all its employees.					
3	There are sufficient numbers of opportunities to develop my skills in my current job.					
4	Our bank policies encourage the employees to develop their skills and careers.					
5	Our bank implements flexible policies to provide a good work & life balance for its employees					
6	The bank provides full and accurate information about its products to its customers					
7	The bank contributes to schools, hospitals, and parks according to the needs of the society.					
8	Our company always pays its taxes on a regular and continuing basis					
9	The bank complies with legal regulations completely and promptly					
10	The bank's main principle is honesty in every business dealing					
11	The bank implements special programs to minimize its negative impact on the natural environment					

12	The bank supports nongovernmental organizations working in problematic areas.					

Part IV: Financial Performance

		RANKING				
	Response	**1**	**2**	**3**	**4**	**5**
	Profitability					
FP1	Profits have increased over the past three years					
FP2	There has been increment in the profits due to cost reduction					
FP3	Profits earned been sufficient to meeting the returns on investments					
	Sales Growth					
FP7	The sales capacity of the business is steadily growing					
FP8	The effectiveness in the marketing for the products has led to sales growth					
FP9	The customer loyalty has increased the sales of the business					
	Return on equity and return on assets					
FP10	The returns on equity employed is high annually					
FP11	There is equitable flows in the returns on the equity					
FP12	The ban returns on the assets is sufficient on the annual basis					

Appendix I: Table for determining Sample Size

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	**500**	**217**	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

SPSS Data

Descriptive Statistics

	N	Range	Mean	Std. Deviation	Variance
The boards have meeting on the regular basis	168	4.00	2.8690	1.41235	1.995
The bank perform appraisal for the board on regular basis	168	4.00	2.8869	1.43283	2.053
The vision for the bank, mission and direction are formed by the board	168	4.00	2.8095	1.33561	1.784
The board members are provided with an appointment Letter	168	4.00	3.5952	1.49345	2.230
The bank follows corporate government's regulations	168	4.00	3.9702	1.29682	1.682
The institution provides equal access to data for Shareholders and investment analysts	168	4.00	3.5060	1.47229	2.168
The institution publishes and distributes its money results and management analysis for analysis	168	4.00	3.7976	1.11366	1.240

The institution posts its money results and management analysis on the net.	168	4.00	3.0357	1.36637	1.867
Share holder are units inspire to attend and vote through the annual meetings	168	4.00	2.5714	1.38673	1.923
There is adequate chance for the stakeholders to get and review monetary reports before the annual meetings	168	4.00	2.8869	1.48617	2.209
There is adequate time for the annual stakeholder meetings with the stakeholders	168	4.00	2.6964	1.34814	1.817
Corporate Governance	168	2.09	3.1477	.40493	.164
Valid N (listwise)	168				

Descriptive Statistics

	N	Range	Mean	Std. Deviation	Variance
The bank provides a wide range of indirect benefits to improve the quality of employees' lives.	168	4.00	3.0536	1.29605	1.680
The bank policies provide a safe and healthy working environment to all its employees.	168	4.00	2.4345	1.34316	1.804

There are sufficient numbers of opportunities to develop my skills in my current job.	168	4.00	3.4881	1.41839	2.012
Our bank policies encourage the employees to develop their skills and careers.	168	4.00	2.8274	1.55535	2.419
Our bank implements flexible policies to provide a good work & life balance for its employees	168	4.00	3.2500	1.35253	1.829
The bank provides full and accurate information about its products to its customers	168	4.00	2.9881	1.30860	1.712
The bank contributes to schools, hospitals, and parks according to the needs of the society.	168	4.00	3.4881	1.53984	2.371
Our company always pays its taxes on a regular and continuing basis	168	4.00	3.2976	1.59550	2.546
The bank complies with legal regulations completely and promptly	168	4.00	3.3095	1.48426	2.203

The bank's main principle is honesty in every business dealing	168	4.00	2.9821	1.42465	2.030
The bank implements special programs to minimize its negative impact on the natural environment	168	4.00	2.7024	1.27415	1.623
The bank supports nongovernmental organizations working in problematic areas.	168	4.00	3.0536	1.47335	2.171
Corporate Social Responsibility	168	2.33	3.0729	.40139	.161
Valid N (listwise)	168				

Descriptive Statistics

	N	Range	Mean	Std. Deviation	Variance
Profits have increased over the past three years	168	4.00	2.9881	1.43518	2.060
There has been increment in the profits due to cost reduction	168	4.00	3.1905	1.45162	2.107
Profits earned been sufficient to meeting the returns on investments	168	4.00	3.6548	1.20373	1.449
Profitability	168	3.33	3.2778	.76749	.589

The sales capacity of the business is steadily growing	168	4.00	2.3988	1.30011	1.690
The effectiveness in the marketing for the products has led to sales growth	168	4.00	2.3988	1.30011	1.690
The customer loyalty has increased the sales of the business	168	4.00	3.0893	1.39645	1.950
Sales growth	168	3.22	2.9220	.64715	.419
The returns on equity employed is high annually	168	4.00	2.9405	1.26065	1.589
There is equitable flows in the returns on the equity	168	4.00	2.8929	1.26224	1.593
The ban returns on the assets is sufficient on the annual basis	168	4.00	3.2381	1.25368	1.572
Return on assets and Equity	168	3.33	3.0357	.70643	.499
Valid N (listwise)	168				