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RESEARCH ARTICLE

A STUDY ON CORPORATE GOVERNANCE AMONG COMMERCIAL BANKS IN UGANDA FROM THE CASE OF DFCU BANK LTD

*Nagwaya Annet

Shanghai University, China

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ABSTRACT

In recent years, the world has faced significant failures of many giant firms and with major scandals pointing to inadequate corporate governance (Ali, 2016). The Banking sector was also a victim of such shortcomings. In the current time, the financial crisis in the banking sector is a common issue around the world (Ataur & Jahurul 2018). However, investigation of the root cause of these failures has revealed that among other factors, these scandals are primarily attributed to inadequate corporate governance practices as Ataur and Jahurul (2018) affirm. Accordingly, issues relating to Corporate governance have received heightened attention in empirical studies and scholarly works. This paper examined the impact of corporate governance (CG) of commercial banks in Uganda from the case of DFCU Bank LTD. The main objectives were: 1.To establish the effect of corporate transparency on the performance of DFCU bank LTD. 2. To examine the effect of commitment to corporate governance on the performance of DFCU bank LTD. Since the study was dealing with perceptions, data collection was done using a closed-ended questionnaire for the aspects of corporate governance considered in this study and items relating to bank performance. From the regression and correlation, analysis, there is a positive relationship between transparency in financial management and Overall performance of DFCU.This implies that employees whose perceptions of Transparency in financial management were positive were also likely to report higher levels of bank performance. There is also a positive relationship between Commitment to Corporate Governance and Overall performance of DFCU. This implies that bank performance is high where Corporate Governance are discussed in the Annual report, CG policy or manual is readily available to the staff, core values of the bank are communicated in writing to employees and so on.

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INTRODUCTION

In this twenty-first century, corporate governance has become a significant concern in every institution starting from the biggest ones to the smaller institutions for instance from the central government to the small business and management institutions across the world. The failures of big institutions like Eron, World press, opened the eyes of all the organisations to give more importance on corporate governance and form policies that would guide them to attain there desired goals through good corporate governance. Although there are international standards and guidelines on corporate governance being set up by multinational organisations most of the corporations, financial institutions, business organisations and management institutions do not comply with this standard thus neglecting the interests of there shareholders, and in the long run, this may lead to failure of these entities.

In 2014 authorities in Uganda enhanced the Financial institution Act 20040FIA 2014) which contained new sets of regulations. They conducted Seminars, and all board of directors had to attend so that they can be highlighted on their responsibilities and duties to enhance shrewd corporate governance practices in commercial banks. The closure of these banks awakened the owner's director and board of governors and the management of commercial banks to implement and obey the principals of corporate governance to enhance the excellent financial performance of the commercial banks. All financial institutions must adhere to good corporate governance to attain the mission and values of these institutions as well as to fulfil the intrusts of all the stakeholders (Kibirango 2002). The critical components of corporate governance, which the study investigated include corporate transparency, accountability and commitment to corporate governance.

***Corresponding author:* Nagwaya Annet,**
Shanghai University, China.

Purpose of the study: The study sought to investigate the impact of corporate governance of commercial banks in Uganda with particular reference to DFCU bank LTD.

Research objectives

- To establish the effect of corporate transparency on the performance of DFCU bank LTD
- To examine the effect of commitment to corporate governance on the performance of DFCU bank LTD

Conceptual Framework: The conceptual framework in figure 1 shows the hypothesized relationship between the independent variable (corporate governance) and the outcome variable bank performance. From the literature we develop, the framework presupposes that when the two practices of cooperate governance are being adhered to strictly, there is no doubt the performance of a commercial bank is likely to follow suit. Failure to adhere to these practices, the repercussions would be the bank failures, and the worst scenario leads to bank closure. The conceptual framework in figure 1 presents the role of the two dimensions of corporate governance on the performance of banks.

The model assumes that in situations where there is adequate corporate transparency and commitment to corporate governance, the outcome will be an increase in banks' financial and non-financial performance.

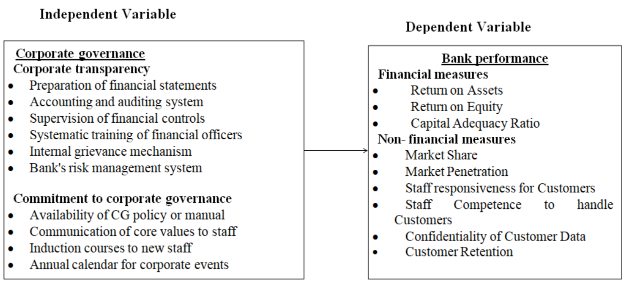

Fig 1. Conceptual framework

Corporate governance: As a concept, corporate governance has no universally accepted definition. For example, Hermes (2004) defines Corporate Governance as a set of interlocking rules by which corporations, shareholders and management govern their behaviour. According to the OECD (2004), CG is a set of relationships between a company's management, its Board, its shareholders and other stakeholders. Hodson, Marvin, Robinson and Swilling (2012) define governance as the framework in which the institutions pursue there objectives and goals in a coherent and coordinated manner. According to Matama (2008), corporate governance encompasses credibility building, adequate transparency and accountability, and upholding proper channel of information disclosure with the primary goal of fostering financial performance. In their list of the basic principles of underlying, the development of good corporate governance Coyle (2009) and Katto, Wanyama & Musaali (2014) cite transparency, honesty, Independence and fairness as some of the pillars on which corporate governance rests. In recent years, the world has faced significant failures of many giant firms and with major scandals pointing to inadequate corporate governance (Ali, 2016). This wave of failure has not spared out the banking sector. In the current time, the financial crisis in the banking sector is a common issue around the world (Ataur & Jahurul 2018). However, investigation of the root cause of these failures has revealed that among other factors, these scandals are primarily a result of inadequate corporate governance practices as Ataur and Jahurul (2018) affirms.

Accordingly, issues relating to Corporate governance have received heightened attention in empirical studies and scholarly works because of the increased recognition of the role of corporate governance in predicting the performance of firms. In the case of the banking industry, good corporate governance is a critical aspect because the most substantial part of the source of funds is from the public (Lutfi & Mellyza, 2013).

The Banking industry in Uganda: The financial system of Uganda is composed of formal, semiformal and informal institutions (Kironde 2015). Commercial banks are an example of legal institutions authorised to hold checking, savings and time deposit accounts.They have a responsibility of buying and selling foreign exchange, issue letters of credit and offer loans to customers. The sector is largely dominated by large, well-capitalised multinational banks such as Citibank, Barclays, Stanbic and Standard Chartered. Therefore, a large share is under foreign ownership. Together, these financial institutions undertake the functions of commercial banks by offering a wide range of services such as savings and current accounts, 24 hours ATM services; they also play an intermediary role between savers and borrowers among others. By comparison, Africa has the lowest level of financial inclusion, where only 25% of the adult population has a bank account (Irbad and Jayaprakash 2018). In Uganda, one of the significant features of the banking sector is the low level of financial inclusion which stands 33% with the highest proportion of the population in rural areas mainly served by informal institutions such as village savings and loans associations (Kironde, 2015).

Performance of commercial banks in Uganda: Armstrong (2000) defines performance as a multidimensional construct that relates to the outcomes of work done by an individual or institution. An impressive feature of the performance of Uganda's Banking system recently is the development and expansion of branch networks. Uganda had 129 bank branches in the year 2000. At the end of 2012, there was a fourfold increase in the number of branches to 495 (Kasekende, 2013). Furthermore, banks are spreading their operations around the country which reflects enormous competitive pressures within the banking market, with banks aiming to attract new customers by expanding into areas where they did not previously have a presence. Most of the writers (as cited by Irbad and Jayaprakash 2018) on commercial banks in Uganda described banks' performance of between 1999-2008 as a cause of self-infliction such as lack of transparency which resulted to colossal mismanagement, accountability and poor ethical conducts. For example, the national bank of commerce reportedly made a loss of 729 million Ugandan Shilling between 2001 and 2002. Rogers (2006) attributed this loss to a lack of transparency and sound corporate governance. In 2015, the overall profits of the banking sector declined to UGX 486 billion away from UGX 533 billion in 2014. This resulted from the increase in operational expenses, and provisions for non-performing loans asBagonza (2015) explains. Although the industry has over time evolved, it still grapples with several challenges. The high cost of credit continues to loom, biting into the pockets of Ugandans. Bank closures, mergers and takeovers have been critical characteristics of the industry. The beginning of bank closures started in 1993 with Teefe Trust bank being the first victim (Olanyo, 2018). Five years later, International Credit bank ltd (1998) became another victim of closure followed by Greenland bank and Cooperative banks both in 1999. For 14 years, there was some semblance of peace. However, events of the very troubled past that led to the closure of four commercial banks in the 1990s (Mutebile, 2006) returned to haunt the banking sector leading to the closure of National Bank of Commerce (2012), Global Trust bank (2014) and Crane bank ltd (2016). In most of these closures, liquidity crises were cited as the primary reason. This was indicated in the remarks made by the BOU governor, to COSASE on November 12 (2018) that seven defunct banks were put under resolution largely due to insolvency problems.

DFCU bank Ltd: DFCU's beginning is traced as far as 1964 as a development finance institution. Since then, the bank has nurtured its customers by offering them banking products and services that support their economic transformation in agribusiness, communication, education, health, manufacturing, tourism, real estate, mining, construction, transport, trade and commerce (DFCU Group 2015). In its Annual report and financial statement for the year 2015 (DFCU Group 2015) particularly on corporate governance DFCU Bank is dedicated to "ensure that corporate operations and structures are governed by clearly defined principles to enable proper governance, transparency, full disclosure and accountability to all stakeholders through the existence of effective systems of self-regulation". The contents of DFCU's corporate governance charter aim at fostering a culture of compliance and best practice within the organisation and its subsidiary. As of December 2017, DFCU Bank was the second-largest bank in Uganda with an asset base \$821.6m and shareholders' equity of \$138m. The bank posted Shs114b in profit for the year ended December 31, 2017. However, in the recent events, increased complains about DFCU bank have led to the decline in the performance of the bank. According to Earth finds (2019), an online newspaper, by the end of December 2018 DFCU's share-prices sank 15% from UGX970 in July 2018 to UGX822.97. The bank also recorded growth in non-performing loans, majority of which were adopted from the Crane Bank toxic loan book (Semakula, 2018) In 2018, the total comprehensive income of the bank was Uganda shillings 60.8 billion in 2018, which was lower than the value posted in 2017 which amounted to UGX 119 billion. In addition, there was also a 5% decline in the assets of the bank in the financial year 2018 and this was due to repayment of borrowed funds on the one hand and taking over of Crane Bank due to the non-performance loans (Nabwiiso, 2019). By the close of January 31st 2019, DFCU shares further fell by 15.5%, closing at UGX695 per share. Overall, from 17th July 2018 to February 1st 2019, DFCU'S share price fell by 28.8. This worrying trend in the bank's performance resulted in the resignation of some top management.

LITERATURE REVIEW

From recent years, a plethora of literature has focused on the factors predicting the performance of the banking system. However, a look at the outcomes of the past studies reveals a non-uniformity in the results or put differently, and the findings show the lack of a single indicator for commercial banks' performance. As Bikker (2010) affirms, measuring the performance of banks is not a simple task in view of the fact that indicators vary. For example, some studies have adopted indirect measures of bank performance like efficiency whereas others employ observed parameters such as costs (e.g. cost-to-income ratio, Cost margin, Total costs/total income), profit (e.g. ROA, ROE, net interest margin etc.) or market share (number of branches, concentration. In this study, the researcher's postulation was that because being compliant with the law is one of the essences of the corporate world, corporate governance one of such tools for achieving the performance of commercial banks. This assertion is confirmed by Narayana (2009), who notes that unless corporate organisations embrace and demonstrate ethical conduct, the likelihood of succeeding in their activities tends to zero. Accordingly, several studies have been undertaken to determine the contribution of corporate governance on various organisational outcomes. Overall, most of the studies conducted in this direction show that factors determining organisational performance are complicated and the relative contribution of each element varies from one organisation to another. For the case of banking institutions, studies have explored the participation of both bank-specific and macro-economic factors as potential predictors of performance. In this study, however, attention was on establishing the performance with the effect of some of the core principles of corporate governance of the banking sector in Uganda with particular emphasis on DFCU bank. This chapter attempted to make a review of the literature about the influence of corporate governance on organisational performance, specifically focusing on corporate transparency and commitment to corporate governance as core principles of corporate governance.

Corporate governance and organisational performance: According to Chen (2019), corporate governance encompasses a system of rules, practices, and processes by which a firm is directed and controlled. It should be noted that corporate governance provides the framework for attaining a company's objectives, it is expected to result into organizational performance which in this study was defined following the conceptualization used by Richard et al. (2009) in which the concept is considered as the actual output or results of an organisation as measured against its intended outputs (or goals and objectives). According to these authors, the concept comprises three specific areas of firm outcomes, namely: (a) financial performance; (b) product-market performance and (c) shareholder return.

Numerous studies have explored the link between corporate governance to organisational performance using various indicators. Examples of such studies are summarized in this section. Ataur and Jahurul (2018) explored the impact of corporate governance practices on bank performance in commercial banks listed in the Dhaka Bangladesh Stock Exchange (DSE) throughout 2013-2017. In the results, they found the board of directors having a significant positive impact on ROA, ROE, and Earning per share (EPS). In a comparative study of the effect of corporate governance on firm's financial performance between USA and Pakistan, the measures of CG used by Ali (2016) included board's ownership, effectiveness, size and structure, its independency, CEO duality, board's education and experience whereas firm's financial performance was measured by the Return on Asset and Return on Equity. From the study, board ownership, board education and experience, effectiveness and CEO duality were positively related to the firm's performance. On the other hand, a survey by Matama (2008) showed that overall, corporate governance predicts 34.5 % of the variance in the general financial performance of Commercial banks in Uganda. According to him, openness and reliability were significant contributors to financial performance. In research carried out by Oghoghomeh and Ogbeta (2014), the indicators of corporate governance included ethical behaviour, corporate social responsibility, managers and board members' relationship. The dependent variable was banking performance, and in the findings, it was noted that weak corporate governance results in corporate failures. Heracleous (2001) focused on the role of CEO/Chair duality and insider/outsider composition in explaining organisational performance. In the analysis, the two dimensions of corporate governance were insignificant in predicting performance. Almost the measures had earlier been adopted by Duke and Kankpang (2011) in their study that sought to establish a nexus between corporate governance and organizational performance. These included board size, CEO status, reliability of financial reporting (RFR), audit committee, chief executive officers' status and code of corporate governance (CCG). All the corporate governance variables were found to be significant factors associated with ROA among Nigerian firms.

Corporate transparency and organization performance: A growing literature in the area of corporate governance has found corporate transparency as an influential factor in determining the performance of organizations. For this reason, Brown (2004) emphasizes that transparency plays a fundamental role in decreasing information asymmetry between the top management of an organization and financial stakeholders, thereby mitigating the agency problem in corporate governance. In this section, a review of past studies will be presented; these have delved into incorporating corporate transparency as one of the variables predicting the performance of organizations. In Uganda, Kimaite's (2016) study focused on establishing the influence of corporate governance on organizational performance in Stanbic Bank. Of particular relevance in this study, transparency was one of the explanatory variables used in estimating this influence. Others were accountability and board composition. In the results of a cases study design which comprised a sample size of 97 staff respondents selected using simple random sampling, the findings revealed a significant relationship between transparency and organizational performance and transparency was a predictor of bank performance. Likewise, accountability and board composition were also crucial in predicting the performance of the bank.

In their study about the influence of corporate transparency disclosure on financial performance among companies listed in East Africa, Muriithi, Mwangi & Ngumi (2018), four measures were adopted in analyzing transparency. These included financial transparency, risk transparency, social transparency and governance transparency. The results of both descriptive and correlation design for a sample of 65 listed companies, results exhibited a positive and significant relationship between all the four indicators of transparency against the outcome variable financial performance. While contributing to the same debate, Adeleke Akinselure & Oluwafemi (2017) studied the impact of financial reporting disclosure on the performance of quoted companies in Nigeria. The researchers used the transparency of financial reporting as a proxy for financial disclosure. Based on a sample of purposively selected firms, the researchers reported a linearly positive and significant association between transparency of financial reporting and profit after tax. In view of these findings, one of the policy implication was that management of the quoted organization should ensure they adopt best practices in financial reporting disclosure.

Commitment to corporate governance and organisational performance: The debate on the influence commitment to corporate governance on organisational performance is relatively recent and hard to find in the banking industry. As such, not much has been written about this relationship. Most of the studies have mainly explored the role of three dimensions of commitment (affective, normative and behavioural commitment) to organisational performance with few attempts being made to assess how commitment to corporate governance relates to performance. As indicated in the background, commitment to corporate governance, according to the OECD (2004) is an array of the relationships between a company's management, its Board, its shareholders and other stakeholders. Fazli, Manzoor and Nasir (2015) based their study on a sample of 130respondents to study the relationship between corporate governance structure and firm performance. The respondents included middle and top-level managers of 130 Karachi Stock Exchange (KSE) listed firms. In the results of the regression analysis, it was discovered that commitment to corporate governance, has a significant positive relationship with firm performance. According to the findings, commitment to corporate governance was the primary dimension of corporate governance with the most considerable influence on firm performance.

Shamsi (2015) investigated the effect of the application of Corporate Governance (CG) codes on the performance of Jordanian public shareholding banks. The study sought a survey to disclose the application of Corporate Governance guidelines issued by Amman Securities Commission as an indicator to measure the implementation of CG, which contains six sets of rules. It was established that commitment to corporate governance was among the significant factors associated with performance. Saiful (2017) analysis found evidence of a relationship between board ethical commitment and company performance. In addition, the board ethical commitment enhanced the relationship between corporate governance and corporate performance. Another study was conducted among Jordanian banks by Fazli, Manzoor and Nasir (2015) with a purpose of investigating the relationship between banks commitment to corporate governance and their performance. According to the outcome of the survey-based research which involved a sample of 300 middle and top-level managers of 130 Karachi Stock Exchange (KSE) listed firms, results of the regression analysis showed commitment to corporate governance as one of the parameters with a predictive power of explaining firm performance.

In summary, most of the empirical evidence provided in this chapter provide a positive relationship between the dimensions of corporate governance and firm performance an indication that each of the two CG practices is crucial in differentiating successful from unsuccessful organisations. It is, however, essential to note that albeit studies have been conducted in the field of corporate governance, a synthesis of the literature points to the notion that most of the emphasis is centred on institutions in developed or emerging economies and therefore, the same is still in nascent stages in developing countries. organisational performance, especially the banking sector.

METHODOLOGY

The methodology followed in conducting the study. In particular, the chapter presents the research design, study population, sample size and sampling techniques. It also presents the methods used in data collection, quality control techniques, data analysis techniques and specification of the econometric model

Research Design: The research was conducted using a cross-sectional survey design. This design was employed because it enables the researcher to collect a lot of information from several respondents at one point in time (Mugenda & Mugenda, 2003).

Study Population: A population is defined as an entire group of individuals, events or objects having a common observable characteristic Mugenda and Mugenda (2003). On the other hand, a study population is defined by Kothari (2006) as the entire set of individuals or items that are described in the study as being the area of research and which the researcher is trying to observe their characteristics or behaviour. Businge (2017) reports that as of 30 June 2017, DFCU Bank operated 67 branches spread in different parts of the country.
Therefore, the target population the staff for the 67 branches operated by DFCU in Uganda.

Method of Data Collection: Since the study was basically dealing with perceptions, data collection was done using a closed-ended questionnaire for the aspects of corporate governance considered in this study and items relating to bank performance. The questionnaire method was chosen because it has the advantage of eliciting a lot of information within a short time (Amin, 2005). Using questionnaires extracts the relevant information, and is a less costly method. It is also suitable for confidentiality purposes. The mode of data collection involved the use of an online questionnaire which was sent to the staff in different branches. Preference for using an online questionnaire was because of the enormous advantages associated with this approach. They are, for instance, faster to collect because of instant responses compared to traditional research methods. The automatic collection of data is the data saves the researcher's time associated with waiting for research assistants to return the completed questionnaires. Besides, online questionnaires are cheaper as there are no costs incurred in printing hard copies and expenses incurred in data entry because responses are processed automatically.

These responses were based on a five-point Likert scale in which respondents were required to tick the alternative that best described their opinion. The closed-ended questionnaire was used because it was easy to quantify and analyse (Mugenda & Mugenda, 2003). In addition, the participants from whom this information was collected were literate hence, quick and relevant information was obtained. From the extensive review of related literature on both the independent and the outcome variable, the questionnaire was developed. In addition, ethical guidelines were adhered to, and the confidentiality of all individual questionnaires was guaranteed. The questionnaire copy is and shown in Appendix 1. The data quality control was employed to check the validity and reliability of the questionnaire.

Validity: Amin, 2005. Refers to Validity as the accuracy and truth of the data and findings that are produced. In this study, the questionnaire was correctly designed according to the objectives in which the items in the research tool represented a particular construct of the dimensions of corporate governance and the indicators of financial and non-financial measures of bank performance. These were subjected to construct validity using principal component analysis. The overall aim was to confirm that each question on the dimensions of corporate governance correctly loads onto that construct and items assessing the outcome variable load onto bank performance. When the factor loading is less than 0.3, this indicates that the item does not fit well with other things in its component and was therefore discarded in the analysis

Reliability: Cronbach's alpha coefficient was accessed to attain the reliability of the questionnaire, which gives the average correlation of items in the instrument. Following Nunnally (1978), the reliability of the instrument was evaluated using Cronbach's Alpha Coefficient (α), and the tool was found to be reliable when the alpha value was equal or above 0.7.

Data analysis: Responses from the online questionnaire were exported to Statistical Package for Social Sciences (SPSS 21) for analysis. The analysis at the univariate level involved the presentation of findings in the form of frequency tables and graphs with percentages. At the bivariate level, Pearson correlation coefficient was used to establish whether a linear relationship exists between corporate transparency and commitment to corporate governance and the dependent variable bank performance. A multiple regression analysis was subsequently employed to test whether the performance of DFCU was significantly predicted by the two dimensions of corporate governance

Model specification: Since the study examines the influence of corporate governance on bank performance, this means that the independent variable is the former while the latter is the dependent variable. Accordingly, in the form of an equation, the econometric model took the following form.

Where
Yi=Dependent variable bank performance
=Constant
β1-2=Coefficient of the explanatory variables
X1-2=Explanatory variables (Transparency and Commitment to Corporate Governance)
ε=Random disturbance term capturing the other factors explaining bank performance other than the ones specified in the model

Data presentation, analysis and interpretation: The chapter presents the findings as per the objectives which sought to address the knowledge-gap by a. establishing the effect of transparency in financial management on the performance of DFCU bank; b. examining the effect of commitment to corporate governance on the performance of DFCU and c. finding out the influence of social and environmental aspects on the performance of DFCU bank. Being a major pillar on which bank performance is hinged, corporate governance has become a major pillar on which the performance of commercial banks can be achieved. In this study, the researcher's postulation was that transparency in financial management, commitment to corporate governance and corporate social responsibility are some of the major dimensions of corporate governance that can improve or lead to deteriorating performance of banks and in this context,

Table 1.1 Respondents' background information

		Freq	Percent
Gender	Female	113	45.2%
	Male	137	54.8%
Academic Qualifications:	Diploma	11	4.4%
	Bachelors	139	55.6%
	Masters	79	31.6%
	PhD	21	8.4%
Position / responsibility:	Junior staff	49	19.6%
	Managerial staff	71	28.4%
	Senior Staff	93	37.2%
	Member BOD	18	7.2%
	Other	19	7.6%
Length of Service with DFCU:	Below 5 years	95	38.0%
	5-9 years	144	57.6%
	10 years+	11	4.4%
Average age	36.09±9.52 Min =20 Max=66		
Average years in the current position	6.06±4.0 Min =1 Max=27		

DFCU bank. In the sample which constituted 250 staff of DFCU bank, the distribution of respondents by gender shows that males are the dominant category of staff working in the different branches of DFCU. These were in total represented by 137 (54.8%) while females were 113 (45.2%). The highest level of academic attainment obtained by the majority of the respondents 139(55.6%) was a Bachelor Degree. These were followed by individuals whose highest level of education was a master's degree 79 (31.6%). PhD holders constituted 8.4% of the entire sample while the lowest level of education was a Diploma, and under this category, there were only 11 (4.4%) participants. The different positions of responsibility occupied by the staff included senior staff 93(37.3%), managerial 71(28.45) junior staff 47 (19.6%), members of Board of governors 18(7.25) and others 9(7.6%). In relation to the length of service with the bank, results show that over half of the participants in the study had a working experience of 5-9 years and above and their total was 144 (57.6%). The average age was 36.09±9.5, the minimum being 20 while the maximum age was reportedly 66 years. Within the different positions they occupied, the mean number of years spent in their respective position was on average 6.06 ± 4.0 years with 1 and 27 being the minimum and the maximum number of years a member of staff had spent in the current designation by the time this research was carried out.

Financial indicators of bank performance: Respondents were asked to indicate whether the performance of the bank was very poor, poor, fair, good or very good. In the first table, the descriptive statistics for financial indicators are presented. These are then followed with the responses on non-financial indicators of performance. Going by the perceptions of respondents as indicated in the above table, it can be said that DFCU'S financial performance has been fair. This is in view of the descriptive statistics in which for all the four indicators, most of the respondents (over 50%) chose a fair response. From the table, Return On Average Assets (ROAA) had the highest percentage of responses with is rating (59.2%) followed by return on Assets (ROA) with a percentage of (58.4%) ROE and CAR had 56.0% and 54.4% respondents who described the performance as being fair. Slightly above a quarter described the performance as being good. This was particularly in reference to CAR (31.2%), ROE (30.45), (29.2%) and lastly ROA (28.4%). Taking the average rating of performance, the highest mean was that of ROE (3.44 ±0.7) followed by ROAA and CAR (3.43 ± 0.7) and lastly ROA (3.39 ± 0.7). The mean values corroborate the frequencies were it had been established that a mean value of 3 implied fair performance.

Non-financial measures of bank performance: For non-financial measures of performance, the research explored the responses and perceptions of DFCU's staff with regard to how they rated the performance in different aspects. Table 4.3 presents a description of respondents' views in different dimensions. Like in the results for financial performance, the responses on non-financial indicators do not largely differ. This is because a fairly large number of the respondents were of the opinion that DFCU's performance has been fair over the years. This was particularly on six constructs which included market share (52%), market penetration (50%) mobile banking (42.8%), E-banking (40.8%), number of internet products (34.8%) and customers (35.6%). In some other dimensions, the performance was rated as being good. Notable among these was staff skill and competence to handle customers (52.4%) including their speed and responsiveness for customers (43.2%), staff appearance and friendliness towards customers (44.4%), confidentiality of customer data (43.6%), response time (43.6%) and customer retention (42.0%). It was however noted that in three measures, the performance of the bank was poor. This was in relation to IT usage (32.8%), the number of internet products was more than a quarter stated that the performance was poor. A look at the mean responses on the dimensions of non-financial performance shows that all were ranging from 3 and above which suggest that the responses of participants were either fair or good on the different non-financial indicators of DFCU's performance.

Transparency in financial management: The first objective sought to determine the role of transparency in financial management in influencing the performance of DFCU Uganda Limited. It was operationalized with twelve indicators on which the bank's staffs were asked to give their independent opinions to each of the different aspects. a 5-point Likert scale was used for the responses.The rating of strongly disagree (1) to strongly agree (5). The results arising from their responses are descriptively presented in Table 4.4 with frequencies and percentages, including means and standard deviations. From the findings, transparency is particularly more exhibited in auditing where the majority of the respondents reported that the financial environment of the bank is audited by a third party and this was emphasized by 85.2% (mean 3.94 ± 0.6) of the respondents. The second aspect of transparency which received a higher rating from the respondents was in relation to exercising of financial control through supervision in the processing of opening and operation of all bank accounts. In this area, 83.6% expressed agreement, 11.6% were not sure, while only 4.8% had negative sentiments about this claim. As part of ensuring transparency, it was also discovered that the bank has put in place internal mechanisms to solve grievances for different stakeholders and organizations as 80% intimated.
Findings from the majority of the staff further show that apart from discussing the bank's risk management system in the annual report (79.25%), the supervisors of the bank have also

Table 1.2. Responses on financial indicators of performance

	Very poor		Poor		Fair		Good		Very good		Mean	StD
Return on Assets (ROA)	1	0.4%	12	4.8%	146	58.4%	71	28.4%	20	8.0%	3.39	0.7
Return on Equity (ROE)	1	0.4%	10	4.0%	140	56.0%	76	30.4%	23	9.2%	3.44	0.7
Return on Average Assets (ROAA)	0	0.0%	8	3.2%	148	59.2%	73	29.2%	21	8.4%	3.43	0.7
Capital Adequacy Ratio (CAR)	1	0.4%	13	5.2%	136	54.4%	78	31.2%	22	8.8%	3.43	0.7

Table 1.3. Responses on non-financial measures of DFCU' performanance

	Very poor		Poor		Fair		Good		Very good		Mean	StD
Market Share	0	0.0%	4	1.6%	130	52.0%	92	36.8%	24	9.6%	3.54	0.7
Market Penetration (Growth Rate)	1	0.4%	6	2.4%	125	50.0%	90	36.0%	28	11.2%	3.55	0.7
Staff Availability for Customers	1	0.4%	3	1.2%	94	37.6%	108	43.2%	44	17.6%	3.76	0.8
Staff Speed and Responsiveness for Customers	0	0.0%	5	2.0%	90	36.0%	117	46.8%	38	15.2%	3.75	0.7
Staff Skill and Competence to Handle Customers	0	0.0%	1	0.4%	72	28.8%	131	52.4%	46	18.4%	3.89	0.7
Staff Appearance and Friendliness towards Customers	2	0.8%	3	1.2%	96	38.4%	111	44.4%	38	15.2%	3.72	0.8
Mobile Banking/Telebanking	6	2.4%	37	14.8%	107	42.8%	78	31.2%	22	8.8%	3.29	0.9
Confidentiality of Customer Data	1	0.4%	12	4.8%	70	28.0%	109	43.6%	58	23.2%	3.84	0.8
Response Time	1	0.4%	8	3.2%	92	36.8%	109	43.6%	40	16.0%	3.72	0.8
E-banking ATM, RTGS, ECS, EFT, Internet Banking, etc.	3	1.2%	61	24.4%	102	40.8%	50	20.0%	34	13.6%	3.20	1.0
IT Usage	22	8.8%	82	32.8%	84	33.6%	34	13.6%	28	11.2%	2.86	1.1
No. and Percentage of Internet Product (Internet Banking)	22	8.8%	79	31.6%	87	34.8%	43	17.2%	19	7.6%	2.83	1.1
No. of Internet Customers	22	8.8%	82	32.8%	89	35.6%	41	16.4%	16	6.4%	2.79	1.0
Customer Retention	2	0.8%	11	4.4%	93	37.2%	105	42.0%	39	15.6%	3.67	0.8

Table 1.4 Responses on transparency in financial management.

	SD		D		NS		A		SA		Mean	StD
The bank's financial environmental is audited by a third party.	1	0.4%	7	2.8%	29	11.6%	182	72.8%	31	12.4%	3.94	0.6
Financial statements are prepared in line with internationally recognized accounting standards.	0	0.0%	11	4.4%	53	21.3%	149	59.8%	36	14.5%	3.84	0.7
DFCU has an internationally recognized accounting and auditing system is in place.	1	0.4%	6	2.4%	54	21.6%	153	61.2%	36	14.4%	3.87	0.7
Financial controls are exercised through supervision over the opening and operation of all bank accounts.	0	0.0%	12	4.8%	29	11.6%	165	66.0%	44	17.6%	3.96	0.7
Financial controls are exercised through systematic training of financial officers on their accountability.	2	0.8%	7	2.8%	50	20.0%	155	62.0%	36	14.4%	3.86	0.7
The bank publishes meaningful quarterly reports.	5	2.0%	19	7.6%	49	19.6%	139	55.6%	38	15.2%	3.74	0.9
Regular financial analyst meetings are held (e.g. quarterly).	3	1.2%	12	4.8%	43	17.2%	157	62.8%	35	14.0%	3.84	0.8
Bank supervisors impose banks rules for public risk disclosure to improve banks' transparency.	4	1.6%	8	3.2%	43	17.2%	159	63.6%	36	14.4%	3.86	0.8
The bank has an internal grievance mechanism for stakeholders and social organisations.	1	0.4%	12	4.8%	37	14.8%	163	65.2%	37	14.8%	3.89	0.7
The Annual Report discusses the bank's risk management system and its corporate governance practices.	1	0.4%	11	4.4%	40	16.0%	156	62.4%	42	16.8%	3.91	0.7
The bank publishes the names of companies and governments in which it invests.	2	0.8%	15	6.0%	50	20.0%	145	58.0%	38	15.2%	3.81	0.8
The bank publishes, with regard to its investments in corporate bonds, the names of the companies invested in.	3	1.2%	9	3.6%	54	21.6%	153	61.2%	31	12.4%	3.80	0.7

Table 1.5. Responses on DFCU's commitment to CG

	SD		D		NS		A		SA		Mean	StD
The bank has a written corporate governance (CG) policy or manual that deals comprehensively with corporate governance issue.	1	0.4%	13	5.2%	70	28.0%	138	55.2%	28	11.2%	3.72	0.7
The Corporate governance issues are discussed in the Annual report of the bank.	1	0.4%	7	2.8%	37	14.8%	168	67.2%	37	14.8%	3.93	0.7
The Corporate governance code or manual specify the major stakeholders, whose interests must be taken into account.	1	0.4%	5	2.0%	56	22.4%	152	60.8%	36	14.4%	3.87	0.7
The Corporate governance policy or manual is easily available to the staff of DFCU.	2	0.8%	16	6.4%	59	23.6%	133	53.2%	40	16.0%	3.77	0.8
There is an identified officer of the bank tasked with the responsibility of ensuring that the bank follows its own Cooperate Governance policy or manual.	0	0.0%	8	3.2%	50	20.0%	157	62.8%	35	14.0%	3.88	0.7
The core values of the bank (e.g. neutrality, fairness, efficiency, etc.) are communicated in writing to employees (e.g. pamphlets, employment contracts, etc.)	3	1.2%	10	4.0%	38	15.2%	151	60.4%	48	19.2%	3.92	0.8
The core values of the bank include in induction training courses for employees.	2	0.8%	5	2.0%	46	18.4%	155	62.0%	42	16.8%	3.92	0.7
The core values of the bank are included in ongoing communications to employees? (e.g. through speeches, ongoing training courses, etc.)	1	0.4%	6	2.4%	43	17.2%	152	60.8%	48	19.2%	3.96	0.7
There is a clear and transparent corporate governance framework for which the bank provides adequate disclosure.	1	0.4%	12	4.8%	34	13.6%	169	67.6%	34	13.6%	3.89	0.7
Appoval of the annual calender of corporate events (e.g shareholders' meetings and board meetings)by Senior management and the board	2	0.8%	3	1.2%	46	18.4%	162	64.8%	37	14.8%	3.92	0.7

Table 1.6 Responses on the Social and environmental aspects

	None		Little		Some		Much		Very much		Mean	StD
Participation in activities aimed at protecting, preserving and improving the quality of the natural environment.	0	0.0%	11	4.4%	91	36.4%	121	48.4%	27	10.8%	3.66	0.7
Help with social causes such as education, culture, sports, housing, health, poverty.	0	0.0%	6	2.4%	75	30.0%	137	54.8%	32	12.8%	3.78	0.7
Collaboration with stakeholders to find solutions to social problems.	0	0.0%	11	4.4%	76	30.4%	129	51.6%	34	13.6%	3.74	0.7
Collaboration with the community in activities of mutual interest for example developing the community, Curbing down crimes etc.	2	0.8%	10	4.0%	61	24.4%	138	55.2%	39	15.6%	3.81	0.8
Ability to steer new developments effectively through public consultation processes.	2	0.8%	4	1.6%	67	26.8%	136	54.4%	41	16.4%	3.84	0.7
Encouraging its employees to participate in voluntarily activities for example Cleaning the community with the locals, Attending community meetings etc.	1	0.4%	10	4.0%	68	27.2%	133	53.2%	38	15.2%	3.79	0.8
Implementation of special programs to minimize its negative impact on the natural environment.	1	0.4%	9	3.6%	67	26.8%	135	54.0%	38	15.2%	3.80	0.7
Targeting sustainable growth which considers future generations.	0	0.0%	4	1.6%	75	30.0%	134	53.6%	37	14.8%	3.82	0.7
Provision if full and accurate information about its products to customers.	2	0.8%	7	2.8%	64	25.6%	139	55.6%	38	15.2%	3.82	0.7
Making investments to create a better life for future generations.	0	0.0%	3	1.2%	61	24.4%	144	57.6%	42	16.8%	3.90	0.7
Bank policies encouraging employees to develop their skills and careers.	1	0.4%	5	2.0%	68	27.2%	133	53.2%	43	17.2%	3.85	0.7

Table 1.7. Correlation between Transparency in financial management and Overall performance of DFCU

		Transparency in financial management	Overall performance of DFCU
Transparency in financial management	Pearson Correlation	1	.464**
	Sig. (2-tailed)		.000
	N	250	250
Overall performance of DFCU	Pearson Correlation	.464**	1
	Sig. (2-tailed)	.000	
	N	250	250

The Correlation is significant at the 0.01 level (2-tailed).

Table 1.8. Correlation between Commitment to Corporate Governance and Overall performance of DFCU

		Commitment to Corporate Governance	Overall performance of DFCU
Commitment to Corporate Governance	Pearson Correlation	1	.461**
	Sig. (2-tailed)		.000
	N	250	250
Overall performance of DFCU	Pearson Correlation	.461**	1
	Sig. (2-tailed)	.000	
	N	250	250

At 0.01 level (2-tailed) Correlation is significant

Table 1.9. Correlation between Social and environmental aspects and Overall performance of DFCU

		Corporate Social Responsibility	Overall performance of DFCU
Corporate Social Responsibility	Pearson Correlation	1	.555**
	Sig. (2-tailed)		.000
	N	250	250
Overall performance of DFCU	Pearson Correlation	.555**	1
	Sig. (2-tailed)	.000	
	N	250	250

The Correlation is significant at the 0.01 level (2-tailed).

Table 1.10 Multiple regression summarising the influence of corporate governance on the the performance of DFCU

Model		Unstandardized Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.549	.261		2.105	.036
	Transparency in financial management	.167	.086	.140	1.934	.054
	Commitment to Corporate Governance	.193	.081	.169	2.384	.018
	Social and environmental aspects	.397	.062	.396	6.427	.000
	F-value=46.674 p-value=.0000					
	R-squared=.363					

imposed banks rules for public disclosure as one of the mechanisms for improving the bank's transparency. This was reported by more than three-quarters of the respondents (78%) in the entire sample. This has mainly been ensured by among other things holding regular financial analysis meetings (76.8%), systematic training of financial officers on their accountability roles (76.9%), having in place an internationally recognized accounting and auditing system (75.6%) including the preparation of financial statements in line with internationally recognized accounting standards as 74.3% of the respondents averred. In the table, only three items received a slightly less favourable response. Although still on the agreement side of the categorization of the responses, their percentages were comparably low in relation to the ones in the preceding paragraphs. These included the bank's publication of investment in government securities such as corporate bonds (73.65), publishing the names of government and companies in which it invests (73.2%) and publication of meaningful quarterly reports (70.8%). The above findings show the areas where DFCU's strength is in relation to transparency and those aspects of where financial transparency was relatively wanting in the perspective of the bank's staff. These findings give possible directions which the bank can follow to further augment the much-acclaimed level of strong transparency that has been exhibited. The question, however, that begs for an answer is: To what extent does transparency in financial management influence the level of DFCU's performance? To provide plausible answers to this question, the index for the mean responses on transparency were correlated with those of performance in order to determine whether the variables have a significant connection with each other and the direction of relation (positive or negative). The empirical results emerging from the analysis were later presented in the section of hypothesis verification.

Responses on commitment corporate governance: Performance of Commercial Banks was hypothesised to be dependent on the level of banks commitment to corporate governance. Thus in measuring commitment to corporate governance, some of the indicators of commitment to corporate governance as indicated in the literature were included in the questionnaire. Respondents were asked to indicate their level of agreement or disagreement with each of the different constructs. The responses were based on a 5 point Likert scale rating of strongly disagree (1) to strongly agree (5). The responses provided a glimpse of how commitment to CG is practised in the different branches of DFCU spread in the regions of the country. Table 1.5 provides a summary of the responses. The major aspect which the Bank's efforts are geared to in terms of CG happens to be the inclusion of the bank's core values in the ongoing communication to employees through speeches, ongoing training courses and others. On this construct, the mean was 3.96±0.7, which by implication show that respondent agreed. The study notes that corporate governance issues are always discussed in the annual report of the Bank (3.93 ± 0.7). Findings further show that in addition to the inclusion of core values of the bank in induction training of employees (3.92±0.7), the core values of the bank such as neutrality, fairness, efficiency are communicated in writing (3.92 ± 0.7). Other areas in which CG was reported of higher priority of the Bank was in relation to having a clean and transparent corporate governance framework for which the bank provides adequate disclosure (3.89 ± 0.7), tasking a special person with duty of ensuring that the bank follows its own CG policy/manual (3.88 ± 0.7), which among others specifies the major stakeholders whose interests must be taken into account (3.87 ± 0.7) and having the manual easily accessed by all the staff of the bank (3.77 ± 0.8). This manual, as the findings show comprehensively deal with issues of CG (3.72 ± 0.7).

Responses from Social and environmental aspects: On being asked to comment on the bank's implementation of social programs to minimize its negative impact on the natural environment, slightly more than a half (34.0%) opined that to a much extent, the bank's involvement in this area is much felt while 15.2% were of the view that its very much felt. Above a quarter (26.8%) were, however of the opinion that DFCU is involved in this area to some extent. It was also indicated that in the quest to ensure the growth which ensures future generations, 53.6% reported that the bank is much involved and this among other things seen and much (57.6%) witnessed in its involvement in making investments aimed at creating a better life for future generations.

Verification of the hypotheses: Having obtained the responses pertaining to both the dependent and independent variables, the study sought to determine whether the three dimensions of the independent variable have any significant influence on the dependent variable. Both the Pearson correlation and regression tests were employed. Specifically, the former was used to find out whether a linear relationship exists between the independent and the dependent variable. On the other hand, the use of regression analysis was because the researcher wanted to go beyond establishing linear connections by exploring the extent to which the performance of the bank is predicted by a combination of the three dimensions of the independent variable. Results in table 1.7 above show a positive relationship between transparency in financial management and Overall performance of DFCU as shown by the positive value of the correlation coefficient of .464 with a corresponding sig-value of .000 which is less than the level of significance 0.01. Since the p-value (0.000) is less than 0.01, the influence is significant. This implies that employees whose perceptions of Transparency in financial management were positive were also likely to report higher levels of bank performance. Accordingly, evidence derived from the table shows that improvement in transparency has a significant role it plays in increasing the performance of the bank.

Correlation between Commitment to Corporate Governance and Overall performance of DFCU: The hypothesis was that commitment to CG significantly influences the performance of DFCU. This hypothesis was also verified using a Pearson correlation in Table 1.8. Results in Table 1.8 show a positive relationship between Commitment to Corporate Governance and Overall performance of DFCU. This indicated by the value of the correlation coefficient equal to 0.461, implying a positive nature of the relationship that exists between the two variables. The sig-value of this relationship was 0.000. Since this value is less than 0.01, the outcome of the analysis strongly confirms the existence of a significant positive relationship between the Commitment to Corporate Governance and Overall performance of DFCU. This implies that bank performance is high where CG is discussed in the Annual report, CG policy or manual is easily available to the staff, core values of the bank are communicated in writing to employees

Correlation between Social and environmental aspects and Overall performance of DFCU: The third hypothesis was that Social and environmental aspects significantly influences the performance of DFCU. Like in the previous analyses, the third hypothesis was also tested using a Pearson correlation coefficient analysis. Results from Table 1.9 show the existence of a positive and significant relationship between social and environmental aspects and Overall performance of DFCU. The obtained correlation coefficient of .555 with a significance value of .000, explains the positive nature of the relationship that exists between the two variables. This implies that in situations where the bank put in place measures that improve Social and environmental aspects, the chances are high that its performance in terms of both financial and non-financial indicators will be high.

Results of the multiple regression analysis: The results of the bivariate analysis do not provide conclusive evidence regarding the determinants of any phenomenon, because such analysis only depicts a one on one relationship between two variables, whereas in reality hosts of factors play their role simultaneously. For that reason, the multiple regression analysis procedures were applied to determine how the three explanatory variables affect the dependent variable. The regression model was constructed in a way that it defines bank performance as a function of three sets of independent variables, namely: transparency in financial management, Commitment to Corporate Governance and Social and environmental aspects. The interest was in finding the magnitude to which each of the predictor variables accounts for the dependent variable and the significance of the explanatory variables. Results from this analysis are shown in Table 1.10. Results of the regression analysis in Table 1.10 show the value of R-squared equal to 0.363 which implies that holding other factors constant 36.3% of the overall variance in the overall performance of DFCU is explained by CG. Like in the results of the Pearson correlation, the coefficient of transparency in financial management was positive (β =.167) although insignificant (0.054>0.05) which means that transparency in financial management has a non-significant influence on bank performance. This led to accepting the null hypothesis that; Transparency in financial management does not significantly influence the performance of DFCU. In the regression analysis as indicated in the table, the coefficient of Commitment to Corporate Governance took a positive value which was also significant suggesting a significant influence of Commitment to Corporate Governance on the bank performance (β =0.167, p=0.018). This supports hypothesis two, which stated that “Commitment to CG significantly influences the performance of DFCU”.

Turning to Social and environmental aspects, its coefficient was also positive (β =0.397),which means that Social and environmental aspects positively moves hand in hand with the performance of DFCU. The same coefficient was statistically significant since the p-value of .000 was less than the level of significance (.000<0.01). The outcome of this empirical analysis also led to the rejection of the null hypothesis in favour of the alternative, which stated that Social and environmental aspects significantly influences the performance of DFCU. By and large, the inference derived from the results of the Pearson correlation and regression analysis is that bringing about Overall performance of DFCU highly depends on improvement in transparency, commitment to CG and Social and environmental aspects. The column for Standardized Coefficients shows the relative importance of the three parameters in predicting the dependent variable. In order of importance, Social and environmental aspects play the highest role in predicting the dependent variable because it has the highest value of the coefficient (0.396). This is followed by commitment CG with a value equal to 0.169, while transparency in financial management came last with 0.140. This, therefore, means that the management of the bank needs to understand what constitutes a good CG in order to improve bank performance.

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